Cherry Creek Valley
Water and Sanitation District

Annual Financial Report

December 31, 2016 and 2015

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Haynie &
Company
Certified Public Accountants (a professional corporation)
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Independent Auditor's Report

Members of the Board of Directors
Cherry Creek Valley Water & Sanitation District
Arapahoe County, Colorado

We have audited the accompanying financial statements of the business-type activities of Cherry Creek Valley Water & Sanitation District as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Cherry Creek Valley Water & Sanitation District, as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherry Creek Valley Water & Sanitation District's financial statements as a whole. The supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Haynie & Co

Littleton, Colorado
June 22, 2017

Cherry Creek Valley Water & Sanitation District
Management's Discussion and Analysis

This discussion and analysis (MD&A) of Cherry Creek Valley Water and Sanitation District's financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2016 and 2015. The MD&A should be read in conjunction with the District's financial statements.

Management has adopted the provisions of the Governmental Accounting Standards Board Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and other related statements as required for the years ended December 31, 2016 and 2015.

Financial Highlights

The activities that had a major impact on the District are as follows:

- Service fee revenue increased 9% during 2016 and increased by less than 1% during 2015.
- Investment income decreased by 72% during 2016 and decreased by 54% during 2015.

Overview of the Financial Statements

The financial statements of the District are presented as a special purpose government engaged only in business type activities – providing water and sewer services.

The ***Statements of Net Position*** present information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Non-financial factors should also be considered to assess the overall position of the District.

The ***Statements of Revenues, Expenses and Changes in Fund Net Position*** report the changes that have occurred during the year to the District's net position. All changes in the 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 the statements for some items that will only result in cash flows in future fiscal periods.

The ***Statements of Cash Flows*** report the District's cash flows from operating, noncapital financing, capital and investing activities.

Financial Summary and Analysis

These financial statements distinguish functions of the District that will be principally supported by service charges. The functions of the District include effective and economical operation of District systems within the jurisdictional boundaries of the District. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

NET POSITION

December 31,	2016	2015
ASSETS		
Current assets	$ 37,371,883	$ 37,359,631
Capital assets	13,495,272	12,813,945
Total assets	50,867,155	50,173,576
LIABILITIES		
Current liabilities	137,715	307,929
Long-term liabilities	82,772	75,999
Total liabilities	220,487	383,928
NET POSITION		
Invested in capital assets, net of related debt	13,495,272	12,813,945
Unrestricted	37,151,396	36,975,703
	$ 50,646,668	$ 49,789,648

A large portion of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Overall the District's total net position increased by $857,020 during 2016 and by $949,047 during 2015.

As of December 31, 2016, capital assets increased by $681,327, primarily as a result of capital asset additions, partially offset by the depreciation of existing assets. As of December 31, 2015 capital assets increased by $218,532, primarily as a result of capital asset additions, partially offset by the depreciation of existing assets.

A decrease of $170,214 in current liabilities as of December 31, 2016 and decrease of $19,979 in current liabilities as of December 31, 2015 consisted of changes in accounts payable and deposits during the respective years.

Long term liabilities consist of the accrual for compensated absences (accumulated sick leave) which increased during 2016 and 2015.

CHANGES IN NET POSITION

	2016	2015
REVENUES		
OPERATING REVENUE		
Water sales	$ 3,884,883	$ 3,616,329
Sewer sales	2,415,245	2,211,882
Total Operating Revenue	6,300,128	5,828,211
NONOPERATING REVENUES		
Net investment income (loss)	156,403	562,883
Other	2,399	10,431
Total Nonoperating Revenues	158,802	573,314
Total Revenue	6,458,930	6,401,525
EXPENSES		
OPERATING		
Water	4,287,647	3,937,586
Sewer	1,868,342	1,676,959
Total Operating Expenses	6,155,989	5,614,545
GENERAL AND ADMINISTRATIVE EXPENSES	573,002	519,090
Total operating and general administrative expenses	6,728,991	6,133,635
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(270,061)	267,890
CAPITAL CONTRIBUTIONS	1,127,081	681,157
CHANGES IN NET POSITION	857,020	949,047
NET POSITION BEGINNING OF YEAR	49,789,648	48,840,601
NET POSITION END OF YEAR	$ 50,646,668	$ 49,789,648

Water and sanitation service fees increased 8% for 2016, compared to an increase of less than 1% during 2015.

Operating expenses for water and sanitation operations experienced an increase of $541,444 during 2016 and a decrease of $16,291 during 2015. This was due primarily to the increased cost of water purchased in 2016 and decreased cost of sewage treatment in 2015.

General and Administrative expenses increased in 2016 by $53,912 due primarily to increased payroll and legal expenses. General and Administrative expenses increased in 2015 by $6,947 due primarily to increased payroll and various other expenses.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay, in addition to operations and non-operating revenue and contributions. Capital contribution of facilities and depreciation are not reflected on the budget, as they do not affect "available funds". The District operates as an enterprise under TABOR and prepares its budget accordingly.

Revenues were higher than budgeted mainly due to water service fees and contributed lines being higher than anticipated.

Capital expenditures were $1,779,657 less than budget compared with $609,321 less than budget in the prior year.

Capital Assets

	2015	Changes	2016
Capital assets			
Land and easements	$ 1,946,850	$ -	$ 1,946,850
Buildings	2,157,283	14,961	2,172,244
Water rights	698,300	-	698,300
Construction in progress	758,207	106,972	865,179
Water lines	8,061,706	527,686	8,589,392
Purchased capacity — water	1,887,400	-	1,887,400
Water wells and pump station	782,910	-	782,910
Sewer lines	3,399,438	423,795	3,823,233
Office equipment	196,273	(2,535)	193,738
Trucks and equipment	391,416	(1,742)	389,674
Total Capital Assets	$ 20,279,783	$ 1,069,137	$ 21,348,920
Accumulated depreciation	(7,465,838)	(387,810)	(7,853,648)
Total capital assets - Net	$ 12,813,945	$ 681,327	$ 13,495,272

Additional information on the District's capital assets can be found in the notes to financial statements.

Requests for Information

This financial report is designed to give its readers a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

John R. Warford, Manager
Cherry Creek Valley Water & Sanitation District
2325 S. Wabash St.
Denver, CO 80231

Basic Financial Statements

Cherry Creek Valley Water & Sanitation District
Statements of Net Position
December 31, 2016 and 2015

Assets	2016	2015
Current Assets:		
Cash and cash equivalents	$ 5,020,847	$ 2,230,427
Investments	6,809,105	10,199,120
Investments - Designated	24,800,000	24,200,000
Accrued interest receivable	204,313	179,455
Accounts receivable - Service fees	467,763	477,518
Prepaid insurance	49,472	50,035
Inventory	20,383	23,076
Total Current Assets	37,371,883	37,359,631
Capital Assets		
Capital assests, not being depreciated	3,510,329	3,403,357
Capital assests, being depreciated (net of accumulated depreciation)	9,984,943	9,410,588
Total Capital Assets	13,495,272	12,813,945
Total Assets	$ 50,867,155	$ 50,173,576
Liabilities		
Current Liabilities:		
Accounts payable	$ 64,958	$ 262,219
Deposits for line construction	72,257	45,210
Tap fees payable	500	500
Total Current Liabilities	137,715	307,929
Long-Term Liabilities		
Compensated absences	82,772	75,999
Total Long-Term Liablilities	82,772	75,999
Total Liabilties	220,487	383,928
Net Position		
Net investment in capital assets	13,495,272	12,813,945
Unrestricted	37,151,396	36,975,703
Total Net Position	50,646,668	49,789,648
Total Liabilities and Net Position	$ 50,867,155	$ 50,173,576

The accompanying notes are an integral part of these statements.

Cherry Creek Valley Water & Sanitation District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	2016	2015
Water Operations		
Revenues		
Service fees	3,866,716	$ 3,562,319
Penalties	7,721	9,913
Parts sales	10,446	44,097
	3,884,883	3,616,329
Direct water expenses		
Water purchased	3,554,834	3,238,199
Maintenance	139,278	120,621
Wages, payroll tax and fringe benefits	256,085	249,787
Utilities	31,123	24,415
Miscellaneous	41	-
Depreciation	306,286	304,564
	4,287,647	3,937,586
Gross (Loss) from Water Operations	(402,764)	(321,257)
Sewer Operations		
Revenues		
Service fees	2,408,645	2,205,432
Swimming pool fees	6,600	6,450
	2,415,245	2,211,882
Direct sewer expenses		
Sewage treatment fees	1,516,255	1,397,328
Maintenance	126,782	67,696
Wages, payroll tax and fringe benefits	159,210	152,779
Depreciation	66,095	59,156
	1,868,342	1,676,959
Gross Income from Sewer Operations	546,903	534,923
Gross Income From Operations	144,139	213,666
General and Administrative Expenses	573,002	519,090
Net (Loss) from Operations	(428,863)	(305,424)
Nonoperating Revenues		
Net investment earnings (loss)	156,403	562,883
Miscellaneous revenue	2,399	10,431
Total Nonoperating Revenues	158,802	573,314
Income (Loss) Before Capital Contributions	(270,061)	267,890
Capital Contributions		
Water		
Tap fees	190,000	407,725
Contributed lines	513,251	168,290
Sewer		
Tap fees	18,800	34,000
Contributed lines	405,030	71,142
Total Capital Contributions	1,127,081	681,157
Change in Net Position	857,020	949,047
Net Position—Beginning of Year	49,789,648	48,840,601
Net Position—End of Year	$ 50,646,668	$ 49,789,648

The accompanying notes are an integral part of these statements.

Cherry Creek Valley Water & Sanitation District
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities:		
Cash received from customers	$ 6,296,700	$ 5,846,405
Cash payments to suppliers for goods and services	(6,045,026)	(5,384,087)
Cash payments to employees for services	(464,249)	(407,110)
Net Cash From Operating Activities	(212,575)	55,208
Cash Flows from Noncapital Financing Activities		
Miscellaneous revenue	61	15,329
Net Cash From Noncapital Financing Activities	61	15,329
Cash Flows from Capital and Related Financing Activities		
Metro Wastewater sewage tap received	16,880	876,744
Metro Wastewater sewage tap paid	(16,880)	(876,744)
Denver Water water tap received	387,871	729,830
Denver Water water tap paid	(387,871)	(729,830)
Contributed capital - Tap fees	208,800	441,725
Construction deposits received/(disbursed)	29,484	(23,668)
Acquisition of property, plant and equipment	(156,910)	(363,472)
Net Cash From Capital and Related Financing Activities	81,374	54,585
Cash Flows from Investing Activities:		
Net investment earnings	868,442	851,913
Investments matured/sold	16,096,693	11,130,676
Investments purchased	(14,043,575)	(12,385,204)
Net Cash From Investing Activities	2,921,560	(402,615)
Net Change in Cash and Cash Equivalents	2,790,420	(277,493)
Cash and cash equivalents—beginning of year	2,230,427	2,507,920
Cash and cash equivalents—end of year	$ 5,020,847	$ 2,230,427
Reconciliation of operating (loss) to net cash from operating activities		
(Loss) from operations	$ (428,863)	$ (305,424)
Adjustments to reconcile (loss) from operations to net cash provided (required) by operating activites		
Depreciation	393,765	384,372
Effects of changes in operating assets and liabilities:		
Receivables	9,755	(26,529)
Inventory	2,693	(333)
Prepaid expenses	563	(320)
Accrued liabilities	6,773	4,652
Accounts payable	(197,261)	(1,210)
Net cash from operating activities	$ (212,575)	$ 55,208
Noncash Capital and Investing Activities		
Contribution of water and sewer lines	918,281	239,432
Change in fair value of investments	(728,237)	(414,815)
	$ 190,044	$ (175,383)

The accompanying notes are an integral part of these statements.

Cherry Creek Valley Water & Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015

1. Definition of Reporting Entity

Cherry Creek Valley Water & Sanitation District (the District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District was established to provide potable water and sewage treatment services to the properties within its service area.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set 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 District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

As of January 1, 2003, the District implemented the reporting requirements of the Governmental Accounting Standards Board GASB Statement No. *34 - Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments,* GASB Statement *No. 37 - Basic Financial Statements - and Management's Discussions and Analysis -for State and Local Governments' Omnibus* and GASB Statement No. 38 - *Certain Financial Statement Disclosures.*

2. Summary of Significant Accounting Policies

The more significant accounting policies of the District are described as follows:

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

2. Summary of Significant Accounting Policies (continued)

The District has elected to follow Governmental Accounting Standards Board pronouncements.

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense and expenditures for capital assets are shown as increases in assets. Tap fees are recorded as capital contributions when received.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation, of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall 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 total appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Cash and Cash Equivalents

The District considers cash deposits and highly liquid investments with an intended maturity of three months or less to be cash equivalents.

2. Summary of Significant Accounting Policies (continued)

Designated Investments

As of December 31, 2016, the District has designated a portion of its investments to be used for future projects as follows:

	2016
Current water replacements	$ 300,000
Current sewer replacements	300,000
Future water replacements	10,300,000
Future sewer replacements	9,700,000
Wabash storage & reservoir development	4,000,000
Self insurance	200,000
	$24,800,000

As of December 31, 2015, the District had designated a portion of its investments to be used for future projects as follows:

	2015
Physical water plant replacement	$12,000,000
Physical sewer plant replacement	5,000,000
Near future water improvements	4,600,000
Near future sewer improvements	600,000
Water source	1,800,000
Self insurance	200,000
	$24,200,000

Inventory

Inventory consists of parts and materials and is recorded at cost using the first-in, first-out method.

Capital Assets

Capital assets, which include water rights, land and easements, waterlines, purchased capacity, water wells and pump stations, sewer lines, office building, office equipment, and trucks and equipment are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and

2. Summary of Significant Accounting Policies (continued)

depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water lines	40 years
Purchased capacity	40 years
Water wells and pump stations	10-50 years
Sewer lines	40-50 years
Office equipment	5-10 years
Trucks and equipment	4-50 years
Water rights, land and land contracts	not depreciated

Water Rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed. None were capitalized in 2016 or 2015.

Accrual for Compensated Absences

The District has a policy which allows employees to accumulate sick leave benefits, up to certain maximum hours. Compensated absences are accrued when incurred.

Tap Fees and Contributed Assets

Tap fees are recorded as capital contributions when received. Assets contributed to the District by developers are also recorded as capital contributions and additions to the systems at estimated fair market value when received.

3. Cash, Cash Equivalents and Investments

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

3. Cash, Cash Equivalents and Investments (continued)

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

At December 31, 2016 and 2015, the District's cash deposits had a bank balance and a carrying balance as follows:

	2016		2015	
	Carrying Balance	**Bank Balance**	**Carrying Balance**	**Bank Balance**
Cash on hand	$ 200	$ 200	$ 200	$ 200
Cash in checking	1,175,623	1,314,094	1,306,762	2,069,601
Cash held at broker	3,845,024	3,845,024	923,465	923,465
	$ 5,020,847	$ 5,159,318	$ 2,230,427	$ 2,993,266

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through PDPA.

The District’s cash deposits are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes deposits not covered by depository insurance and uncollateralized. Category 2 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

	2016	2015
Insured deposits	$ 250,000	$ 250,000
Category 1	200	200
Category 2	4,909,118	2,743,066
Total cash and equivalents	$ 5,159,318	$ 2,993,266

3. Cash, Cash Equivalents and Investments (continued)

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments 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, and
- local government investment pools.

The District's investments are recorded at fair value based on quoted market prices. District investments are securities that are held by the entity or its agent in the District's name, and are insured or registered by the District or its agent. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, or would further limit its investment choices. The District places no limit on the amount the District may invest in any one issuer.

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

	2016	2015
Direct U.S. Treasury Obligations	$ 20,800,281	$ 23,273,618
Bonds	10,005,748	9,124,008
Mutual Funds	803,076	2,001,494
Total investments	$ 31,609,105	$ 34,399,120

The mutual fund is held by the broker where the U.S. Treasury obligations were purchased. The broker is insured by SIPC and supplemental private insurance. All investments are rated AAAm by Standard and Poors.

3. Cash, Cash Equivalents and Investments (continued)

Cash deposits and investments are reflected on the December 31, 2016 and 2015 statements of net position as follows:

	2016	2015
Cash and cash equivalents	$ 5,020,847	$ 2,230,427
Investments	6,809,105	10,199,120
Investments - Designated	24,800,000	24,200,000
Total cash and investments	$ 36,629,952	$ 36,629,547

The District has designated $24,800,000 in investments for future capital needs. Designated investments can be released at the board's discretion.

The District has the ability and has customarily held its investments until maturity; therefore, there is usually no gain or loss recorded on the disposition of those investments.

4. Capital Assets

An analysis of the changes in net capital asset for the years ended December 31, 2016 and 2015 follows:

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016
Capital assets, not being depreciated:				
Land and easements	$ 1,946,850	$ -	$ -	$ 1,946,850
Water rights	698,300	-	-	698,300
Construction in progress	758,207	106,972	-	865,179
Total capital assets, not being depreciated	3,403,357	106,972	-	3,510,329

4. Capital Assets (continued)

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016
Capital assets, being depreciated:				
Water lines	8,061,706	527,686	-	8,589,392
Purchased capacity - Water	1,887,400	-	-	1,887,400
Water wells and pump station	782,910	-	-	782,910
Sewer lines	3,399,438	423,795	-	3,823,233
Office equipment	196,273	1,021	(3,556)	193,738
Building	2,157,283	15,141	(180)	2,172,244
Trucks and equipment	391,416	576	(2,318)	389,674
Total capital assets, being depreciated	16,876,426	968,219	(6,054)	17,838,591
Less accummulated depreciation for:				
Water lines	(3,837,681)	(192,746)	-	(4,030,427)
Purchased capacity - water	(719,571)	(47,185)	-	(766,756)
Water wells and pump station	(503,781)	(11,412)	-	(515,193)
Sewer lines	(1,552,444)	(66,095)	-	(1,618,539)
Office equipment	(134,455)	(21,384)	3,556	(152,283)
Building	(376,117)	(39,814)	81	(415,850)
Trucks and equipment	(341,789)	(15,129)	2,318	(354,600)
Total accumulated depreciation	(7,465,838)	(393,765)	5,955	(7,853,648)
Total capital assets, being depreciated, net	9,410,588	574,454	(99)	9,984,943
Capital assets, net	$ 12,813,945	$ 681,426	$ (99)	$ 13,495,272

4. Capital Assets (continued)

	Balance December 31, 2014	Additions	Retirements	Balance December 31, 2015
Capital assets, not being depreciated:				
Land and easements	$ 1,946,850	$ -	$ -	$ 1,946,850
Water rights	698,300	-	-	698,300
Construction in progress	706,378	51,829	-	758,207
Total capital assets, not being depreciated	3,351,528	51,829	-	3,403,357
Capital assets, being depreciated:				
Water lines	7,893,417	168,289	-	8,061,706
Purchased capacity - Water	1,887,400	-	-	1,887,400
Water wells and pump station	782,910	-	-	782,910
Sewer lines	3,048,317	351,121	-	3,399,438
Office equipment	193,858	16,415	(14,000)	196,273
Building	2,157,283	-	-	2,157,283
Trucks and equipment	376,166	15,250	-	391,416
Total capital assets, being depreciated	16,339,351	551,075	(14,000)	16,876,426
Less accumulated depreciation for:				
Water lines	(3,647,730)	(189,951)	-	(3,837,681)
Purchased capacity - water	(672,386)	(47,185)	-	(719,571)
Water wells and pump station	(490,995)	(12,786)	-	(503,781)
Sewer lines	(1,493,288)	(59,156)	-	(1,552,444)
Office equipment	(127,803)	(20,652)	14,000	(134,455)
Building	(336,435)	(39,682)	-	(376,117)
Trucks and equipment	(326,829)	(14,960)	-	(341,789)
Total accumulated depreciation	(7,095,466)	(384,372)	14,000	(7,465,838)
Total capital assets, being depreciated, net	9,243,885	166,703	-	9,410,588
Capital assets, net	$ 12,595,413	$ 218,532	$ -	$ 12,813,945

4. Capital Assets (continued)

Depreciation expense for the years ended December 31, 2016 and 2015 was charged to the following operations:

	2016	2015
Water operations	$ 306,286	$ 304,564
Sewer operations	66,095	59,156
General and administration	21,384	20,652
	$ 393,765	$ 384,372

5. Long-Term Liabilities

Changes in the District's accrued compensated absences for the years ended December 31, 2016 and 2015 follows:

	2015	Incurred	Retired	2016
Compensated absences	$ 75,999	$ 39,844	$ (33,071)	$ 82,772

	Balance December 31, 2014	Incurred	Retired	Balance December 31, 2015
Compensated absences	$ 71,347	$ 38,916	$ (34,264)	$ 75,999

6. Intergovernmental Agreements

Water Service Contract

The District is provided water under a distributor's contract with the Board of Water Commissioners of the City and County of Denver (Denver Water Board) through a master meter. Under the terms of the contract, the District is also entitled to a 1.81% participation in certain water supply projects that are offered in the future by the Denver Water Board for subscriber participation.

Participation Agreement

During 1998, the District entered into a participation agreement to purchase capacity in the Denver Water Board's conduit 89 (the portion lying to the west of Yosemite Street) for

6. Intergovernmental Agreements (continued)

$1,887,400. The portion of conduit 89 lying to the west of Yosemite Street will continue to be owned and maintained by the Denver Water Board. The capacity is being amortized over 40 years using the straight-line method.

Sewage Treatment Contract

The District is a "special connector" by agreement with Metro Wastewater Reclamation District (Metro) which provides the treatment of sewage collected within the District. The standard service agreement with Metro provides for annual charges to be assessed by formula against the District on an estimated basis. Corrections to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system.

The composition of the charges for 2016 and 2015 are as follows:

	2016	2015
Estimate for current year	$ 1,497,495	$ 1,440,366
Adjustment of second preceeding year estimate		
to actual finding	4,420	(45,829)
Preliminary adjustment of preceding year estimate	12,740	1,218
Total annual charges	$ 1,514,655	$ 1,395,755

The 2017 sewer treatment estimate is $1,364,113.

7. Simplified Employee Pension Plan

All employees of the District participate in a simplified employee pension plan administered by MorganStanley SmithBarney after three years of employment. In a simplified employee pension plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Contributions to the plan by the District are not mandatory and are made at the discretion of the District. Contributions made under the plan are fully vested immediately.

The District made a $92,856 contribution to the plan during 2016 which was 20% - 25% of the covered payroll of $425,663. The District's contribution in 2015 was $87,144 which was 20% - 25% of the covered payroll of $398,045.

All employees of the District are also covered under Social Security (FICA).

8. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool 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.

9. Commitments and Contingencies

Water License and Easement Agreement

On July 31, 2000, the District sold approximately 32 acres of land to Los Verdes III, L.L.C. (Los Verdes). As part of the land sale, the District gave Los Verdes a license to use up to 225 acre feet of water per year to irrigate a golf course. The water can be used at no charge whenever Los Verde's own water supply is not adequate, provided that Los Verdes pays all of the cost and develops the water in accordance with the terms of the licensing agreement. Water used in excess of 225 acre feet up to 250 acre feet per year will be charged for using a market rate. The license to use District water will terminate if and when the running average annual use first exceeds 250 acre feet per year or if the Los Verdes property is no longer used as a golf course.

As an additional part of the sale, the District received a permanent easement for the installation of water and/or sewer facilities, wells, storage ponds and any and all related facilities and appurtenances. In return for this easement, the sales price of the land was reduced and the easement was capitalized in the amount of $700,000.

Tax, Spending and Debt Limitations

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

9. Commitments and Contingencies (continued)

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes its operations qualify for this exclusion under current case law at the date of this audit.

However, TABOR is complex and subject to interpretation. Many of the provisions, including the qualification as an Enterprise will require further judicial interpretation.

Supplementary Information

Cherry Creek Valley Water & Sanitation District
Schedules of General and Administrative Expenses
For the Years Ended December 31, 2016 and 2015

	2016	2015
Wages, payroll tax and fringe benefits	$ 237,008	$ 207,047
Director's fees	5,900	5,400
Legal	83,321	58,630
Accounting and Audit	8,900	8,900
Engineering	46,994	50,111
Consultant	8,334	9,600
Telephone and postage	27,315	28,029
Office expense	9,125	8,417
Truck and equipment expense	29,130	27,099
Insurance	44,965	49,778
Miscellaneous	50,626	45,427
Depreciation	21,384	20,652
	$ 573,002	$ 519,090

Cherry Creek Valley Water & Sanitation District

Schedule of Revenue, Expenditures and Changes in Funds Available — Budget and Actual (Budgetary Basis)

For the Year Ended December 31, 2016

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue			
Water service fees	$ 3,575,500	$ 3,866,716	$ 291,216
Sewer service fees	2,387,000	2,408,645	21,645
Swimming pool permits	6,450	6,600	150
Net investment earnings	1,150,200	156,403	(993,797)
Penalties	9,300	7,721	(1,579)
Parts sales	15,100	10,446	(4,654)
Miscellaneous	5,250	2,399	(2,851)
Water tap fees	139,000	190,000	51,000
Sewer tap fees	16,400	18,800	2,400
Contributed lines	241,000	918,281	677,281
Denver Water tap surcharge	272,000	387,871	115,871
Metro Wastewater sewage tap surcharge	186,500	16,880	(169,620)
Total revenue	8,003,700	7,990,762	(12,938)
Expenditures (Page 19)	9,912,940	7,815,069	2,097,871
Excess of Revenue Over (Under) Expenditures	(1,909,240)	175,693	2,084,933
Funds Available — Beginning of Year	37,684,132	36,975,703	(708,429)
Funds Available — End of Year	$ 35,774,892	$ 37,151,396	$ 1,376,504

Funds available at December 31, 2016 is computed as follows:

Current assets	$ 37,371,883
Current liabilities	(137,715)
Accrued compensated absences	(82,772)
	$ 37,151,396

Though the District considers itself exempt from TABOR as an "enterprise" as defined in Article X, Section 20 of the Colorado Constitution, it is noted that the District considers the entire balance of funds available as of December 31, 2016, to be reserved.

Cherry Creek Valley Water & Sanitation District
Schedule of Expenditures — Budget and Actual
(Budgetary Basis)
For the Year Ended December 31, 2016

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Operating			
Water			
Water purchased	$ 3,266,000	$ 3,554,834	$ (288,834)
Maintenance	421,300	139,278	282,022
Wages, payroll tax and fringe benefits	304,740	256,085	48,655
Utilities	18,640	31,123	(12,483)
Miscellaneous	40	41	(1)
Sewer			
Sewage treatment fees	1,517,000	1,516,255	745
Maintenance	70,060	126,782	(56,722)
Wages, payroll tax and fringe benefits	194,260	159,210	35,050
Total operating	5,792,040	5,783,608	8,432

(Continued)

Cherry Creek Valley Water & Sanitation District
Schedule of Expenditures — Budget and Actual
(Budgetary Basis)
For the Year Ended December 31, 2016
(continued)

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
General and Administrative			
Wages, payroll tax and fringe benefits	$ 210,100	$ 237,008	$ (26,908)
Director's fees	6,000	5,900	100
Legal	99,800	83,321	16,479
Accounting and Audit	9,300	8,900	400
Engineering	51,700	46,994	4,706
Consultant	15,200	8,334	6,866
Telephone and postage	30,200	27,315	2,885
Office expense	8,900	9,125	(225)
Truck and equipment expense	30,600	29,130	1,470
Insurance	52,800	44,965	7,835
Miscellaneous	346,800	50,626	296,174
	861,400	551,618	309,782
Capital Outlay			
Metro Wastewater sewage tap surcharge	186,500	16,880	169,620
Denver Water tap surcharge	272,000	387,871	(115,871)
Wabash water storage facility	1,500,000	-	1,500,000
Miscellaneous	-	-	-
Property and equipment	1,301,000	1,075,092	225,908
Total capital outlay	3,259,500	1,479,843	1,779,657
Total Expenditures (page 17)	$ 9,912,940	$ 7,815,069	$ 2,097,871

Cherry Creek Valley Water & Sanitation District
Reconciliation of Budgetary Basis (Actual)
to Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2016

Revenue (budgetary basis)	$ 7,990,762
Denver Water tap surcharge	(387,871)
Metro Wastewater sewage tap surcharge	(16,880)
Total revenue per statement of revenues, expenses and changes in net position	7,586,011
Expenditures (budgetary basis)	7,815,069
Depreciation	393,765
Capital outlay	(1,479,843)
Total expenses per statement of revenues, expenses and changes in net position	6,728,991
Net income per statement of revenues, expenses and changes in net position	$ 857,020