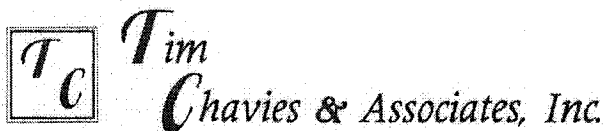


Annual Financial Report

**The Henrylyn Irrigation District**

Keenesburg, Colorado

For the Year Ended December 31, 2021



*Certified Public Accountants*  
*1707 61st Avenue, Suite 101*  
*Greeley, Colorado 80634*  
*(970) 356-2284 / Fax (970) 353-9701*

# **THE HENRYLYN IRRIGATION DISTRICT**

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December 31, 2021

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Henrylyn Irrigation District  
Keenesburg, Colorado

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of The Henrylyn Irrigation District, State of Colorado as of and for the years ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Henrylyn Irrigation District, State of Colorado as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Henrylyn Irrigation District, State of Colorado, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Henrylyn Irrigation District, State of Colorado's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Henrylyn Irrigation District, State of Colorado's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Henrylyn Irrigation District, State of Colorado's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 28-30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Tim Chavies & Associates, Inc.*

Greeley, Colorado  
April 29, 2022

Tim Chavies & Associates, Inc.  
Certified Public Accountants

**THE HENRYLYN IRRIGATION DISTRICT**  
**29490 County Road 14**  
**Keenesburg, Colorado 80643**  
**(303) 536-4702**

Management's Discussion and Analysis  
December 31, 2021

The management's discussion and analysis (MD&A) of The Henrylyn Irrigation District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year. It should be read in conjunction with the accompanying basic financial statements. When available, the District has included comparative analysis of such data.

**Financial Highlights**

- The District's total net position increased \$4,703,380 or 30.89% between 2021 and 2020.
- Total revenues were \$6,518,198 in 2021 compared to \$3,483,521 in 2020, an increase of \$3,034,677 or 87.12%.
- Total administrative and general expenses were \$1,476,073 in 2021 compared to \$1,852,462 in 2020, a decrease of \$376,389 or 20.32%.
- The District's note to the Colorado Water Conservation Board was paid in full on March 10, 2021.

**Overview of the Financial Statements**

The discussion and analysis serve as an introduction to The Henrylyn Irrigation District's basic financial statements which are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the basic financial statements, and 4) other required supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** are comprised of the Statement of Net Position and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the District's finances utilizing the full accrual method of accounting.

**The Statement of Net Position** presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, including capital assets and long-term liabilities with the difference between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**The Statement of Activities** presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include only the general government. The District does not have any business-type activities or component units.

**Fund Financial Statements** focus on current available resources and are organized and operated on the basis of funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the District can be divided into three categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements utilize the modified accrual basis of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as on balances on spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District only maintains one governmental fund (operating) and adopts an annually appropriated budget for this governmental fund. Budgetary comparison statements for the governmental fund are required to be presented and are included as part of the other supplementary schedules of this report.

The District does not have any **Proprietary Funds or Fiduciary Funds**.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** includes certain required supplementary information containing budgetary comparison schedules of revenues, expenditures and changes in fund balances for all funds.

**Government-Wide Financial Analysis**Condensed financial information from the **Statement of Net Position:**

<b>December 31.</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current	\$ 10,211,989	\$ 6,639,364
Noncurrent	-	142,425
Capital assets, net	10,494,866	10,239,403
<b>Total Assets</b>	<b>20,706,855</b>	<b>17,021,192</b>
<b>Deferred Outflows</b>	-	-
<b>Liabilities</b>		
Long-term debt outstanding	-	1,479,235
Other liabilities	776,677	251,412
<b>Total Liabilities</b>	<b>776,677</b>	<b>1,730,647</b>
<b>Deferred Inflows</b>	-	63,747
<b>Net Position:</b>		
Net investment in capital assets	10,494,866	8,708,285
Restricted - debt	-	78,678
Unrestricted	9,435,312	6,439,835
<b>Total Net Position</b>	<b>\$ 19,930,178</b>	<b>\$ 15,226,798</b>

Net position of the District was affected by 5K Agreement money being received from FRICO, increase in sale of water, permits revenue, long-term debt decreasing by principal payments and net capital assets increasing due to actual purchases of new capital assets being more than depreciation.

Condensed financial information from the **Statement of Activities:**

<b>December 31.</b>	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>		
Operating revenues	\$ 583,904	\$ 586,616
Other revenues	5,919,408	2,862,039
Earnings on investments	14,886	34,866
<b>Total Revenues</b>	<b>6,518,198</b>	<b>3,483,521</b>
<b>Expenses:</b>		
Administrative and general	1,476,073	1,852,462
Depreciation	438,468	428,425
Interest on debt	8,674	27,232
<b>Total Expenses</b>	<b>1,923,215</b>	<b>2,308,119</b>
<b>Other Financing Sources (Uses):</b>		
Proceeds on sale of assets	108,397	5,679
<b>Total Other Financing Sources (Uses)</b>	<b>108,397</b>	<b>5,679</b>
<b>Net Change in Net Position</b>	<b>4,703,380</b>	<b>1,181,081</b>
Net Position - beginning of year	15,226,798	14,045,717
<b>Net Position - end of year</b>	<b>\$ 19,930,178</b>	<b>\$ 15,226,798</b>

The Net Position of the District increased by \$4,703,380 during 2021. The increase compared to prior year was due to amounts received for sale of water of \$2,210,243 compared to \$313,616, permits revenue of \$480,500 compared to \$76,667, 5K Agreement money of \$2,852,062 compared to \$2,226,808 and purchase of capital assets and depreciation on capital assets.

## Governmental Funds Financial Analysis

**Governmental funds.** All of the District's functions are reported in the general (operating) fund. The focus of this fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of its fiscal year.

**Proprietary and Fiduciary funds.** As mentioned earlier, the District does not have any of these types of funds.

## Budgetary Highlights

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. Budget and actual comparison schedules are provided in the other supplementary information section of this report. The budget and actual comparison schedules show the original adopted budget, the final revised budget, actual results, and variance between the final budget and actual results for the general (operating) fund, the only fund of the District.

There were differences from the original adopted and the final revised budget due to additional appropriations being passed.

<b>Fund</b>	<b>Original</b>	<b>Additional</b>	<b>Revised</b>
Governmental	\$ 3,450,577	\$ 750,000	\$ 4,200,577
<b>Total</b>	<b>\$ 3,450,577</b>	<b>\$ 750,000</b>	<b>\$ 4,200,577</b>

## Capital Assets and Debt Administration Capital Assets (Net of Depreciation)

<b>December 31.</b>	<b>2021</b>	<b>2020</b>
Water stocks	\$ 71,500	\$ 71,500
Irrigation system	8,949,838	8,622,805
Rights of way	-	-
Building and improvements	913,170	940,330
Equipment	558,346	600,797
Office furniture and equipment	2,012	3,971
Construction in progress	-	-
<b>Total</b>	<b>\$ 10,494,866</b>	<b>\$ 10,239,403</b>

Capital assets – net of depreciation increased during 2021 due to capital outlay of \$704,624 (assets acquired) and depreciation of \$438,468. See Note 4 for further discussion.

## Long-Term Debt

<b>December 31.</b>	<b>2021</b>	<b>2020</b>
State of Colorado - CWCB	\$ -	\$ 1,531,118
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,531,118</b>

Long-term debt was paid in full on March 10, 2021.

**Economic Factors**

The District's revenues are not generally dependent on economic factors. Approximately eleven percent of the District's revenues are from the collection of a per acre water tax levied upon all real property within the District. Other revenues are comprised of consideration for water right agreements with municipalities, permit fees and earnings on investments. Such revenues are anticipated to increase over time as the Denver Metro area continues to develop and require additional water supplies.

**Financial Contact**

This financial report is designed to provide a general overview of the District's finances for those who have an interest in the District. If you have any questions about the report or need additional financial information, please contact David E. Bell, Manager at 29490 County Road 14, Keenesburg Colorado 80643. Phone (303) 536-4702.

***BASIC FINANCIAL STATEMENTS***

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# THE HENRYLYN IRRIGATION DISTRICT

## Statement of Net Position

December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash on hand and in checking	\$ 10,137,495	\$ 265,789
Cash with county treasurer	-	13
Money market sweep account	-	6,294,179
Accounts receivable	5,000	10,850
Accrued interest receivable	-	58
Tax sale certificates receivable	6,692	4,345
Prepaid expenditures	62,802	64,130
<b>Total Current Assets</b>	<b>10,211,989</b>	<b>6,639,364</b>
<b>Noncurrent Assets:</b>		
Installment sale receivable	-	63,747
Restricted assets:		
Debt reserve	-	78,678
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>142,425</b>
<b>Capital Assets:</b>		
Water stocks	71,500	71,500
Irrigation system	15,788,136	15,215,408
Rights of way	40,074	40,074
Buildings and improvements	1,081,075	1,081,075
Equipment	1,840,394	1,779,464
Office furniture and equipment	26,993	26,993
Construction in progress	-	-
<b>Total Capital Assets</b>	<b>18,848,172</b>	<b>18,214,514</b>
Less: accumulated depreciation	(8,353,306)	(7,975,111)
<b>Net Capital Assets</b>	<b>10,494,866</b>	<b>10,239,403</b>
<b>Total Assets</b>	<b>20,706,855</b>	<b>17,021,192</b>
<b>DEFERRED OUTFLOWS</b>		
Grant expenditures paid in advance of meeting timing requirements	-	-
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	635,934	64,537
Separation benefit payable	140,743	121,338
Accrued interest payable	-	13,654
Compensated absences	-	-
Current portion of long-term debt	-	51,883
<b>Total Current Liabilities</b>	<b>776,677</b>	<b>251,412</b>
<b>Non-Current Liabilities:</b>		
Note payable - State of Colorado	-	1,531,118
Less: portion due within one year	-	(51,883)
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>1,479,235</b>
<b>Total Liabilities</b>	<b>776,677</b>	<b>1,730,647</b>
<b>DEFERRED INFLOWS</b>		
Unavailable revenue - installment sale	-	63,747
<b>NET POSITION</b>		
Net Investment in capital assets	10,494,866	8,708,285
Restricted - debt	-	78,678
Unrestricted	9,435,312	6,439,835
<b>Total Net Position</b>	<b>\$ 19,930,178</b>	<b>\$ 15,226,798</b>

See accompanying notes to basic financial statements

**THE HENRYLYN IRRIGATION DISTRICT***Statement of Activities*

For the Year Ended December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Expenses:</b>		
Administrative and general	\$ 1,476,073	\$ 1,852,462
Depreciation	438,468	428,425
Interest on debt	8,674	27,232
<b>Total Expenses</b>	<b>1,923,215</b>	<b>2,308,119</b>
<b>Revenues:</b>		
Operating revenues	583,904	586,616
Miscellaneous revenues	5,919,408	2,862,039
Investment income	14,886	34,866
<b>Total Revenues</b>	<b>6,518,198</b>	<b>3,483,521</b>
<b>Other Financing Sources (Uses):</b>		
Proceeds from sale of assets	108,397	5,679
<b>Total Other Financing Sources (Uses)</b>	<b>108,397</b>	<b>5,679</b>
<b>Net Change in Net Position</b>	<b>4,703,380</b>	<b>1,181,081</b>
Net Position - beginning of year	15,226,798	14,045,717
<b>Net Position - end of year</b>	<b>\$ 19,930,178</b>	<b>\$ 15,226,798</b>

See accompanying notes to basic financial statements

**THE HENRYLYN IRRIGATION DISTRICT**

*Governmental Funds*

*Balance Sheet*

December 31, 2021 and 2020

	Operating	Total Governmental Funds	
		2021	2020
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash on hand and in checking	\$ 10,137,495	\$ 10,137,495	\$ 265,789
Cash with county treasurer	-	-	13
Money market sweep account	-	-	6,294,179
Accounts receivable	5,000	5,000	10,850
Accrued interest receivable	-	-	58
Tax sale certificates receivable	6,692	6,692	4,345
Prepaid expenditures	62,802	62,802	64,130
<b>Total Current Assets</b>	<b>10,211,989</b>	<b>10,211,989</b>	<b>6,639,364</b>
<b>Noncurrent Assets:</b>			
Installment sale receivable	-	-	63,747
Restricted assets:			
Debt reserve	-	-	78,678
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>142,425</b>
<b>Total Assets</b>	<b>10,211,989</b>	<b>10,211,989</b>	<b>6,781,789</b>
<b>DEFERRED OUTFLOWS</b>			
Grant expenditures paid in advance of meeting timing requirements	-	-	-
<b>Total Assets and Deferred Outflows</b>	<b>\$ 10,211,989</b>	<b>\$ 10,211,989</b>	<b>\$ 6,781,789</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 635,934	\$ 635,934	\$ 64,537
Separation benefit payable	140,743	140,743	121,338
Accrued interest payable	-	-	13,654
Compensated absences	-	-	-
<b>Total Current Liabilities</b>	<b>776,677</b>	<b>776,677</b>	<b>199,529</b>
<b>Total Liabilities</b>	<b>776,677</b>	<b>776,677</b>	<b>199,529</b>
<b>DEFERRED INFLOWS</b>			
Unavailable revenue - installment sale	-	-	63,747
<b>Total Liabilities and Deferred Inflows</b>	<b>776,677</b>	<b>776,677</b>	<b>263,276</b>
<b>FUND BALANCE</b>			
Nonspendable - prepaid	62,802	62,802	64,130
Restricted - debt	-	-	78,678
Committed - subsequent year's expenditures	1,510,806	1,510,806	2,014,291
Assigned	-	-	-
Unassigned	7,861,704	7,861,704	4,361,414
<b>Total Fund Balance</b>	<b>9,435,312</b>	<b>9,435,312</b>	<b>6,518,513</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<b>\$ 10,211,989</b>	<b>\$ 10,211,989</b>	<b>\$ 6,781,789</b>

See accompanying notes to basic financial statements

**THE HENRYLYN IRRIGATION DISTRICT**

*Governmental Funds*

*Reconciliation of the Balance Sheet to the Statement of Net Position*

December 31, 2021 and 2020

	2021	2020
<b>Total Governmental Fund Balance</b>	\$ 9,435,312	\$ 6,518,513
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund:		
Capital assets	18,848,172	18,214,514
Less: accumulated depreciation	(8,353,306)	(7,975,111)
	<u>10,494,866</u>	<u>10,239,403</u>
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds	-	-
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Note payable - State of Colorado	-	(1,531,118)
<b>Net Position of Governmental Activities</b>	<u>\$ 19,930,178</u>	<u>\$ 15,226,798</u>

**THE HENRYLYN IRRIGATION DISTRICT**

*Governmental Funds*

*Statement of Revenues, Expenditures and Changes in Fund Balance*

December 31, 2021 and 2020

	Operating	Total Governmental Funds	
		2021	2020
<b>Revenues</b>			
Operating revenues	\$ 583,904	\$ 583,904	\$ 586,616
Miscellaneous revenues	5,919,408	5,919,408	2,862,039
Earnings on investments	14,886	14,886	34,866
<b>Total Revenues</b>	<b>6,518,198</b>	<b>6,518,198</b>	<b>3,483,521</b>
<b>Expenditures:</b>			
Administrative and general	1,476,073	1,476,073	1,852,462
Capital outlay	704,624	704,624	2,137,164
Debt service:			
Principal	1,531,118	1,531,118	50,991
Interest	8,674	8,674	27,232
<b>Total Expenditures</b>	<b>3,720,489</b>	<b>3,720,489</b>	<b>4,067,849</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>2,797,709</b>	<b>2,797,709</b>	<b>(584,328)</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of assets	119,090	119,090	5,679
Long-term debt proceeds	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>119,090</b>	<b>119,090</b>	<b>5,679</b>
<b>Net Change in Fund Balance</b>	<b>2,916,799</b>	<b>2,916,799</b>	<b>(578,649)</b>
Fund balance - beginning of year	6,518,513	6,518,513	7,097,162
<b>Fund Balance - end of year</b>	<b>\$ 9,435,312</b>	<b>\$ 9,435,312</b>	<b>\$ 6,518,513</b>

See accompanying notes to basic financial statements

**THE HENRYLYN IRRIGATION DISTRICT**

*Governmental Funds*

*Reconciliation of Statement of Revenues, Expenditures and Changes  
in Fund Balance to the Statement of Activities*

December 31, 2021 and 2020

	2021	2020
<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ 2,916,799</b>	<b>\$ (578,649)</b>
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	704,624	2,137,164
Depreciation expense	(438,468)	(428,425)
	<u>266,156</u>	<u>1,708,739</u>
The net effect of various miscellaneous transactions involving capital assets is to decrease net position (i.e. sales, disposals and trade-ins)	(10,693)	-
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Donated capital assets	-	-
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Note payable - State of Colorado	1,531,118	50,991
Issuance of new debt to purchase capital assets increases long-term liabilities in the Statement of Net Position:		
Long-term debt proceeds	-	-
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued interest payable	-	-
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 4,703,380</b>	<b>\$ 1,181,081</b>

***NOTES TO THE BASIC FINANCIAL STATEMENTS***

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## **THE HENRYLYN IRRIGATION DISTRICT**

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### *Notes to the Basic Financial Statements*

December 31, 2021

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Henrylyn Irrigation District (District) is a public or quasi-municipal corporation that was created by order of the Board of County Commissioners of Weld County, Colorado, on October 7, 1907. The District was organized pursuant to a petition of the landowners setting forth the boundaries of the District for the purpose of providing for the irrigation and drainage work necessary to maintain the irrigability of the land within the District and to purchase, acquire, lease or rent such ditches, canals and reservoirs and their franchises.

The financial statements of the Henrylyn Irrigation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards followed by governmental entities.

#### **Reporting Entity**

The District is a primary government that has a separately elected governing board and is legally separate, as well as financially independent of other state and local governments. The primary government may appoint a simple majority of the organization's governing board or have the ability to impose its will on the organization. A component unit may be a financial benefit or burden to the primary government and is a legally separate organization of which the elected officials of the primary government are financially accountable. The District does not have any component units.

#### **New Accounting Pronouncements**

GASB Statement No 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of construction period to be expensed in the period in which the cost is incurred. Implementation had no impact on the District's financial statements.

GASB Implementation Guide No. 2019-1, addressing topics ranging from irrevocable split-interest agreements and tax abatements to derivative instruments and postemployment benefits. Implementation had no impact on the District's financial statements.

#### **Basic Financial Statements**

**Government-Wide Financial Statements** consist of Statement of Net Position and Statement of Activities, these statements report information about the reporting entity as a whole. These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred, regardless of the timing of the related cash flows.

# **THE HENRYLYN IRRIGATION DISTRICT**

## *Notes to the Basic Financial Statements*

December 31, 2021

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Basic Financial Statements (continued)**

**Governmental Fund Financial Statements** consist of Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balance for all major governmental funds and non-major funds aggregated. These statements are presented on the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are recognized when received in cash, except for revenues subject to accrual (generally 60 days after year-end) are recognized when due.

The District reports the following major governmental funds:

**General Fund** is the general operating fund of the District and is always classified as a major fund. It is used to account for day-to-day operations of the District which are financed from property taxes and other general revenues. When both restricted and unrestricted resources are available for use, it is the District’s policy to use the restricted resources first, then the unrestricted resources as they are needed.

The District does not have any **Proprietary Funds or Fiduciary Funds**.

Required supplementary information includes Management’s Discussion and Analysis which includes an analytical overview of the District’s financial activities and a budgetary comparison statement that compares the adopted and modified budget with actual results.

#### **Budgets and Budgetary Accounting**

An annual budget and appropriation resolution are adopted by the District in accordance with the Colorado State Statutes. The budget for the Operating Fund is prepared on a basis consistent with generally accepted accounting principles, except that loan proceeds are treated as other financing sources and debt service principal payments and capital outlays are treated as expenditures.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or about September 20, the District staff submits to the District Board a proposed operating budget for the fiscal year commencing January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments. Prior to November 1, the District certifies the number of acres of land subject to assessment for the budget year and certifies the levy per acre to the Board of County Commissioners.
- Prior to December 31, the budget is legally adopted by the District. Colorado law requires that the Operating Fund have a legally adopted budget and total expenditures cannot exceed the amount appropriated. Appropriations lapse at the end of the fiscal year, but appropriations may be increased prior to the end of the fiscal year provided that the increase is offset by unanticipated resources.

#### **Encumbrances**

Encumbrances are commitments under purchase orders, contracts, and other commitments (as opposed to expenditures) and are shown in the governmental fund types as a designated portion of fund balance for subsequent fiscal year’s expenditures.

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

Employees are granted vacation time in varying amounts depending upon the length of continuous service the employee has given the District. Vacation time cannot be accumulated from one anniversary year to another anniversary year. (Anniversary year commences on the date of employment). There is no policy for sick pay.

**Cash and Cash Equivalents**

For purposes of the basic financial statements, the District considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within three months of the date they are acquired.

**Investments**

Investments are carried at fair value plus accrued interest with net appreciation or depreciation on investments included in earnings on investments. See Note 3 for further discussion.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the governmental-wide financial statements. The District records its property and equipment at historical cost. Contributed capital assets are valued at their estimated fair value on the date donated. Maintenance and repairs are charged to current period operating expenses, whereas additions and improvements are capitalized. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in operations. Interest costs relating to construction are capitalized. During years ended December 31, 2021 and 2020, no interest was capitalized. The District's capitalization level is \$4,000 for capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Distribution system	25 to 50
Buildings and improvements	20
Office equipment and furnishings	5 to 10
Operation and maintenance equipment	5 to 10
Vehicles	5 to 10
Computer equipment	3 to 5

As a result of the implementation of Statement No. 34, the District is accounting for infrastructure and capital assets on its financial statements. The government-wide financial statements include those assets that were completed during the fiscal year-end, considered construction in progress or purchased or constructed in prior years.

## THE HENRYLYN IRRIGATION DISTRICT

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### *Notes to the Basic Financial Statements*

December 31, 2021

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

##### **Restricted Assets**

Restricted assets include the debt reserves amounts required by the State of Colorado Water Conservation Board (CWCB) loan. See Note 7 for further discussion on the CWCB loan.

##### **Equity - Net Position**

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

##### **Equity - Fund Balance**

In the governmental funds, fund balances should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, or unassigned. The following classifications describe the relative strength of spending constraints:

- (1) ***Nonspendable Fund Balance*** – the portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- (2) ***Restricted Fund Balance*** – the portion of fund balance that is constrained to be used for a specific purpose by external parties (creditors, grantors, or contributors), enabling legislation or constitutional provisions.
- (3) ***Committed Fund Balance*** – the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making, District Board. The constraint may be removed or changed only through formal action of District's Board through approval of resolutions.
- (4) ***Assigned Fund Balance*** – the portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the District Board to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- (5) ***Unassigned Fund Balance*** – the residual portion of fund balance that does not meet any of the criteria described above. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

If more than one classification of fund balances is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2021

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Article X, Section 20, of the Colorado Constitution contains several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes that it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

In September, 1998, according to the District's lawyer, the District has been held to be exempt from the provisions of Colorado Amendment #1 (TABOR) - Colorado Constitution Article X, Section 20, by the Colorado Supreme Court in Case No. 97 SA 303, Campbell vs. Orchard Mesa Irrigation District: Taxpayer Bill of Rights (Amendment One). The opinion states that in answer to a certified question an irrigation district formed pursuant to Colorado Statute is a public corporation that exercises limited public powers, that is to provide ways and means of supplying water to lands for the benefit of landowners within the district. But "that we hold that an irrigation district is not a 'district' for purposes of Article X, Section 20 of the Colorado Constitution because it is not a local government entity thereunder".

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

Cash deposits and investments are reported in the financial statements as follows:

	2021	2020
Cash on hand and in checking	\$ 10,137,495	\$ 265,789
Cash with county treasurer	-	13
Investments:		
Money market account	-	6,294,179
Money market account - restricted	-	78,678
<b>Total</b>	<b>\$ 10,137,495</b>	<b>\$ 6,638,659</b>

Cash deposits and investments consist of the following:

	2021	2020
Cash on hand and deposit	\$ -	\$ 13
Bank accounts	10,137,495	265,789
Investments	-	6,372,857
<b>Total</b>	<b>\$ 10,137,495</b>	<b>\$ 6,638,659</b>

**Cash Deposits**

As of December 31, 2021, the carrying amount of the District's deposits were \$10,224,206.

**Custodial Credit Risk** is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. District bank accounts at year-end were entirely covered by federal depository insurance or by eligible collateral maintained by another financial institution or held by the District's custodial banks in its name under provisions of the Colorado Public Deposit Protection Act (CPDPA). The CPDPA requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate uninsured deposits.

The State Regulatory Commissions for banks are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2021

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which a political subdivision may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2021, the District had the following investments:

S&P Rating	Investment Maturities in Years				Total
	Less than 1	1 to 5	6 to 10	More than 10	
Money market account	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The District's policy is to hold investments until maturity and to invest its funds in a manner which will provide for the highest investment return consistent with the preservation of principal and provision of the liquidity necessary for daily cash flow demands.

**Interest Rate Risk** is the risk that changes in interest rate will adversely affect the fair value of an investment. The District investment portfolio does not contain investments that exceed the five-year limitation imposed by Colorado Statutes.

**Credit Risk** is the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligations to the District. The District's investment policy follows Colorado Revised Statutes.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of a District's investment in a single issuer. The District has no such policy limiting how much can be with one financial institution.

**Custodial Credit Risk** is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investment or related collateral securities that are in the possession of an outside party. The District had custodial credit risk for its investments at December 31, 2021.

**Foreign Currency Risk** is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The District has no policy for foreign currency risk since all are in the form of certificates of deposit.

## THE HENRYLYN IRRIGATION DISTRICT

### Notes to the Basic Financial Statements

December 31, 2021

#### NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

##### Investments (continued)

**Fair Value of Investments**, the District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

There is a hierarchy of three levels of inputs that may be used to measure fair value, as follows:

**Level 1:** Quoted prices in active markets for an identical asset or liability that a government can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

**Level 3:** Unobservable inputs for an asset or liability.

##### Summary

Total cash deposits and investments at December 31, 2021 and 2020 are as follows:

	2021	2020
Cash deposits	\$ 10,137,495	\$ 265,802
Investments	-	6,372,857
Total Cash Deposits and Investments	10,137,495	6,638,659
Less: restricted debt reserve	-	(78,678)
<b>Total Cash Deposits and Investments - unrestricted</b>	<b>\$ 10,137,495</b>	<b>\$ 6,559,981</b>

##### Investment Income

Investment income is reported in the financial statements as follows:

	2021	2020
Interest income	\$ 14,783	\$ 4,690
Dividend income	103	30,176
Net increase (decrease) in the fair value of investments	-	-
<b>Total Investment Income</b>	<b>\$ 14,886</b>	<b>\$ 34,866</b>

The net increase (decrease) in the fair value of investments represents the difference in fair value from one year to the next. This figure will vary year to year depending on the fair market value of the investments at year end and is not a budgetary item.

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2021

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of capital assets as of December 31, 2021:

<b>Governmental Activities</b>	Beginning			Ending
<b>Non-Depreciable Assets:</b>	Balance	Additions	Retirements	Balance
Water stocks	\$ 71,500	\$ -	\$ -	\$ 71,500
<b>Depreciable Assets:</b>				
Irrigation system	15,215,408	572,728	-	15,788,136
Rights of way	40,074	-	-	40,074
Buildings and improvements	1,081,075	-	-	1,081,075
Equipment	1,779,464	131,896	(70,966)	1,840,394
Furniture and fixtures	26,993	-	-	26,993
Construction in progress	-	-	-	-
<b>Totals at Historical Cost</b>	<b>18,214,514</b>	<b>704,624</b>	<b>(70,966)</b>	<b>18,848,172</b>
<b>Less: Accumulated Depreciation for:</b>				
Irrigation system	(6,592,603)	(245,695)	-	(6,838,298)
Rights of way	(40,074)	-	-	(40,074)
Buildings and improvements	(140,745)	(27,160)	-	(167,905)
Equipment	(1,178,667)	(163,654)	60,273	(1,282,048)
Furniture and fixtures	(23,022)	(1,959)	-	(24,981)
<b>Total Accumulated Depreciation</b>	<b>(7,975,111)</b>	<b>(438,468)</b>	<b>60,273</b>	<b>(8,353,306)</b>
<b>Capital Assets - Net</b>	<b>\$10,239,403</b>	<b>\$ 266,156</b>	<b>\$ (10,693)</b>	<b>\$ 10,494,866</b>

Depreciation expense was charged to governmental functions as follows:

Administration and general	\$ 438,468
<b>Total Depreciation Expense</b>	<b>\$ 438,468</b>

**NOTE 5 - ASSESSMENTS**

Water assessments are assessed on a per acre basis. The per acre amount is determined in the prior year for budgeting purposes, and the assessments are made and collected in the year in which water is to be delivered. Although the amount is measurable in the prior year, the revenue is not available until the current year, when water is delivered. The 2021 fiscal year assessments calendar is as follows:

Lien Date	January 1, 2021
Assessment Date	November 1, 2020
Assessment bills mailed	January 1, 2021
First installment due	February 28, 2021
Second installment due	June 15, 2021
If paid in full, due	April 30, 2021
Tax sale - delinquent assessments	November 15, 2021

As of December 31, 2021, and 2020, there were delinquent assessments or uncollected assessments of \$6,692 and \$4,345, respectively.

## **THE HENRYLYN IRRIGATION DISTRICT**

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### *Notes to the Basic Financial Statements*

December 31, 2021

#### **NOTE 6 - LIABILITY INSURANCE FOR CANALS OR RESERVOIRS**

The District has been held to be a public entity, subject to protection from the Governmental Immunity Act. Therefore, any tort actions for damages resulting from the operation of the District, its canals or reservoirs, would be subject to a maximum judgment amount of \$150,000 for any one person and \$400,000 for any single occurrence.

On November 5, 1985, the District adopted a resolution which shall indemnify any employee, landowner, officer or member of the Board of Directors of the Henrylyn Irrigation District in the event such employee, landowner, officer or member of the Board of Directors is determined to be liable for any damage arising from leakage or overflow of waters from any reservoir or canal of the District, or any damage arising from floods caused by breaking of the embankments of any reservoir or canal of the District, unless it is also determined that the act or omission of such employee, landowner, officer or member of the Board of Directors of the District was dishonest, fraudulent, malicious or criminal. This resolution was passed by a special election held on December 3, 1985.

#### **NOTE 7 – LONG-TERM DEBT**

##### **Direct Borrowings - Note Payable - State of Colorado**

The State of Colorado Water Conservation Board (CWCB) pursuant to the provisions of 37-60-119, Colorado Revised Statutes, 1973, as amended, loaned to the District money in the principal amount of \$2,967,279 (including the 1% loan service charge) to rehabilitate the upslope of the Prospect dam to increase both the erosion protection and the stability of the dam. As a requirement for this loan, the District must maintain a loan reserve fund equal to one annual payment. The loan bears interest at the rate of 1.75% and is to be repaid in 30 annual installments of \$78,678. The CWCB may impose a late charge in the amount of 5% of the annual payment if annual payments are not received within 15 calendar days of the due date.

The District irrevocably pledged the following for repayment of this loan: (1) all revenues from assessments levied for that purpose as authorized by the District's resolutions, (2) all of the District's rights to receive said assessment revenues, hereinafter collectively, and (3) an undivided 30% interest in certain real property known as Prospect Reservoir. The Note may be prepaid in whole or in part at any time without premium or penalty. Any partial prepayments shall not postpone the due date of any subsequent payments or change the amount of such payments.

The Note shall be in default under this agreement upon certain events or conditions. Upon such default, the outstanding principal and interest, at the option of CWCB, may at once, become due and payable and said collateral be sold in the same manner and with the same effect as if said indebtedness had matured.

The balance due on direct borrowings from the State of Colorado Water Conservation Board as of December 31, 2021 and 2020 is \$0 and \$1,531,118, respectively. This note was paid in full on March 10, 2021.

##### **Other Debt and Line of Credit**

The District has no other debt or unused lines of credit.

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2021

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

**Changes in Long Term Debt**

Notes from Direct Borrowings	12/31/2020	Additions	Reductions	12/31/2021	Due Within One Year
Note Pay - State of Colo	\$ 15,311,118	\$ -	\$ (15,311,118)	\$ -	\$ -
<b>Total</b>	<b>\$ 15,311,118</b>	<b>\$ -</b>	<b>\$ (15,311,118)</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE 8 - DEBT SERVICE REQUIREMENTS**

Summary of debt service requirements - Annual principal and interest to maturity:

Year	Notes from Direct Borrowings		Total		Annual Principal & Interest
	State of Colorado		Principal	Interest	
	Principal	Interest	Principal	Interest	
2022	\$ -	\$ -	\$ -	\$ -	\$ -
2023	-	-	-	-	-
2024	-	-	-	-	-
2025	-	-	-	-	-
2026	-	-	-	-	-
<b>5yr</b>	-	-	-	-	-
2027	-	-	-	-	-
2028	-	-	-	-	-
2029	-	-	-	-	-
2030	-	-	-	-	-
2031	-	-	-	-	-
<b>10yr</b>	-	-	-	-	-
2032	-	-	-	-	-
2033	-	-	-	-	-
2034	-	-	-	-	-
2035	-	-	-	-	-
2036	-	-	-	-	-
<b>15yr</b>	-	-	-	-	-
2037	-	-	-	-	-
2038	-	-	-	-	-
2039	-	-	-	-	-
2040	-	-	-	-	-
2041	-	-	-	-	-
<b>20yr</b>	-	-	-	-	-
2042	-	-	-	-	-
2043	-	-	-	-	-
2044	-	-	-	-	-
2045	-	-	-	-	-
2046	-	-	-	-	-
<b>25yr</b>	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2021

**NOTE 9 - FARMERS GUN CLUB AGREEMENT**

On October 1, 2016, the District entered into another agreement with the Farmers Gun Club for exclusive use for the hunting and recreational rights and the Farmers Gun Club agrees to pay the District annual payments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2016	\$ 160,950	2021	\$ 186,585
2017	\$ 165,779	2022	\$ 192,183
2018	\$ 170,752	2023	\$ 197,948
2019	\$ 175,874	2024	\$ 203,887
2020	\$ 181,151	2025	\$ 210,003

**NOTE 10 - CITY OF THORNTON - EXCHANGE AGREEMENT**

On July 18, 1985, an agreement was made between the District and the City of Thornton which granted the City of Thornton the first right to use up to 100 cubic feet a second of the excess capacity in the Main Burlington Ditch. Upon execution of the agreement, the District received \$125,000.

In addition, each and every year within 20 days of receipt thereof from the District, the City of Thornton is to pay the District a sum equal to 15% of the amount charged by Farmers Reservoir and Irrigation Company to the District as the District's share of the operation and maintenance expenses for the Burlington Ditch and O'Brian Canal, from the headgate on the South Platte River to Barr Lake. The sum is not to exceed \$5,000 per year.

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and subcontractors; and natural disasters. As indicated in Note 8, the District is held to be a public entity and subject to protection from the Governmental Immunity Act and subject to maximum judgments. The District purchases commercial insurance for most risks of loss. As of December 31, 2021, and 2020, the District did not have any liabilities in excess of insurance limits. Claims have not exceeded insurance coverage in the prior three years.

**NOTE 12 - CONTINGENCIES**

In the opinion of the District's management and counsel, there is no material pending or threatened litigation, claims, and assessments. Furthermore, the District's management and counsel are unaware of any unasserted possible claims or assessments that are probable of assertion and must be disclosed as of December 31, 2021 and 2020.

**NOTE 13 - OFFER TO PURCHASE 5,000 ACRE-FOOT WATER SUPPLY (5K WATER)**

On July 18, 2000, the District, the Farmers Reservoir & Irrigation Company ("FRICO"), and the Burlington Ditch, Reservoir & Land Company (Burlington) collectively (the "Companies") received an offer from the South Adams Water and Sanitation District ("SACWSD") to purchase a permanent municipal water supply. SACWSD offered to purchase 5,000 acre-feet of fully consumable water at \$12,000 per acre-foot from the Companies, which fully consumable water the Companies are legally entitled to receive from the Denver Water Board ("Denver") pursuant to a previous water rights litigation Settlement Agreement in case no. 1996 CW 145 – Water Division I.

## **THE HENRYLYN IRRIGATION DISTRICT**

### *Notes to the Basic Financial Statements*

December 31, 2021

#### **NOTE 13 - OFFER TO PURCHASE 5,000 ACRE-FOOT WATER SUPPLY (5K WATER) (CONTINUED)**

The directors from all three entities (Henrylyn, FRICO and Burlington) negotiated and executed a Stock Purchase Agreement (“5K Agreement”) with SACWSD, dated December 5, 2001, which agreement was presented to the entities (Henrylyn, FRICO and Burlington) for final approval.

On December 4, 2001, the District held an election with a Special Question requesting District landowner approval of the 5K Agreement, this Special Question passed by a majority vote. During 2001, FRICO and Burlington shareholders also approved the 5K Agreement.

Pursuant to previous agreements with FRICO and Burlington, the District is entitled to receive one-third of all net revenues realized from the 5K Agreement. Payment is structured over time as stated in the 5K Agreement, which is available at the District’s office in Keenesburg, Colorado.

An initial purchase of 500-acre feet of fully consumable water “as is/where is” pursuant to the 5K Agreement closed on April 12, 2002, with the District receiving one third of \$3.5 million dollar, or \$1,166,667.

This initial purchase of 500-acre feet of fully consumable water by SACWSD from the Companies under the 5K Agreement was reviewed by the Water Court, State Engineer and Division Engineer for final approval in case no. 2002 CW 105A – Water Division I.

The Companies negotiated an Amended Stock Purchase Agreement (“Amended 5K Agreement”) with SACWSD dated September 8, 2006 which Amended 5K Agreement provided for the direct delivery of the 5,000-acre feet of fully consumable water from Denver to SACWSD, obviating the necessity of the Companies pursuing a water court application to approve any exchange of the 5K fully consumable water. The Water Court for Water Division I entered its Decree in case no. 2002 CW 105A – Water Division I on December 19, 2006 approving the exchange of FRICO’s Barr Lake storage water right with the District’s Horse Creek and Prospect Reservoirs storage water rights.

The District received \$2,852,062 and \$2,226,808 of 5K Agreement money in 2021 and 2020, respectively.

#### **NOTE 14 – MUTUAL WATER CARRIAGE AND STORAGE AGREEMENT**

On October 16, 2002, the District, the Farmers Reservoir & Irrigation Company (“FRICO”), and the Burlington Ditch, Reservoir & Land Company (“Burlington”) entered into a Mutual Water Carriage and Storage Agreement with Silver Peaks Metropolitan District No. 1 (“Silver Peaks”).

This agreement was originally a requirement of the 5K Water Agreement (See Note 13) that required the companies to acquire, construct and maintain water diversion and storage facilities necessary to exchange up to 5,000-acre feet of the Companies’ decreed water rights for a like amount of fully consumable water to be delivered to the Companies from Denver. The Amended 5K Agreement executed on September 8, 2006 provided for the direct delivery of the 5,000-acre feet of fully consumable water from Denver to SACWSD, obviating the necessity of the Companies pursuing a water court application to approve any exchange of the 5K fully consumable water.

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2021

**NOTE 14 – MUTUAL WATER CARRIAGE AND STORAGE AGREEMENT (CONTINUED)**

These Agreements, together with companion operating and maintenance agreements, condominium declarations, and corresponding option rights, provide the Companies with 2,000 acre feet of storage in the Brannon Reservoir, a lined gravel pit at 124<sup>th</sup> Avenue and Brighton Road, and an undivided one-half interest in a diversion structure from the South Platte River, a pump plant from the river through the Brannon Reservoir and a 36” pipeline from the Brannon Reservoir to the Burlington-O’Brian Canal. Notwithstanding that these facilities are no longer required to facilitate an exchange of the 5K fully consumable water, the Companies have agreed to own and utilize these facilities for their joint purposes in the future.

**NOTE 15 – POST-EMPLOYMENT BENEFITS**

On August 5, 2003, the District adopted a Separation Benefit available to all qualifying full-time employees of the District who were employed as of June 1, 2003 or are hereafter employed by the District. This benefit shall be applicable to all qualifying full-time employees of the District, not including independent contractors or retained professionals, irrespective of the reason for such qualified employee’s respective separation of employment from the District.

To qualify for this Separation Benefit, the full-time employee shall have been continuously employed by the District for not less than five (5) years. Upon separation of employment after not less than five (5) years of service, a qualified employee shall be entitled to an additional compensation benefit calculated as equal to one week’s salary, as of date of separation, for each full completed year of service.

If the Separation Benefit payable exceeds the amount a qualified employee, then existing weekly wage would have been at date of separation for a period of thirteen (13) weeks, then the benefit payable shall be made in regular quarterly installments, commencing within one (1) quarter after separation and continuing quarterly thereafter until paid in full.

Regular deduction for payroll taxes, social security, Medicare and other mandated withholdings shall apply to the payment of any Separation Benefit payable.

As of December 31, 2021, and 2020, the Separation Benefit payable was \$140,743 and \$121,338, respectively. See Note 18 for further details.

**NOTE 16 – ECONOMICS DEPENDENCY**

The past water years were universally recognized in Colorado as some of the driest years on record in the last 300 years.

**NOTE 17 – SHORT-TERM DEBT**

The District had no short-term debt obligations and had no borrowing during the years ending December 31, 2021 and 2020.

	12/31/2020	Additions	Reductions	12/31/2021
Short-Term Debt	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Other Debt and Line of Credit**

The District has no other debt or unused lines of credit.

**THE HENRYLYN IRRIGATION DISTRICT**

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*Notes to the Basic Financial Statements*

December 31, 2021

**NOTE 18 – SUBSEQUENT EVENTS**

The District has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through April 29, 2022, the date on which the financial statements were issued, and did identify events or transactions that would have a material impact on the financial statements.

On January 1, 2022, the District's Manager retired and was paid \$40,463 in Separation Benefit based on completed years of service.

***REQUIRED SUPPLEMENTAL INFORMATION***

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# THE HENRYLYN IRRIGATION DISTRICT

## Schedule of Revenues

### Budget to Actual - Operating Fund

Year Ended December 31, 2021

With Comparative Actual Amounts For the Year Ended December 31, 2020

Non-GAAP Budgetary Basis	2021				2020 Actual
	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)	
<b>Revenues:</b>					
<b>Operating Revenues:</b>					
Assessments:					
Assessments - current	\$ 585,985	\$ 585,985	\$ 583,337	\$ (2,648)	\$ 584,279
Prior year assessments	-	-	567	567	2,337
Total Assessments	585,985	585,985	583,904	(2,081)	586,616
Other Operating Revenues:	-	-	-	-	-
<b>Total Operating Revenues</b>	585,985	585,985	583,904	(2,081)	586,616
<b>Miscellaneous Revenues:</b>					
Augmentation water - Central					
Colorado Water Conservancy District	1,000	1,000	7,778	6,778	1,000
5K Water Agreement	485,000	485,000	2,852,062	2,367,062	2,226,808
Sale of water	40,000	40,000	2,210,243	2,170,243	313,616
Maintenance reimbursements	1,716	1,716	1,716	-	1,716
Lease - Oil & gas	20,000	20,000	-	(20,000)	29,852
Lease - Farmers Gun Club	186,585	186,585	186,585	-	181,151
Permits	25,000	25,000	480,500	455,500	76,667
Proceeds from sale of assets	10,000	10,000	119,090	109,090	5,679
Oil royalties	15,000	15,000	31,615	16,615	13,371
Other income	15,000	15,000	148,909	133,909	17,858
Loan proceeds	-	-	-	-	-
<b>Total Miscellaneous Revenues</b>	799,301	799,301	6,038,498	5,239,197	2,867,718
<b>Investment Income:</b>					
Interest income	1,000	1,000	14,783	13,783	4,690
Dividend income	50,000	50,000	103	(49,897)	30,176
Net increase (decrease) in the fair value of investments	-	-	-	-	-
<b>Total Investment Income</b>	51,000	51,000	14,886	(36,114)	34,866
<b>Total Revenues</b>	\$ 1,436,286	\$ 1,436,286	\$ 6,637,288	\$ 5,201,002	\$ 3,489,200

# THE HENRYLYN IRRIGATION DISTRICT

## Schedule of Expenditures

### Budget to Actual - Operating Fund

Year Ended December 31, 2021

With Comparative Actual Amounts For the Year Ended December 31, 2020

Non-GAAP Budgetary Basis	2021				2020 Actual
	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)	
<b>Expenditures:</b>					
<b>Administrative and General:</b>					
Canal and Reservoir expenses:					
O'Brian Canal	\$ 250,000	\$ 250,000	\$ 161,082	\$ 88,918	\$ 263,457
Denver Hudson Canal	50,000	50,000	34,343	15,657	3,853
Other Laterals:					
Repairs and maintenance	60,000	60,000	61,152	(1,152)	121,535
Horsecreek Reservoir:					
Electricity	2,900	2,900	2,491	409	2,363
Repairs and maintenance - house	-	-	-	-	-
Repairs and maintenance - dike	10,000	10,000	119	9,881	30,137
Prospect Reservoir:					
Electricity	2,200	2,200	1,443	757	1,804
Repairs and maintenance - dike	2,500	2,500	4,677	(2,177)	-
Lord Reservoir	5,000	5,000	-	5,000	-
Office salaries	550,000	550,000	546,984	3,016	546,425
Office expenses	27,000	27,000	27,489	(489)	24,620
Other labor	2,000	2,000	-	2,000	-
Materials and supplies	16,000	16,000	6,740	9,260	12,005
Director salaries	7,200	7,200	3,800	3,400	3,200
Payroll taxes	45,000	45,000	42,233	2,767	42,764
Employee group insurance	120,000	120,000	107,118	12,882	105,099
Employee benefit programs	10,000	10,000	8,000	2,000	10,000
Equipment costs:					
Repairs and maintenance	30,000	30,000	48,166	(18,166)	29,387
Gas and oil	50,000	50,000	48,492	1,508	39,077
Vehicle licenses	7,000	7,000	4,704	2,296	6,152
Payroll and bank fees	5,500	5,500	1,336	4,164	5,174
Water assessments	23,000	23,000	5,339	17,661	3,876
Water leases	15,000	15,000	-	15,000	-
Engineering	150,000	150,000	158,874	(8,874)	200,267
Audit	11,500	11,500	11,550	(50)	11,000
Legal	250,000	250,000	26,187	223,813	264,337
Professional services	15,000	15,000	35,271	(20,271)	15,762
Insurance and bonds	70,000	70,000	65,793	4,207	61,319
County Treasurer's fee	100	100	100	-	100
Pumping expense	35,000	35,000	16,450	18,550	14,532
Weed control	20,000	20,000	34,661	(14,661)	18,544
Other expenses	25,000	25,000	11,479	13,521	15,673
Crop damages	5,000	5,000	-	5,000	-
<b>Total Administrative and General</b>	<b>1,871,900</b>	<b>1,871,900</b>	<b>1,476,073</b>	<b>395,827</b>	<b>1,852,462</b>
<b>Capital Outlay</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>704,624</b>	<b>795,376</b>	<b>2,137,164</b>
<b>Debt Service:</b>					
Principal payments on debt	51,883	801,883	1,531,118	(729,235)	50,991
Interest paid	26,794	26,794	8,674	18,120	27,232
<b>Total Debt Service</b>	<b>78,677</b>	<b>828,677</b>	<b>1,539,792</b>	<b>(711,115)</b>	<b>78,223</b>
<b>Total Expenditures</b>	<b>\$ 3,450,577</b>	<b>\$ 4,200,577</b>	<b>\$ 3,720,489</b>	<b>\$ 480,088</b>	<b>\$ 4,067,849</b>

**THE HENRYLYN IRRIGATION DISTRICT**

*Reconciliation of Budgetary Basis to GAAP Basis*

*Budget to Actual - Operating Fund*

Year Ended December 31, 2021

With Comparative Actual Amounts For the Year Ended December 31, 2020

	2021				2020 Actual
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	
<b>Non-GAAP Budgetary Basis</b>					
<b>Revenues:</b>					
Operating revenues	\$ 585,985	\$ 585,985	\$ 583,904	\$ (2,081)	\$ 586,616
Miscellaneous revenues	799,301	799,301	6,038,498	5,239,197	2,867,718
Investment income	51,000	51,000	14,886	(36,114)	34,866
<b>Total Revenues</b>	<b>1,436,286</b>	<b>1,436,286</b>	<b>6,637,288</b>	<b>5,201,002</b>	<b>3,489,200</b>
<b>Expenditures:</b>					
Administrative and general	1,871,900	1,871,900	1,476,073	395,827	1,852,462
Capital outlay	1,500,000	1,500,000	704,624	795,376	2,137,164
Debt service	78,677	828,677	1,539,792	(711,115)	78,223
<b>Total Expenditures</b>	<b>3,450,577</b>	<b>4,200,577</b>	<b>3,720,489</b>	<b>480,088</b>	<b>4,067,849</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ (2,014,291)</b>	<b>\$ (2,764,291)</b>	<b>2,916,799</b>	<b>\$ 5,681,090</b>	<b>(578,649)</b>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>					
Capital asset purchases capitalized			704,624		2,137,164
Capital assets sold			(10,693)		-
Depreciation expense			(438,468)		(428,425)
Long-term debt payments			1,531,118		50,911
Long-term debt proceeds			-		-
<b>Net Change in Net Position</b>			<b>\$ 4,703,380</b>		<b>\$ 1,181,001</b>