

SHERIDAN STATION WEST METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2022

with

Independent Auditors' Report

## C O N T E N T S

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	21
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Capital Projects Fund	22
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	23

Independent Auditors' Report

Board of Directors  
Sheridan Station West Metropolitan District  
Jefferson County, Colorado

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Sheridan Station West Metropolitan District (the “District”) as of and for the year ended December 31, 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sheridan Station West Metropolitan District as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 (“GAAS”). 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 District, 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 opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 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 District’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 Responsibilities 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 GAAS 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 GAAS, 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 District'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 District's ability to continue as a going concern for a reasonable period of time.

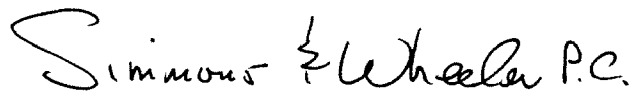
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Other Matters**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Simmons & Wheeler P.C.".

Englewood, CO  
August 1, 2023

**SHERIDAN STATION WEST METROPOLITAN DISTRICT**

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash and investments	\$ 54,207	\$ -	\$ -	\$ 54,207	\$ -	\$ 54,207
Cash and investments - restricted	9,912	8,273	-	18,185	-	18,185
Receivable - County Treasurer	489	984	-	1,473	-	1,473
Property taxes receivable	118,771	238,743	-	357,514	-	357,514
Accounts receivable - operating fees	25,608	-	-	25,608	-	25,608
Prepaid expenses	3,274	-	-	3,274	-	3,274
Capital assets not being depreciated	-	-	-	-	5,717,235	5,717,235
<b>Total Assets</b>	<b>\$ 212,261</b>	<b>\$ 248,000</b>	<b>\$ -</b>	<b>\$ 460,261</b>	<b>5,717,235</b>	<b>6,177,496</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred loss on refunding	-	-	-	-	286,803	286,803
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>286,803</b>	<b>286,803</b>
<b>Total Assets</b>	<b>\$ 212,261</b>	<b>\$ 248,000</b>	<b>\$ -</b>	<b>\$ 460,261</b>		
<b>LIABILITIES</b>						
Accounts payable	\$ 21,685	\$ -	\$ -	\$ 21,685	-	21,685
Accrued interest on bonds	-	-	-	-	10,741	10,741
Long-term liabilities:						
Due within one year	-	-	-	-	138,000	138,000
Due in more than one year	-	-	-	-	7,378,987	7,378,987
<b>Total Liabilities</b>	<b>21,685</b>	<b>-</b>	<b>-</b>	<b>21,685</b>	<b>7,527,728</b>	<b>7,549,413</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes	118,771	238,743	-	357,514	-	357,514
<b>Total Deferred Inflows of Resources</b>	<b>118,771</b>	<b>238,743</b>	<b>-</b>	<b>357,514</b>	<b>-</b>	<b>357,514</b>
<b>FUND BALANCES/NET POSITION</b>						
Fund Balances:						
Nonspendable:						
Prepays	3,274	-	-	3,274	(3,274)	-
Restricted:						
Emergencies	9,912	-	-	9,912	(9,912)	-
Debt service	-	9,257	-	9,257	(9,257)	-
Unassigned	58,619	-	-	58,619	(58,619)	-
<b>Total Fund Balances</b>	<b>71,805</b>	<b>9,257</b>	<b>-</b>	<b>81,062</b>	<b>(81,062)</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 212,261</b>	<b>\$ 248,000</b>	<b>\$ -</b>	<b>\$ 460,261</b>		
<b>Net Position:</b>						
Restricted for:						
Emergencies					9,912	9,912
Debt service					(1,484)	(1,484)
Unrestricted					(1,451,056)	(1,451,056)
<b>Total Net Position</b>					<b>\$ (1,442,628)</b>	<b>\$ (1,442,628)</b>

The notes to the financial statements are an integral part of these statements.

**SHERIDAN STATION WEST METROPOLITAN DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>						
Accounting	\$ 17,935	\$ -	\$ -	\$ 17,935	\$ -	\$ 17,935
Audit	4,300	-	-	4,300	-	4,300
Covenant control	18,773	-	-	18,773	-	18,773
Insurance	4,018	-	-	4,018	-	4,018
Election expense	1,154	-	-	1,154	-	1,154
Legal	34,899	-	-	34,899	-	34,899
Management fees	25,668	-	-	25,668	-	25,668
Miscellaneous expenses	11,179	-	-	11,179	-	11,179
Treasurer's fees	1,656	3,328	-	4,984	-	4,984
Utilities	53,847	-	-	53,847	-	53,847
Snow removal	52,395	-	-	52,395	-	52,395
Billing and meter reading	13,103	-	-	13,103	-	13,103
Landscape maintenance/enhancements	13,626	-	-	13,626	-	13,626
Repair and maintenance	16,715	-	-	16,715	-	16,715
Engineering	-	-	4,455	4,455	(4,455)	-
Loan Principal	-	112,000	-	112,000	(112,000)	-
Interest Expense	-	103,424	-	103,424	200,898	304,322
Debt issuance costs	-	274,945	-	274,945	-	274,945
Paying agent fees	-	6,750	-	6,750	-	6,750
Capital improvements	-	-	3,066,340	3,066,340	(3,066,340)	-
Repay developer advances	-	650,000	1,480,305	2,130,305	(2,130,305)	-
<b>Total Expenditures</b>	<u>269,268</u>	<u>1,150,447</u>	<u>4,551,100</u>	<u>5,970,815</u>	<u>(5,112,202)</u>	<u>858,613</u>
<b>PROGRAM REVENUES</b>						
Operations and maintenance fees	109,753	-	-	109,753	-	109,753
Metered services - water	65,375	-	-	65,375	-	65,375
Other billings and fees	15,803	-	-	15,803	-	15,803
<b>Total Program Revenues</b>	<u>190,931</u>	<u>-</u>	<u>-</u>	<u>190,931</u>	<u>-</u>	<u>190,931</u>
<b>Net Program Income (Expenses)</b>	<u>(78,337)</u>	<u>(1,150,447)</u>	<u>(4,551,100)</u>	<u>(5,779,884)</u>	<u>5,112,202</u>	<u>(667,682)</u>
<b>GENERAL REVENUES</b>						
Property taxes	110,363	221,842	-	332,205	-	332,205
Specific ownership taxes	7,598	15,273	-	22,871	-	22,871
Interest income	83	140	-	223	-	223
Miscellaneous income	50	-	-	50	-	50
<b>Total General Revenues</b>	<u>118,094</u>	<u>237,255</u>	<u>-</u>	<u>355,349</u>	<u>-</u>	<u>355,349</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>39,757</u>	<u>(913,192)</u>	<u>(4,551,100)</u>	<u>(5,424,535)</u>	<u>5,112,202</u>	<u>(312,333)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond proceeds	-	5,844,000	-	5,844,000	(5,844,000)	-
Payment to refunding agent	-	(3,923,591)	-	(3,923,591)	3,923,591	-
Developer advances	-	-	3,066,340	3,066,340	(3,066,340)	-
Transfers in	-	-	1,484,760	1,484,760	(1,484,760)	-
Transfers out	(4,455)	(1,480,305)	-	(1,484,760)	1,484,760	-
<b>Total Other Financing Sources (Uses)</b>	<u>(4,455)</u>	<u>440,104</u>	<u>4,551,100</u>	<u>4,986,749</u>	<u>(4,986,749)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>35,302</u>	<u>(473,088)</u>	<u>-</u>	<u>(437,786)</u>	<u>437,786</u>	
<b>CHANGE IN NET POSITION</b>					<u>(312,333)</u>	<u>(312,333)</u>
<b>FUND BALANCES/NET POSITION:</b>						
BEGINNING OF YEAR	<u>36,503</u>	<u>482,345</u>	<u>-</u>	<u>518,848</u>	<u>(1,649,143)</u>	<u>(1,130,295)</u>
END OF YEAR	<u>\$ 71,805</u>	<u>\$ 9,257</u>	<u>\$ -</u>	<u>\$ 81,062</u>	<u>\$ (1,523,690)</u>	<u>\$ (1,442,628)</u>

The notes to the financial statements are an integral part of these statements.

**SHERIDAN STATION WEST METROPOLITAN DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND

For the Year Ended December 31, 2022

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 110,682	\$ 110,363	\$ (319)
Specific ownership taxes	6,600	7,598	998
Interest income	-	83	83
Operations and maintenance fees	109,200	109,753	553
Metered services - water	54,000	65,375	11,375
Other billings and fees	13,104	15,803	2,699
Miscellaneous income	<u>3,000</u>	<u>50</u>	<u>(2,950)</u>
Total Revenues	<u>296,586</u>	<u>309,025</u>	<u>12,439</u>
<b>EXPENDITURES</b>			
Accounting	14,000	17,935	(3,935)
Audit	4,750	4,300	450
Covenant control	13,200	18,773	(5,573)
Insurance	4,500	4,018	482
Election expense	18,000	1,154	16,846
Legal	20,000	34,899	(14,899)
Management fees	18,000	25,668	(7,668)
Miscellaneous expenses	3,000	11,179	(8,179)
Treasurer's fees	1,660	1,656	4
Utilities	58,000	53,847	4,153
Snow removal	60,000	52,395	7,605
Billing and meter reading	12,000	13,103	(1,103)
Landscape maintenance/enhancements	31,153	13,626	17,527
Repair and maintenance	6,000	16,715	(10,715)
Contingency	10,000	-	10,000
Emergency reserve	<u>8,898</u>	<u>-</u>	<u>8,898</u>
Total Expenditures	<u>283,161</u>	<u>269,268</u>	<u>13,893</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>13,425</b>	<b>39,757</b>	<b>26,332</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>-</u>	<u>(4,455)</u>	<u>(4,455)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(4,455)</u>	<u>(4,455)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>13,425</b>	<b>35,302</b>	<b>21,877</b>
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>-</u>	<u>36,503</u>	<u>36,503</u>
END OF YEAR	<u>\$ 13,425</u>	<u>\$ 71,805</u>	<u>\$ 58,380</u>

The notes to the financial statements are an integral part of these statements.

## Sheridan Station West Metropolitan District

### Notes to Financial Statements December 31, 2022

#### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Sheridan Station West Metropolitan District, (the “District”), located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized pursuant to an Order of the District Court in and for the County of Jefferson, Colorado, dated November 23, 2016, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to “finance and construct certain public infrastructure improvements that benefit the citizens of the District”. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees and all operations and administrative functions are contracted.

#### Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

*General Fund* - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

*Debt Service Fund* – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

*Capital Projects Fund* – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

On December 9, 2022, the District amended its total appropriations in the Debt Service Fund from \$264,837 to \$2,800,000 primarily due to the costs associated with the issuance of the Series 2022A-1 and Series 2022A-2 Loan and Series 2022B(3) Bonds and in the Capital Projects Fund from \$0 to \$1,500,000 primarily due to the repayment of developer advances from the proceeds of the Series 2022B(3) Bonds.

On December 8, 2023, the District further amended its total appropriations in the Debt Service Fund from \$2,800,000 to \$6,555,000 primarily due to the payment to refund the Series 2017 Bonds that was not included in the first amended budget and in the Capital Projects Fund from \$1,500,000 to \$4,551,100 primarily due the District's acceptance of capital improvements from the developer that were not originally budgeted.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

## Sheridan Station West Metropolitan District

### Notes to Financial Statements December 31, 2022

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

#### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Deferred Loss on Refunding

The deferred loss on refunding is being amortized over the life of the bonds using the effective interest method. Accumulated amortization of the deferred loss on refunding amounted to \$11,788, at December 31, 2022.

#### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

## Sheridan Station West Metropolitan District

### Notes to Financial Statements December 31, 2022

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2022.

#### Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

#### Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

#### Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

The nonspendable fund balance in the General Fund in the amount of \$3,274 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$9,912 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$9,257 is restricted for the payment of the debt service costs associated with the General Obligation Bonds Refunding Loan Series 2022A-1, General Obligation Loan Series 2022A-2 and Subordinate General Obligation Bonds Series 2022B(3) (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

*Net investment in capital assets* – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

*Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2022, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 54,207
Cash and investments - Restricted	<u>18,185</u>
Total	\$ <u>72,392</u>

Cash and investments as of December 31, 2022 consist of the following:

Deposits with financial institutions	\$ 70,822
Investments - COLOTRUST	<u>1,570</u>
	\$ <u>72,392</u>

Deposits:

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

## Sheridan Station West Metropolitan District

### Notes to Financial Statements December 31, 2022

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

#### Investments:

##### Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

As of December 31, 2022, the District had the following investments:

##### COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2022, the District had \$1,570 invested in COLOTRUST Plus+.

##### Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

##### Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

Governmental Type Activities:	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 2,646,440	\$ 3,070,795	\$ -	\$ 5,717,235
Total capital assets	\$ 2,646,440	\$ 3,070,795	\$ -	\$ 5,717,235

Upon completion and acceptance, most of the fixed assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance of capital assets conveyed to other entities.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2022, is as follows:

General Obligation Limited Tax (Convertible to Unlimited Tax) Bonds, Series 2017

On November 9, 2017 the District issued \$3,625,000 of General Obligation Limited Tax Bonds, Series 2017, (the “Series 2017 Bonds”), dated November 2, 2017. The proceeds of the Series 2017 Bonds were used for the purposes of: (a) funding and reimbursing the costs of the public improvements for the District; (b) funding the initial interest to accrue on the Series 2017 Bonds; (c) funding a debt service reserve for the Series 2017 Bonds; (d) partially funding a surplus fund for the Series 2017 Bonds; and (e) paying the costs of issuing the Series 2017 Bonds. The Series 2017 Bonds were mature on December 1, 2047 and bore interest at 6.00%, payable semiannually on each June 1 and December 1, which commenced on June 1, 2018.

The Series 2017 Bonds were secured by and payable from the pledged revenue, consisting of the moneys derived from a required mill levy not to exceed 50.000 mills (adjusted for changes occurring after the issuance of such bonds in the ratio of assessed values to market values), and any other legally available moneys of the District credited to the Bond Fund.

The Series 2017 Bonds were refunded by the Series 2022A-1 Loan on March 22, 2022.

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

Limited Tax (Convertible to Unlimited Tax) General Obligation Taxable (Convertible to Tax-Exempt) Refunding Loan, Series 2022A-1 and Limited Tax (Convertible to Unlimited Tax) General Obligation Loan Series 2022A-2

On March 22, 2022 the District issued the Limited Tax (Convertible to Unlimited Tax) General Obligation Taxable (Convertible to Tax-Exempt) Refunding Loan, Series 2022A-1 (the “Series 2022A-1 Loan”) in the amount of \$3,580,000 and the Limited Tax (Convertible to Unlimited Tax) General Obligation Loan, Series 2022A-2 (the “Series 2022A-2 Loan”) in the amount of \$650,000. The proceeds of the Series 2022A-1 and Series 2022A-2 Loans were used to defease the Series 2017 Bonds, pay the Developer Advances and pay the costs of issuing the Series 2022A-1 and Series 2022A-2 Loan. Prior to the Conversion Date (as defined in the Loan Agreement for the Series 2022A-1 Loan or the “Loan Agreement”) the Series 2022A-1 Loan bears interest at the rate of 3.87% and after the Conversion Date at a rate of 3.13%, payable semiannually on each June 1 and December 1, commencing on June 1, 2022. The Conversion Date occurred on September 3, 2022. The Series 2022A-2 Loan bears interest at the rate of 3.13% payable semiannually on each June 1 and December 1, commencing on June 1, 2022. The Series 2022A-1 and Series 2022A-2 Loans mature on December 1, 2041.

The Series 2022A-1 and Series 2022A-2 Loans are subject to principal payment, on December 1 of each year, commencing on December 1, 2022. Also, the Series 2020A-1 Loan is subject to the following optional prepayment rights:

The Series 2022A-1 and Series 2022A-2 Loans are not prepayable until December 1, 2026. The District may, at its option, on any date on or after December 1, 2026, prepay the Series 2022A-1 and Series 2022A-2 Loans in whole at a prepayment price equal to the principal amount of the Series 2022A-1 and Series 2022A-2 Loans so prepaid, plus accrued interest thereon to the date of such prepayment, without any prepayment penalty.

The Series 2022A-1 and Series 2022A-2 Loans are secured by and payable from the pledged revenue, consisting of the moneys derived from a required mill levy not to exceed 50.000 mills (adjusted for changes occurring after January 1, 2017 in the ratio of assessed values to market values), the portion of specific ownership tax which is collected as a result of the imposition of the required mill levy, and any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Loan Payment Account. The Series 2022A-1 and Series 2022A-2 Loans will convert to unlimited tax general obligations when the Debt to Assessed Ratio is less than 50%.

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2022A-1 and Series 2022A-2 Loans.

	Principal	Interest	Total
2023	\$ 138,000	\$ 128,894	\$ 266,894
2024	147,000	124,574	271,574
2025	152,000	119,972	271,972
2026	162,000	115,216	277,216
2027	167,000	110,144	277,144
2028-2032	972,000	466,526	1,438,526
2033-2037	1,209,000	300,072	1,509,072
2038-2041	1,171,000	93,462	1,264,462
	\$ 4,118,000	\$1,458,860	\$ 5,576,860

Subordinate Limited Tax General Obligation Bonds Series 2022B(3)

On April 28, 2022, the District issued \$1,614,000 of Subordinate Limited Tax General Obligation Bonds, Series 2022B(3) (the “Series 2022B(3) Bonds”), which mature on December 15, 2051. The Series 2022B(3) Bonds were issued for the purposes of financing or refinancing the Public Improvements and paying the costs of issuance of the Series 2022B(3) Bonds. The Series 2022B(3) Bonds bear interest at the rate of 7.00%, payable annually on December 15, commencing on December 15, 2022, to the extent that Subordinate Pledged Revenue is available.

The Series 2022B(3) Bonds are secured by Pledged Revenues including the Subordinate Required Mill Levy (as defined in the Indenture of Trust for the Series 2022B(3) Bonds or the “Series 2022B(3) Indenture”), specific ownership taxes which are collected as a result of the imposition of the Subordinate Required Mill Levy and any other legally available moneys that the District determines, in its absolute discretion, to transfer to the Subordinate Indenture Trustee for application as Subordinate Pledged Revenue.

The Series 2022B(3) Bonds are “cash flow” bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Subordinate Pledged Revenue for payment. In the event any amounts due and owing on the Series 2022B(3) Bonds remain outstanding on December 15, 2061, such amounts shall be deemed discharged and shall no longer be due and outstanding.

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

The Series 2022B(3) Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on June 1, 2027, and on any date thereafter, upon payment of par, accrued interest and a redemption premium equal to the percentage of the principal amount so redeemed as follows:

- 3% of the amount redeemed from June 1, 2027 to May 31, 2028
- 2% of the amount redeemed from June 1, 2028 to May 31, 2029
- 1% of the amount redeemed from June 1, 2029 to May 31, 2030
- Redemptions on and after June 1, 2030 are at par

Because of the uncertainty of the timing of payments for the 2022B(3) Bonds, a summary of the long-term debt principal and interest requirements is not presented.

Events of Default as defined in the Series 2022A-1 and Series 2022A-2 Loan Agreement are 1) the failure of the District to impose the Required Mill levy before the Unlimited Tax Conversion Date (as defined in the Loan Agreement), the District fails to pay the principal of or interest on the Series 2022A-1 and Series 2022A-2 Loans when due or the District fails or refuses to transfer the Pledged Revenue as required by the Loan Agreement, 2) the occurrence and continuance of an event of default or an event of nonperformance under any of the other Financing Documents to which the District is a party after the expiration of any grace period, 3) the District shall initiate acquiesce or consent to any proceedings to dissolve the District or to consolidate the District with other similar entities in to a single entity or the District shall otherwise cease to exist, 4) a change occurs in the financial or operating condition of the District or the occurrence of any other event that will have a materially adverse impact on the ability of the District to generate Pledge Revenue sufficient to satisfy the District's obligations under the Loan Agreement and the District fails to cure such condition within the time specified and 5) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Series 2022A-1 and Series 2022A-2 Loans. Acceleration of the Series 2022A-1 and Series 2022A-2 Loans is not an available remedy for an Event of Default.

Events of Default as defined in the Series 2022B(3) Indenture are 1) the failure of the District to impose the Subordinate Required Mill levy or to apply the Subordinate Pledged Revenue as required by the Series 2022B(3) Indenture, 2) the default by the District in the performance or observance of any of the covenants, agreements, or conditions on part of the District in this Series 2022B(3) Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Series 2022B(3) Indenture, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2022B(3) Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Acceleration of the Series 2022B(3) Bonds is not an available remedy for an Event of Default.

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

For collection year 2023, the District mistakenly imposed a debt service mill levy of 44.532; such failure to impose the Required Mill Levy (50 mills, plus adjustments) is an Event of Default under the Series 2022A-1 and Series 2022A-2 Loan Agreement. Pursuant to the Series 2022A-1 and Series 2022A-2 Loan Agreement, acceleration shall not be a remedy for the occurrence or continuance of an Event of Default.

Pursuant to the Series 2022B(3) Indenture, the District was required to impose the maximum mill levy of 50.000 mills (adjusted for changes occurring after January 1, 2017 in the ratio of assessed values to market values) less the required mill levy for the Series 2022A-1 and Series 2022A-2 Loans, but the District only imposed a mill levy of 44.532 mills for collection year 2023. Such failure to impose the Required Mill Levy is an Event of Default under the Series 2022B(3) Indenture. Pursuant to the Series 2022B(3) Indenture, acceleration shall not be a remedy for the occurrence or continuance of an Event of Default.

The following is an analysis of changes in long-term debt for the period ending December 31, 2022:

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022	Current Portion
<i><u>General Obligation Bonds</u></i>					
General Obligation Bonds - Series 2017	\$ 3,625,000	\$ -	\$ 3,625,000	\$ -	\$ -
Subordinate General Obligation Bonds - Series 2022B(3)	-	1,614,000	-	1,614,000	-
Accrued interest - Series 2022B(3) Bonds	-	76,483	-	76,483	-
Total General Obligation Bonds	<u>3,625,000</u>	<u>1,690,483</u>	<u>3,625,000</u>	<u>1,690,483</u>	<u>-</u>
<i><u>Direct Borrowings</u></i>					
General Obligation Refunding Loan - Series 2022A-1	-	3,580,000	100,000	3,480,000	115,000
General Obligation Loan - Series 2022A-2	-	650,000	12,000	638,000	23,000
Total Direct Borrowings	<u>-</u>	<u>4,230,000</u>	<u>112,000</u>	<u>4,118,000</u>	<u>138,000</u>
<i><u>Other</u></i>					
Developer advances - Operations	248,362	-	-	248,362	-
Accrued interest - Operations	40,188	19,869	-	60,057	-
Developer advances - Capital Projects	282,133	3,066,340	2,130,305	1,218,168	-
Accrued interest - Capital Projects	81,775	100,142	-	181,917	-
Total Other - Developer Advances	<u>652,458</u>	<u>3,186,351</u>	<u>2,130,305</u>	<u>1,708,504</u>	<u>-</u>
Total	<u>\$ 4,277,458</u>	<u>\$ 9,106,834</u>	<u>\$ 5,867,305</u>	<u>\$ 7,516,987</u>	<u>\$ 138,000</u>

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

Debt Authorization

As of December 31, 2022, the District had remaining voted debt authorization of approximately \$55,781,000. The District has not budgeted to issue any new debt during 2023. Per the District's Service Plan, the District cannot issue debt in excess of \$7,250,000.

Note 5: Agreements

Facilities Funding and Acquisition Agreement dated December 8, 2016, and effective November 11, 2016. On December 8, 2016, effective November 11, 2016, the District entered into a Facilities Funding and Acquisition Agreement ("FFAA") with Sheridan Station Transit Village, LLC ("the Developer"). The Developer has agreed to advance funds to the District to design, construct and complete the infrastructure improvements within the District outlined in the Service Plan. In lieu of advancing funds to the District, the Developer may complete such improvements subject to future acceptance and acquisition by the District. On November 14, 2019 (effective November 11, 2016), the District entered into the First Amendment to Facilities Funding and Acquisition Agreement whereby the advance amount was increased to \$1,400,000 and the time period was adjusted to fiscal years 2016 through 2020. Any advances made under the FFAA will earn interest at 8% per annum. The obligation of the District to reimburse the Developer under the FFAA expires on December 31, 2050. As of December 31, 2022, the principal outstanding is \$1,218,168 and the accrued interest is \$181,917.

Operation Funding Agreement dated December 8, 2016, and effective November 11, 2016. On December 8, 2016 (effective November 11, 2016), the District entered into the Operation Funding Agreement ("OFA") with the Developer, whereby the Developer agreed to advance up to \$50,000 to the District for operations and maintenance expenses incurred in fiscal years 2016 and 2017. On November 14, 2019 (effective November 11, 2016), the District entered into the First Amendment to Operation Funding Agreement whereby the advance amount was increased to \$170,000 and the time period was adjusted to fiscal years 2016 through 2020. On December 10, 2020, the District entered into the Second Amendment to Operation Funding Agreement whereby the advance amount was increased to \$225,000 and the time period was adjusted to fiscal years 2016 through 2021. Such advances will accrue simple interest from the date of deposit into the District's account at the rate of 8% per annum. The District agreed to reimburse the Developer for amounts advanced under the OFA, subject to annual budget and appropriation. The obligation of the District to reimburse the Developer under the OFA expires on December 31, 2051. As of December 31, 2022, the Developer has advanced the District \$248,362 and accrued interest was \$60,057.

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

*Imposition of District Fees for Operations and Maintenance.* On August 24, 2018, the District imposed Operations and Maintenance Fees, (the “Fees”), on its inhabitants and taxpayers within the District to help provide operation, maintenance and construction of facilities pursuant to the Service Plan, as well as design, review and covenant enforcement services. The fee imposed prior to December 2021 was \$31.60 per month per resident and taxpayer and in December 2021 the fee was increased to \$50.00 per month per resident and taxpayer. In 2022, the District collected \$109,753 in fees.

*Impositions of Potable Water Fees.* On August 24, 2018, the District imposed Potable Water Fees, (“Water Fees”). The District is authorized, per the Service Plan, to provide water services to the residential units within the District. The Water Fees are set as the then-current rate set by Consolidated Mutual Water Company, the service provider, and are subject to change. In 2022, the District collected \$65,375 in fees.

Note 6: Related Party

Two of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 7: Intergovernmental Agreements

*Intergovernmental Inclusion, Service and Construction Agreement.* On June 20, 2017, the District, East Lakewood Sanitation District (“ELSD”) and Sheridan Station Transit Village LLC (“SSTV”) entered into an Intergovernmental Inclusion, Service and Construction Agreement (“Service IGA”). Under the Service IGA, certain properties within the District will be included in ELSD’s service area, and SSTV will reimburse ELSD for the costs associated with including such properties within ELSD’s service area, up to \$10,000. Either the District or SSTV will construct sanitation improvements pursuant to the FFAA (see Note 5) and will transfer the sanitation improvements to ELSD upon approval and acceptance. ELSD will operate and maintain the sanitation improvements to provide sanitation services to those properties in the District that are within ELSD’s service area.

Note 8: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (“TABOR”), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 8, 2016, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 9: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Sheridan Station West Metropolitan District

Notes to Financial Statements  
December 31, 2022

Note 10: Interfund and Operating Transfers

The transfer of \$4,455 from the General Fund to the Capital Projects Fund was transferred for the purpose of funding engineering costs associated with the acceptance of assets by the District. The transfer of \$1,480,305 from the Debt Service Fund to the Capital Projects Fund was transferred for the repayment of developer advances from a portion of the Series 2022A-2 Loan and Series 2022B(3) Bonds proceeds.

Note 11: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments may have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable, loans payable, developer advances payable and accrued interest payable on bonds, loans and developer advances are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond/loan proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

## SUPPLEMENTAL INFORMATION

## SHERIDAN STATION WEST METROPOLITAN DISTRICT

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 222,484	\$ 222,484	\$ 221,842	\$ (642)
Specific ownership taxes	7,500	15,000	15,273	273
Interest income	<u>2,500</u>	<u>2,500</u>	<u>140</u>	<u>(2,360)</u>
Total Revenues	<u>232,484</u>	<u>239,984</u>	<u>237,255</u>	<u>(2,729)</u>
<b>EXPENDITURES</b>				
Loan Principal	35,000	112,000	112,000	-
Interest Expense	217,500	103,424	103,424	-
Paying agent fees	4,000	6,750	6,750	-
Miscellaneous expenses	5,000	657	-	657
Debt issuance costs	-	274,945	274,945	-
Repay developer advances	-	650,000	650,000	-
Treasurer's fees	3,337	3,328	3,328	-
Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>264,837</u>	<u>1,151,104</u>	<u>1,150,447</u>	<u>657</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(32,353)</b>	<b>(911,120)</b>	<b>(913,192)</b>	<b>(2,072)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	5,844,000	5,844,000	-
Payment to refunding agent	-	(3,923,591)	(3,923,591)	-
Transfers out	<u>-</u>	<u>(1,480,305)</u>	<u>(1,480,305)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>440,104</u>	<u>440,104</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(32,353)</b>	<b>(471,016)</b>	<b>(473,088)</b>	<b>(2,072)</b>
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>474,938</u>	<u>474,938</u>	<u>482,345</u>	<u>7,407</u>
END OF YEAR	<u>\$ 442,585</u>	<u>\$ 3,922</u>	<u>\$ 9,257</u>	<u>\$ 5,335</u>

The notes to the financial statements are an integral part of these statements.

**SHERIDAN STATION WEST METROPOLITAN DISTRICT**

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Engineering	-	4,455	4,455	-
Capital improvements	-	3,066,340	3,066,340	-
Repay developer advances	-	1,480,305	1,480,305	-
Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>4,551,100</u>	<u>4,551,100</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	-	(4,551,100)	(4,551,100)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advances	-	3,066,340	3,066,340	-
Transfers in	<u>-</u>	<u>1,484,760</u>	<u>1,484,760</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>4,551,100</u>	<u>4,551,100</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of these statements.

## SHERIDAN STATION WEST METROPOLITAN DISTRICT

### SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2022

(Unaudited)

<u>Year Ended</u> <u>December 31,</u>	<b>Prior Year Assessed Valuation for Current Year Property Tax Levy</b>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2017	\$ 147,971	60.000	0.000	\$ 8,878	\$ 8,878	100.00%
2018	\$ 139,057	22.000	44.222	\$ 9,208	\$ 10,108	109.78%
2019	\$ 938,862	22.000	44.222	\$ 62,172	\$ 62,173	100.00%
2020	\$ 2,828,389	22.154	44.532	\$ 188,614	\$ 188,615	100.00%
2021	\$ 3,439,343	22.154	44.532	\$ 229,356	\$ 228,474	99.62%
2022	\$ 4,996,041	22.154	44.532	\$ 333,166	\$ 332,205	99.71%
Estimated for year ending December 31, 2023	\$ 5,361,145	22.154	44.532	\$ 357,514		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.