CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2018

with

Independent Auditors' Report

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stratagem
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Cherry Creek South Metropolitan District No. 1
Douglas County, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Cherry Creek South Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general 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 from 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cherry Creek South Metropolitan District No. 1 as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America 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.

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 supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

September 30, 2019

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2018

	General	Debt Service	Special Revenue	Total	Adjustments	Statement of Net Position
ASSETS						
Cash and investments	$ 288,979	$ -	$ -	$ 288,979	$ -	$ 288,979
Cash and investments - restricted	4,516	142,337	974,792	1,121,645	-	1,121,645
Accounts receivable - recreation	-	-	628,069	628,069	-	628,069
Receivable - County Treasurer	8,265	(1,304)	-	6,961	-	6,961
Property taxes receivable	85,028	766,452	-	851,480	-	851,480
Prepaid expenses	-	-	21,063	21,063	-	21,063
Capital assets not being depreciated	-	-	-	-	2,373,158	2,373,158
Capital assets, net of accumulated depreciation	-	-	-	-	1,100,325	1,100,325
Total Assets	386,788	907,485	1,623,924	2,918,197	3,473,483	6,391,680
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	18,967	18,967
Total Deferred Outflows of Resources	-	-	-	-	18,967	18,967
Total Assets and Deferred Outflows of Resources	$ 386,788	$ 907,485	$ 1,623,924	$ 2,918,197		
LIABILITIES						
Accounts payable	$ 5,895	$ -	$ 48,795	$ 54,690	-	54,690
Prepaid assessments	-	-	54,111	54,111	-	54,111
Accrued interest on bonds	-	-	-	-	1,279	1,279
Long-term liabilities						
Due within one year	-	-	-	-	720,000	720,000
Due in more than one year	-	-	-	-	750,000	750,000
Total Liabilities	5,895	-	102,906	108,801	1,471,279	1,580,080
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	85,028	766,452	-	851,480	-	851,480
Total Deferred Inflows of Resources	85,028	766,452	-	851,480	-	851,480
FUND BALANCES						
Fund Balances:						
Nonspendable:						
Prepaids	-	-	21,063	21,063	(21,063)	-
Restricted:						
Emergencies	4,516	-	-	4,516	(4,516)	-
Debt service	-	141,033	-	141,033	(141,033)	-
Committed:						
Recreation Center and Landscape replacements	-	-	1,499,955	1,499,955	(1,499,955)	-
Unassigned	291,349	-	-	291,349	(291,349)	-
Total Fund Balances	295,865	141,033	1,521,018	1,957,916	(1,957,916)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 386,788	$ 907,485	$ 1,623,924	$ 2,918,197		
NET POSITION						
Net investment in capital assets					2,003,483	2,003,483
Restricted for:						
Emergencies					4,516	4,516
Debt service					139,754	139,754
Unrestricted					1,831,334	1,831,334
Total Net Position					$ 3,979,087	$ 3,979,087

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

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	General	Debt Service	Special Revenue	Total	Adjustments	Statement of Activities
EXPENDITURES						
General government:						
Audit	$ 6,150	$ -	$ -	$ 6,150	$ -	$ 6,150
Insurance	1,140	-	-	1,140	-	1,140
Parker Water and Sanitation IGA	69,988	-	-	69,988	-	69,988
Treasurer's fees	1,260	11,354	-	12,614	-	12,614
Miscellaneous expenses	40	-	-	40	-	40
Debt service:						
Loan principal	-	705,000	-	705,000	(705,000)	-
Loan interest expense	-	45,676	-	45,676	9,072	54,748
Paying agent/trustee fees	-	2,000	-	2,000	-	2,000
Parks and recreation:						
Parks and recreation	-	-	994,206	994,206	-	994,206
Capital improvements	-	-	247,013	247,013	(247,013)	0
Depreciation	-	-	-	-	150,907	150,907
Total Expenditures	78,578	764,030	1,241,219	2,083,827	(792,034)	1,291,793
PROGRAM REVENUES						
Conservation trust proceeds	21,699	-	-	21,699	-	21,699
Assessments and service revenue	-	-	1,432,322	1,432,322	-	1,432,322
Activity income	-	-	93,011	93,011	-	93,011
Late, legal, penalties, other	-	-	16,503	16,503	-	16,503
Working capital	-	-	150	150	-	150
Miscellaneous income	-	-	2,316	2,316	-	2,316
Total Program Revenues	21,699	-	1,544,302	1,566,001	-	1,566,001
Net Program Income (Expense)	(56,879)	(764,030)	303,083	(517,826)	792,034	274,208
GENERAL REVENUES						
Property taxes	83,914	756,406	-	840,320	-	840,320
Specific ownership taxes	89,284	-	-	89,284	-	89,284
Interest income	235	13,165	3,356	16,756	-	16,756
Total General Revenues	173,433	769,571	3,356	946,360	-	946,360
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	116,554	5,541	306,439	428,534	792,034	1,220,568
OTHER FINANCING SOURCES (USES)						
Transfer (to) from other funds	(80,000)	-	80,000	-	-	-
Total Other Financing Sources (Uses)	(80,000)	-	80,000	-	-	-
NET CHANGE IN FUND BALANCES	36,554	5,541	386,439	428,534	(428,534)	
CHANGE IN NET POSITION					1,220,568	1,220,568
FUND BALANCE/NET POSITION (DEFICIT):						
BEGINNING OF YEAR	259,311	135,492	1,134,579	1,529,382	1,229,137	2,758,519
END OF YEAR	$ 295,865	$ 141,033	$ 1,521,018	$ 1,957,916	$ 2,021,171	$ 3,979,087

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

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2018

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 84,310	$ 83,914	$ (396)
Specific ownership taxes	68,922	89,284	20,362
Interest income	-	235	235
Conservation trust proceeds	20,006	21,699	1,693
Total Revenues	173,238	195,132	21,894
EXPENDITURES			
Audit	6,000	6,150	(150)
Insurance	1,160	1,140	20
Parker Water and Sanitation IGA	62,000	69,988	(7,988)
Treasurer's fees	1,274	1,260	14
Miscellaneous expenses	100	40	60
Contingency	242,189	-	242,189
Emergency reserve	4,516	-	4,516
Total Expenditures	317,239	78,578	238,661
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(144,001)	116,554	260,555
OTHER FINANCING SOURCES (USES)			
Transfer (to) from other funds	(80,000)	(80,000)	-
Total Other Financing Sources (Uses)	(80,000)	(80,000)	-
NET CHANGE IN FUND BALANCES	(224,001)	36,554	260,555
FUND BALANCE:			
BEGINNING OF YEAR	224,001	259,311	35,310
END OF YEAR	$ -	$ 295,865	$ 295,865

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

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND
For the Year Ended December 31, 2018

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Assessments and service revenue	$ 850,176	$ 1,432,322	$ 582,146
Activity income	58,000	93,011	35,011
Late, legal, penalties, other	20,000	16,503	(3,497)
Working capital	-	150	150
Miscellaneous income	10,000	2,316	(7,684)
Interest income	-	3,356	3,356
Total Revenues	938,176	1,547,658	609,482
EXPENDITURES			
Parks and recreation	1,042,895	994,206	48,689
Capital improvements	75,000	247,013	(172,013)
Replacement reserve	1,111,024	-	1,111,024
Total Expenditures	2,228,919	1,241,219	987,700
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,290,743)	306,439	1,597,182
OTHER FINANCING SOURCES (USES)			
Transfer (to) from other funds	80,000	80,000	-
Total Other Financing Sources (Uses)	80,000	80,000	-
NET CHANGE IN FUND BALANCES	(1,210,743)	386,439	1,597,182
FUND BALANCE:			
BEGINNING OF YEAR	1,210,743	1,134,579	(76,164)
END OF YEAR	$ -	$ 1,521,018	$ 1,521,018

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

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Cherry Creek South Metropolitan District No. 1, (the "District") located in Douglas 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 on June 14, 1985, as a quasi-municipal corporation established under the State of Colorado Special District Act. The District's service area is located entirely within the Town of Parker ("Town"). The District was established to provide water, sewer and street improvements, safety protection, park and recreational services and improvements, mosquito control services, and television relay and translator facilities. By agreement, upon completion, the District dedicated and transferred certain facilities to the Town or to Parker Water and Sanitation District ("PWSD"), for maintenance and operation (See Note 5). When the facilities are complete and all bonds issued by the District are paid or defeased, the Town may request dissolution of the District. The District's primary revenues are property taxes and assessments/service revenue. 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 pronouncements which provide 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 employees for services related to the special revenue fund. All other operations and administrative functions are contracted.

Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the statement of governmental fund 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.

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.

Special Revenue Fund – The Special Revenue Fund is used to account for the resources accumulated and payments made for the purchase, construction, operation, and maintenance of the parks and recreational facilities of the District.

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.

Assets, Liabilities 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, 2018, 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 cash equivalents 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.

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's 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 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. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

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.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Water system	30 years
Recreation center	10-30 years
Fencing	10 years
Furniture and equipment	10 years

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.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits throughout the year. There is no liability for unpaid accumulated vacation or sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is forfeited if it is not used by December 31 each year.

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.

The nonspendable fund balance in the Special Revenue Fund in the amount of $21,063 represents the prepaid 2019 Property & Liability Insurance of the District.

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 $4,516 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 $141,033 is restricted for the payment of the debt service costs associated with the Series 2015 Loan (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.

The committed fund balance in the Special Revenue Fund in the amount of $1,499,955 is committed for the payment of the costs relating to the recreation center and landscaping within the District.

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 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:

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 or 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, 2018, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 288,979
Cash and investments – Restricted	1,121,645
Total	$ 1,410,624

Cash and investments as of December 31, 2018 consist of the following:

Petty cash	$ 500
Deposits with financial institutions	989,520
Investments – COLOTRUST	344,992
Investments – Federated Treasury Obligations Fund	75,612
	$ 1,410,624

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.

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

Investments

Credit Risk

The District investment policy requires that the District follow state statutes for 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.

Interest Rate Risk

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

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. The investments' values are calculated using the net asset value method (NAV) per share.

The District has the following recurring fair value measurements as of December 31, 2018:

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 COLOTRUST. 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 two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2018, the District had $344,992 invested in COLOTRUST PRIME.

Federated Treasury Obligations Fund

The Federated Treasury Obligations Fund is a money market fund and each share is equal in value to $1.00. The fund is AAAm rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 397 days or less. As of December 31, 2018, the District had $75,612 invested in the Federated Treasury Obligations Fund.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Governmental Type Activities:				
Capital assets not being depreciated:				
Water supply	$ 555,998	$ -	$ -	$ 555,998
Park and recreation improvements	669,533	-	-	669,533
Landscaping	1,147,627	-	-	1,147,627
Total capital assets not being depreciated:	2,373,158	-	-	2,373,158
Capital assets being depreciated:				
Water improvements	323,779	-	-	323,779
Recreation center	2,943,515	247,013	-	3,190,528
Fencing	365,370	-	-	365,370
Underground utilities	7,000	-	-	7,000
Furniture and equipment	227,665	-	-	227,665
Total capital assets being depreciated	3,867,329	247,013	-	4,114,342
Less accumulated depreciation for:				
Water improvements	178,082	10,793	-	188,875
Recreation center	2,227,668	105,772	-	2,333,440
Fencing	336,642	14,781	-	351,423
Underground utilities	7,000	-	-	7,000
Furniture and equipment	113,718	19,561	-	133,279
Accumulated Depreciation	2,863,110	150,907	-	3,014,017
Net capital assets being depreciated:	1,004,219	96,106	-	1,100,325
Government type assets, net	$ 3,377,377	$ 96,106	$ -	$ 3,473,483

Depreciation expense of $150,907 for 2018 was included in the parks and recreation expenses on the Statement of Activities.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2018, is as follows:

$3,545,000 Limited Tax Refunding Loan Series 2015
On June 30, 2015, the District entered into a Tax Exempt Loan Agreement with US Bank National Association and signed and delivered a promissory note for $3,545,000 ("Series 2015 Loan"). The Note bears interest at a rate equal to 3.12% from the closing date until September 17, 2015, when the rate will decrease to 2.06% until maturity on December 15, 2020. Interest is payable semi-annually on June 15th and December 15th commencing on December 15, 2015. Principal payments are due annually on December 15th commencing on December 15, 2015. The District may prepay the loan in whole, or in part upon payment the principal amount plus accrued interest with a prepayment fee. The loan was issued to refund a portion of the Series 2003B bonds and fund the cost of issuing the loan.

As a result of the Series 2015 Refunding Loan, the refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net position. The reacquisition price of the old debt exceeded the net carrying amount by $52,868. This amount is recorded as a deferred outflow and is being amortized over the original remaining life of the refunded bonds. The refunding resulted in an economic gain of $134,121 due to the average interest rate of the Series 2015 Loan being lower than the refunded bonds.

The following is an analysis of changes in long-term debt for the period ending December 31, 2018:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018	Current Portion
Series 2015 Loan	$ 2,175,000	$ -	$ 705,000	$ 1,470,000	$ 720,000
	$ 2,175,000	$ -	$ 705,000	$ 1,470,000	$ 720,000

The following is a summary of the annual long-term debt principal and interest requirements.

	Principal	Interest	Total
2019	720,000	30,703	750,703
2020	750,000	15,708	765,708
	$ 1,470,000	$ 46,411	$ 1,516,411

Debt Authorization
As of December 31, 2018, the District had remaining voted debt authorization of approximately $142,400,000. The District has not budgeted to issue any new debt in 2019.

Note 5: District Agreements

Annexation and Service Agreement
On August 13, 1992, the developer, the Town, PWSD and the District entered into an annexation and service agreement pursuant to which PWSD agreed to provide water and sanitation services to the residents of the District.

Note 6: 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.

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.

In May 1994, a majority of the District's electors authorized the District to increase its fiscal year spending and annual District revenues to an amount not to exceed $1,500,000. Such authorization constituted a voter approved revenue change with the meaning of TABOR.

Note 7: 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 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.

Note 8: Conservation Trust Fund Entitlement

The District was entitled to and received $21,699 from the State of Colorado Lottery based upon a formula considering the population within the District. The funds are restricted and were expended under the State Conservation Trust Fund statutes for the acquisition, development and maintenance of parks and recreational facilities.

Note 9: Interfund and Operating Transfers

The transfer of $80,000 from the General Fund to the Special Revenue Fund was for the purpose of paying for the Parks and Recreation expenses.

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments 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 and accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments 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 estimated useful lives;

2) governmental funds report the effect of bond insurance costs and bond premiums when the debt is issued; however, in the Statement of Activities, these costs are amortized over the term of the related debt;

3) governmental funds report the repayment of bond principal as expenditures; however, in the government-wide statements, they are reported as reductions in long-term liabilities; and,

4) 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.

SUPPLEMENTAL INFORMATION

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND
For the Year Ended December 31, 2018

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 759,977	$ 756,406	$ (3,571)
Interest income	-	13,165	13,165
Total Revenues	759,977	769,571	9,594
EXPENDITURES			
Loan principal	705,000	705,000	-
Loan interest expense	45,427	45,676	(249)
Paying agent/trustee fees	5,000	2,000	3,000
Treasurer's fees	11,400	11,354	46
Total Expenditures	766,827	764,030	2,797
NET CHANGE IN FUND BALANCES	(6,850)	5,541	12,391
FUND BALANCE:			
BEGINNING OF YEAR	132,355	135,492	3,137
END OF YEAR	$ 125,505	$ 141,033	$ 15,528

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

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2018

TAX-FREE LOAN REFUNDING ISSUE, SERIES 2015
(Taxable converting to Tax-Exempt on 9/17/15)
Assumes 3.12% taxable rate thru 9/17/15 then converting to 2.06%
Interest Payable June 15 and December 15
Principal Due December 15

Year Ended December 31,	Principal	Interest	Total
2019	720,000	30,703	750,703
2020	750,000	15,708	765,708
	$ 1,470,000	$ 46,411	$ 1,516,411

SUPPLEMENTAL INFORMATION
The District may, at its option, prepay the Loan, in whole or in part, on any date, at a prepayment price equial to the sum of the principal so prepaid together with accrued and unpaid interest theron to the date of the prepayment, plus a prepayment fee.

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2018

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		General Fund	Debt Service	Levied	Collected	
2005	$ 32,672,630	2.588	37.257	$ 1,301,841	$ 1,297,546	99.67%
2006	$ 38,159,452	2.169	17.950	$ 767,730	$ 746,390	97.22%
2007	$ 38,573,769	2.169	17.950	$ 776,081	$ 773,515	99.67%
2008	$ 40,791,320	2.164	17.950	$ 820,477	$ 820,669	100.02%
2009	$ 41,306,890	2.164	17.950	$ 830,844	$ 830,732	99.99%
2010	$ 40,514,830	2.164	17.950	$ 814,915	$ 784,087	96.22%
2011	$ 40,455,880	2.164	17.950	$ 813,730	$ 773,201	95.02%
2012	$ 36,057,000	2.164	19.750	$ 790,153	$ 764,652	96.77%
2013	$ 35,798,560	2.164	19.750	$ 784,490	$ 752,854	95.97%
2014	$ 35,175,368	2.164	19.750	$ 770,833	$ 739,008	95.87%
2015	$ 35,027,670	2.164	21.000	$ 811,381	$ 782,631	96.46%
2016	$ 41,123,950	1.946	18.000	$ 820,258	$ 974,941	118.86%
2017	$ 41,094,880	1.946	18.000	$ 819,678	$ 819,511	99.98%
2018	$ 47,498,560	1.775	16.000	$ 844,287	$ 840,320	99.53%
Estimated for year ending December 31, 2019	$ 47,903,230	1.775	16.000	$ 851,480		

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.

Property tax collections do not include amounts collected under Colorado HB 1006.