

**CITY OF CHERRY HILLS VILLAGE
SANITATION DISTRICT
Arapahoe County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

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Independent Auditor's Report

Board of Directors
City of Cherry Hills Village
Sanitation District
Arapahoe County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Cherry Hills Village Sanitation District (District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the 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 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 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 that 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 financial position of the City of Cherry Hills Village Sanitation District (District), as of December 31, 2019 and 2018, and the changes in its financial position and cash flows thereof for the years 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 on pages III through VI 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 an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate 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.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
May 26, 2020

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019 and 2018**

Our discussion and analysis of the City of Cherry Hills Village Sanitation District's financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2019 and 2018. Please read it in conjunction with the District's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- Transmission Fees collected in 2019 were \$522,059. Sewer Treatment Fees collected in 2019 were \$364,102 which includes \$334,345 of fees collected and retained by the City of Englewood.
- During 2019, nine additional taps were sold resulting in \$113,060 in tap fees.
- Investment income was \$216,309 which includes an adjustment to fair value.
- Excluding sewer treatment fees to Englewood and depreciation expense, the District ended 2019 with operating expenses of \$508,041.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can 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 Statement of Revenues, Expenses and Changes in Fund Net Position reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise of the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The Statement of Cash Flows, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four potential sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019 and 2018**

FINANCIAL SUMMARY AND ANALYSIS

As noted earlier, net position may serve as a useful indicator of the District's financial position. In the District's case, net position as of December 31, 2019 and 2018 was \$10,504,258 and \$9,916,085, respectively. The District's current assets increased from 2018 to 2019 by \$393,351 due to the District's revenue and capital contributions being in excess of expenditures, when excluding depreciation which is a non-cash item. The change in capital assets is due to depreciation of \$98,220 taken in 2019 and additions of \$345,927. The District's current assets increased from 2017 to 2018 by \$304,711 due to the District's revenue and capital contributions being in excess of expenditures, when excluding depreciation which is a non-cash item. The change in capital assets is due to depreciation of \$90,370 taken in 2018 and additions of \$171,220. Approximately 72% and 73%, respectively of the District's assets as of December 31, 2019 and 2018 consist of cash and investments and current receivables. The remaining assets represent the historical cost of the sewer system net of accumulated depreciation.

The increase in currently liabilities is a result of the timing of payments to vendors and deposits. The District has a developer deposit and a construction deposit which total \$189,057 as of December 31, 2019. The District is holding \$147,673 as security for a warranty obligation in lieu of a bond for the sewer improvements contributed to the District in 2019. The remaining \$41,384 is being held as a deposit on a sewer line extension project. The District had four outstanding vendor invoices as of December 31, 2018 for a total of \$136,172.

NET POSITION

	December 31,		
	2019	2018	2017
ASSETS			
Current assets	\$ 7,714,280	\$7,320,929	\$7,016,218
Capital assets	2,979,035	2,731,328	2,650,478
Total assets	<u>10,693,315</u>	<u>10,052,257</u>	<u>9,666,696</u>
LIABILITIES			
Current liabilities	189,057	136,172	55,713
Total liabilities	<u>189,057</u>	<u>136,172</u>	<u>55,713</u>
NET POSITION			
Net invested in capital assets	2,979,035	2,731,328	2,650,478
Unrestricted	7,525,223	7,184,757	6,960,505
Total net position	<u>\$ 10,504,258</u>	<u>\$9,916,085</u>	<u>\$9,610,983</u>

Sewer service fees have fluctuated over the past three years due to changes in rates and changes in usage.

Fluctuations in net investment income are primarily due to market fluctuations affecting interest rates and fair values of investments.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019 and 2018**

From 2018 to 2019, District operating expenses, excluding wastewater treatment expenses retained by the City of Englewood and depreciation expense, increased by \$42,215 as a result of an overall increase in administrative fees. There was an increase of \$7,850 in the District's depreciation expense from 2018 to 2019.

From 2017 to 2018, District operating expenses, excluding wastewater treatment expenses retained by the City of Englewood and depreciation expense, increased by \$103,982 as a result of an overall increase in administrative fees, repair and maintenance. There was an increase of \$2,037 in the District's depreciation expense from 2017 to 2018.

CHANGES IN NET POSITION

	Years Ended December 31,		
	2019	2018	2017
REVENUES			
OPERATING REVENUE			
Sewer service fees	\$ 887,848	\$ 818,547	\$ 823,668
NONOPERATING REVENUE			
Net investment income	216,309	138,370	51,352
Sewer line projects - reimbursements	1,004	16,002	43,581
Miscellaneous	-	-	-
Total nonoperating revenue	217,313	154,372	94,933
CAPITAL CONTRIBUTIONS	426,750	221,020	217,404
Total revenues	1,531,911	1,193,939	1,136,005
EXPENSES			
Operating expenses	940,606	872,835	770,783
Nonoperating expenses	3,132	16,002	43,638
Total expenses	943,738	888,837	814,421
CHANGE IN NET POSITION	588,173	305,102	321,584
NET POSITION - BEGINNING OF YEAR	9,916,085	9,610,983	9,289,399
NET POSITION - END OF YEAR	<u>\$ 10,504,258</u>	<u>\$ 9,916,085</u>	<u>\$ 9,610,983</u>

CAPITAL ASSETS

The District's investment in capital assets at December 31, 2019 amounts to \$2,979,035 (net of accumulated depreciation). The District's capital assets at December 31, 2018 were \$2,731,328 (net of accumulated depreciation). This investment in capital assets includes the value of the existing sewer system.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019 and 2018**

In 2019, there was a \$345,927 increase in the District's capital assets. The District replaced a section of the District's sewer systems with new pipe. In addition, the District received contributed capital assets of \$295,074.

In 2018, there was a \$171,220 increase in the District's capital assets. The District rehabilitated a section of the District's sewer systems with cured in place pipe.

ECONOMIC FACTORS AND RATES

The District acknowledges the risks to its operations occasioned by reducing revenues and increasing operating costs and that, if appropriate action is not taken and economic conditions continue, the District's reserves for capital will likely be insufficient to defray long term capital, operation and maintenance requirements. The District did increase sewer transmission rates for all classes to help to offset the increasing costs for repairs and replacements.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of Cherry Hills Village Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Administrator at 3333 S. Bannock Street, Suite 360, Englewood, Colorado 80110.

BASIC FINANCIAL STATEMENTS

CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 376,711	\$ 710,380
Investments	7,313,546	6,581,718
Accounts receivable	4,158	4,126
Accrued interest receivable	19,865	24,705
Total current assets	7,714,280	7,320,929
CAPITAL ASSETS		
Easements	253,121	253,121
Sewer system	7,549,713	7,241,019
Geographic information system	94,303	94,303
Connecting sewer systems	140,347	140,347
Construction in progress	37,233	-
	8,074,717	7,728,790
Less accumulated depreciation	(5,095,682)	(4,997,462)
Total capital assets, net	2,979,035	2,731,328
TOTAL ASSETS	\$ 10,693,315	\$ 10,052,257
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 136,172
Deposits	189,057	-
Total current liabilities	189,057	136,172
NET POSITION		
Net investment in capital assets	2,979,035	2,731,328
Unrestricted	7,525,223	7,184,757
Total net position	10,504,258	9,916,085
TOTAL LIABILITIES AND NET POSITION	\$ 10,693,315	\$ 10,052,257

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2019 and 2018**

	2019	2018
OPERATING REVENUE		
Wastewater transmission fees	\$ 479,275	\$ 437,623
Wastewater treatment fees - Englewood	334,345	316,639
Hillcrest treatment and transmission	72,541	61,839
Miscellaneous revenue	1,687	2,446
Total operating revenue	887,848	818,547
OPERATING EXPENSES		
Accounting and audit	5,800	6,170
District Administrator	257,150	182,310
Vehicle allowance	10,000	4,800
Directors' fees	2,700	3,500
Certified operator	1,200	1,800
Insurance	8,391	8,052
Legal	20,815	45,150
Election	-	90
Consultant	1,400	1,300
Training	2,107	4,089
Miscellaneous	3,850	5,354
Office	25,758	19,797
Service agreement fees	31,373	23,924
Engineering and inspection	10,045	10,246
GIS system maintenance	650	8,325
Engineering and surveying - easements and extensions	-	7,143
Revise standards	29,798	20,136
Maintenance and repairs	97,004	113,640
Sewer treatment fees - Englewood	334,345	316,639
Depreciation	98,220	90,370
Total operating expenses	940,606	872,835
Gain/(Loss) from operations	(52,758)	(54,288)
NONOPERATING REVENUE (EXPENSES)		
Net investment income	216,309	138,370
Sewer line projects reimbursement - Harrison Oaks/Kent-Denver	1,004	16,002
Sewer line projects expense - Harrison Oaks/Kent-Denver	(3,132)	(16,002)
Total nonoperating revenue (expenses)	214,181	138,370
GAIN BEFORE CAPITAL CONTRIBUTIONS	161,423	84,082
CAPITAL CONTRIBUTIONS		
Tap fees	113,060	221,020
Gilpin street extension contribution	18,616	-
Capital assets contributed	295,074	-
Total capital contributions	426,750	221,020
CHANGE IN NET POSITION	588,173	305,102
NET POSITION - BEGINNING OF YEAR	9,916,085	9,610,983
NET POSITION - END OF YEAR	\$ 10,504,258	\$ 9,916,085

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 553,471	\$ 507,782
Cash paid to vendors	(644,213)	(385,367)
Net cash provided by operating activities	(90,742)	122,415
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital contributions - tap fees received	113,060	221,020
Capital contributions - Gilpin street extension	60,000	-
Capital asset additions	(50,853)	(171,220)
Net cash provided by capital financing activities	122,207	49,800
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Sewer line projects reimbursement - Harrison Oaks/Kent-Denver	1,004	16,002
Sewer line projects expense - Harrison Oaks/Kent-Denver	(3,132)	(16,002)
Net cash provided (required) by noncapital financing activities	(2,128)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investments	2,520,000	5,692,000
Purchases of investments	(3,011,857)	(5,686,293)
Interest received	128,851	62,528
Net cash provided (required) by investing activities	(363,006)	68,235
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(333,669)	240,450
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	710,380	469,930
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 376,711	\$ 710,380
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES		
Net operating loss	\$ (52,758)	\$ (54,288)
Adjustments to reconcile loss from operations to net cash required by operating activities:		
Depreciation	98,220	90,370
Effects of changes in operating assets and liabilities:		
Accounts receivable	(32)	5,874
Accounts payable	(136,172)	80,459
Net cash required by operating activities	\$ (90,742)	\$ 122,415

Cash flows from operating activities do not include \$334,345 for 2019 and \$316,639 for 2018 in service fee revenue and sewage treatment expense which are collected and retained by the City of Englewood.

Cash flows from capital financing activities do not include \$295,074 of sewer lines contributed in 2019.

Cash flows from investing activities do not include \$92,298 for 2019 and \$53,813 for 2018 of fair value adjustments to investments.

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

NOTE 1 – DEFINITION OF REPORTING ENTITY

City of Cherry Hills Village Sanitation District (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 sanitation services to property within its service area, which is primarily within the City of Cherry Hills Village (City). The City has no oversight responsibilities over the District (see Note 6).

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

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. Expenses for capital improvements are shown as increases in assets. Tap fees are recorded as capital contributions when received.

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Restricted resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation resolution can only be modified upon completion of notification and publication requirements.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. 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 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 of the assets:

Sewer system (see Note 4)	50 years
Geographic Information system	7 years
Connecting sewer systems (see Note 6)	20 years

Capital Contributions

Tap fees, net of the fees payable to connector districts (Note 6), are recorded as capital contributions when received.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

Grants or contracts received from other governments for capital outlay are recognized as capital contributions as the expenditures are incurred.

Reclassifications

For comparability, certain 2018 amounts have been reclassified where appropriate to conform with the 2019 financial statement presentation.

Designated Net Position

In furtherance of the purposes of depreciation and reserves for replacement to pay for the deterioration of facilities over time, the District has set aside some of its net position to ensure that adequate funds are available to replace existing facilities as they fail. Based upon an analysis of the District's replacement needs for the system completed by the District's engineer in 2014, the District's entire unrestricted net position balance of \$7,525,223 as of December 31, 2019 and \$7,184,757 as of December 31, 2018 has been designated to be used for such future facility replacement.

NOTE 3 – CASH AND INVESTMENTS

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 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.

At December 31, 2019, the District's cash deposits had a bank balance of \$272,798 and carrying balance of \$154,148. At December 31, 2018, the District's cash deposits had a bank balance of \$830,403 and carrying balance of \$710,380. Details of the District's carrying balance of cash deposits are as follows:

	2019	2018
Demand accounts	\$ 154,148	\$ 710,380

As of December 31, 2018, the District held \$697,612 in the Schwab Bank and Schwab Signature Bank accounts through the Charles Schwab Cash Features Program (Bank Sweep). The Bank Sweep feature automatically make deposits to and withdrawals from interest-bearing deposit accounts at one or more banks affiliated with Schwab, collectively, the "Affiliated Banks", whose deposits are insured by the Federal Deposit Insurance Corporation. The deposit accounts are opened on the District's behalf by Charles Schwab. The banks participating in the

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
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Schwab Bank and Schwab Signature Bank accounts are not PDPA eligible institutions. As such the District's participation in the Bank Sweep program may be a violation of the Colorado Public Deposit Protection Act. On April 27, 2019, the District moved its deposits held in the Bank Sweep program to the Schwab Government Money Fund which is an allowed investment under state statutes.

Investments

On January 9, 2012, the District adopted a formal investment policy, specifying the principal investment objectives of the District and standards of prudence to be used for managing the District's assets. The policy stipulates that all investments shall conform to State law.

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 and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

Investments as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Money Market Mutual Fund	\$ 222,563	\$ -
U.S. Treasury Bills / Notes	6,616,457	5,894,731
Negotiable certificates of deposit	697,089	686,987
Total investments	<u>\$ 7,536,109</u>	<u>\$ 6,581,718</u>

As of December 31, 2019, the District was invested in the Schwab Government Money Fund which is a money market mutual fund that invests primarily in U.S. government Securities and other obligations issued by the U.S government, its agencies or instrumentalities.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

Cash and cash equivalents are reflected for the December 31, 2019 and 2018 are classified in the accompanying financial statements as follows:

	2019	2018
Cash and cash equivalents	\$ 376,711	\$ 710,380
Investments	7,313,546	6,581,718
Total cash and cash equivalents and investments	\$ 7,690,257	\$ 7,292,098

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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 valuation of the District's investments are as follows at December 31, 2019:

	Carrying Amount	Level 1 Inputs
Investments measured at fair value		
U.S. Treasury Bills / Notes	\$ 6,616,457	\$ 6,616,457
Negotiable certificates of deposit	697,089	697,089
Total investments	\$ 7,313,546	\$ 7,313,546

The valuation of the District's investments are as follows at December 31, 2018:

	Carrying Amount	Level 1 Inputs
Investments measured at fair value		
U.S. Treasury Bills / Notes	\$ 5,894,731	\$ 5,894,731
Negotiable certificates of deposit	686,987	686,987
Total investments	\$ 6,581,718	\$ 6,581,718

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Revenue bonds of U.S. local governments, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

Interest rate risk is the risk that market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the District's investments by maturity.

The District held the following investments as of December 31, 2019:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u> <u>12 to 24 Months</u>
U.S. Treasury Bills / Notes	\$ 6,616,457	\$ 6,616,457
Negotiable certificates of deposit	697,089	697,089
Total investments	<u>\$ 7,313,546</u>	<u>\$ 7,313,546</u>

The District held the following investments as of December 31, 2018:

2018		<u>Remaining Maturity (in Months)</u> <u>12 to 24 Months</u>
<u>Investment Type</u>	<u>Total</u>	
U.S. Treasury Bills / Notes	\$ 5,894,731	\$ 5,894,731
Negotiable certificates of deposit	686,987	686,987
Total investments	<u>\$ 6,581,718</u>	<u>\$ 6,581,718</u>

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2019 and 2018, the District's negotiable certificates of deposit are insured by FDIC. As of December 31, 2019, the Schwab Government Money Fund was not rated.

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures* require the District to disclose investments in single issuers (other than U.S. Government securities) that exceed five percent (5%) of the District's entire investment portfolio. At December 31, 2019 and 2018, the District had no investments exceeding the 5% limit.

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**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance at January 1, 2019	Increases	Decreases	Balance at December 31, 2019
Capital assets not being depreciated				
Easements	\$ 253,121	\$ -	\$ -	\$ 253,121
Construction in progress	-	37,233	-	37,233
Total capital assets, not being depreciated	<u>253,121</u>	<u>37,233</u>	<u>-</u>	<u>290,354</u>
Capital assets, being depreciated:				
Sewer system	7,241,019	308,694	-	7,549,713
Geographic information system	94,303	-	-	94,303
Connecting sewer systems	140,347	-	-	140,347
Total capital assets being depreciated	<u>7,475,669</u>	<u>308,694</u>	<u>-</u>	<u>7,784,363</u>
Less accumulated depreciation for:				
Sewer system	4,847,117	95,629	-	4,942,746
Geographic information system	94,303	-	-	94,303
Connecting sewer systems	56,042	2,591	-	58,633
Total accumulated depreciation	<u>4,997,462</u>	<u>98,220</u>	<u>-</u>	<u>5,095,682</u>
Net capital assets being depreciated	<u>2,478,207</u>	<u>210,474</u>	<u>-</u>	<u>2,688,681</u>
Total capital assets, net	<u>\$ 2,731,328</u>	<u>\$ 247,707</u>	<u>\$ -</u>	<u>\$ 2,979,035</u>

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

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

	<u>Balance at January 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2018</u>
Capital assets not being depreciated				
Easements	\$ 253,121	\$ -	\$ -	\$ 253,121
Total capital assets, not being depreciated	<u>253,121</u>	<u>-</u>	<u>-</u>	<u>253,121</u>
Capital assets, being depreciated:				
Sewer system	7,069,799	171,220	-	7,241,019
Geographic information system	94,303	-	-	94,303
Connecting sewer systems	140,347	-	-	140,347
Total capital assets being depreciated	<u>7,304,449</u>	<u>171,220</u>	<u>-</u>	<u>7,475,669</u>
Less accumulated depreciation for:				
Sewer system	4,759,339	87,778	-	4,847,117
Geographic information system	94,303	-	-	94,303
Connecting sewer systems	53,450	2,592	-	56,042
Total accumulated depreciation	<u>4,907,092</u>	<u>90,370</u>	<u>-</u>	<u>4,997,462</u>
Net capital assets being depreciated	<u>2,397,357</u>	<u>80,850</u>	<u>-</u>	<u>2,478,207</u>
Total capital assets, net	<u>\$ 2,650,478</u>	<u>\$ 80,850</u>	<u>\$ -</u>	<u>\$ 2,731,328</u>

NOTE 5 - NET POSITION

The District's net position consists of two components – net investment in capital assets and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation. As of December 31, 2019 and 2018, the District had investments in capital assets of \$2,979,035 and \$2,731,328, respectively.

Unrestricted net position consists of amounts that do not meet the definition of invested in capital assets or restricted. As of December 31, 2019 and 2018, the District had an unrestricted net position of \$7,525,223 and \$7,184,757, respectively.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

NOTE 6 – INTERGOVERNMENTAL SERVICE AGREEMENTS

Treatment and Transmission of Wastewater

City of Englewood

The original service contract with the City of Englewood (Englewood) was dated June 2, 1975. A new contract was entered into on May 12, 1997. Under the terms of the contracts, Englewood treats all District wastewater (except that which is treated under the agreement with Hillcrest Water and Sanitation District), bills District residents for this service and retains all billing collections. This contract extends for a period of three years with six automatic three-year renewals, unless either party gives six months' notice. Total service fees billed were \$334,345 and \$316,639 for the years ended December 31, 2019 and 2018, respectively.

On March 4, 2019, the City and the District entered into a new contract for the Treatment and Transmission of Wastewater. The new contract was entered into as the 1997 contract expired in May 2019. The new contract extends for a period of 20 years with two automatic 20 year renewals, unless either party gives six months' notice.

Transmission of Wastewater – Connector Agreements

City of Cherry Hills Village

An agreement dated April 15, 1977 originally with Cherryridge Water and Sanitation District (Cherryridge), provides for the connection and transmission of wastewater for approximately 140 taps through the lines of Cherryridge. Cherryridge was dissolved in 1995 with all rights and obligations under this contract being assigned to the City of Cherry Hills Village. This agreement extends for a period of twenty years, with five automatic ten-year renewal periods, unless notice of intent not to renew is given at least ninety days prior to the renewal period. No notice of intent has been received by the District.

City of Cherry Hills Village

An agreement dated October 10, 1977, originally with Cherrymoor South Water and Sanitation District (Cherrymoor), provides for the connection and transmission of wastewater for five single family taps through Cherrymoor's lines. Through October 9, 1997, Cherrymoor billed the District's customers directly for a maintenance and service charge. Effective February 1, 1998, the District is obligated to pay the greater of \$5.50 per month per tap or 150% of the current charge made to Cherrymoor users. In addition, the District is obligated to pay its prorated share of any major repair to or replacement of the connecting line. In 2001, Cherrymoor was dissolved with all rights and obligations under this contract being assigned to the City of Cherry Hills Village. The agreement expired on June 30, 2000 but has continued informally since that time.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

Country Homes Metropolitan District (Country Homes)

The first agreement dated March 12, 1981 provides for the connection and transmission of wastewater for one District tap at Lot 4, Block B, Cherry Hills Park, through Country Homes' lines. The agreement provides for annual charges based upon the property tax levy of County Homes and the assessed valuation of the properties within the District. The agreement has no termination date but continues informally.

The second agreement dated December 26, 1989 (as amended June 18, 1991) provides for the connection and transmission of wastewater for one District tap at Lot 8, Block B, Cherry Hills Park, through Country Homes' lines. The agreement provides for annual charges based upon the property tax levy of County Homes and the assessed valuation of the properties within the District. The agreement extends for a period of twenty years from the date stated above, with five automatic ten-year renewal periods unless notice of intent not to renew is given at least ninety days prior to the expiration of the renewal period.

South Englewood Sanitation District No. 1 (South Englewood)

An agreement dated September 9, 1995 and amended September 9, 2000, September 9, 2005, and September 9, 2010, provides for the extension of the connection and transmission agreement of wastewater through the South Englewood lines. The District is required to pay to South Englewood an annual service charge each year for the maximum of 27 allowable taps to be connected to the line. The amount of the service charge is reviewed every five years for reasonableness. From January 1, 2010 through September 8, 2010, the annual fee was \$1,530. After that the fee increased to \$1,708. The agreement extends for a period of twenty years from the date stated above.

Hillcrest Water and Sanitation District (Hillcrest)

An agreement dated August 1, 1997 provides for the connection and transmission of sewage for 111 taps through the Hillcrest lines. The District paid Hillcrest \$111,000 in 1998 for the capacity of the 111 residential equivalent taps. Wastewater is transmitted through the Hillcrest lines to lines owned by Metropolitan Wastewater Reclamation District (Metro). The District pays Hillcrest for its equivalent share of treatment costs billed to Hillcrest by Metro. The District also pays for its equivalent share of repair and maintenance costs to the connecting lines of Hillcrest. The agreement continues for a period of thirty years, with five automatic ten-year renewal periods unless Hillcrest gives notice of intent not to renew at least ninety days prior to the expiration of any such period. During 1998, the District entered into a similar agreement with Hillcrest for up to nine additional residential equivalent taps. Payment of \$4,000 for such capacity was paid in 1999.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

NOTE 7 - 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). 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 during the past three 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.

NOTE 8 - 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 that apply to the State of Colorado and all local governments.

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.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
ENTERPRISE FUND
Year Ended December 31, 2019**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
OPERATIONS			
REVENUES			
Wastewater transmission fees - Englewood	\$ 478,831	\$ 479,275	\$ 444
Wastewater transmission fees - Hillcrest	42,067	42,784	717
Wastewater treatment fees - Englewood	350,000	334,345	(15,655)
Wastewater treatment fees - Hillcrest	29,843	29,757	(86)
Other	-	1,687	1,687
Total Operating Revenues	<u>900,741</u>	<u>887,848</u>	<u>(12,893)</u>
EXPENDITURES			
Accounting and audit	7,000	5,800	1,200
District Administrator	217,800	257,150	(39,350)
Vehicle allowance	6,000	10,000	(4,000)
Directors' fees	4,900	2,700	2,200
Certified operator	1,200	1,200	-
Insurance	11,000	8,391	2,609
Legal	50,000	20,815	29,185
Election	-	-	-
Consultant	2,500	1,400	1,100
Training	10,000	2,107	7,893
Miscellaneous	6,000	3,850	2,150
Office rent	20,000	16,743	3,257
Office supplies	4,500	4,366	134
Telephone	2,500	1,963	537
Office equipment & software	2,000	2,686	(686)
Service agreement fees:			
Englewood transmission	1,890	1,890	-
Hillcrest wastewater treatment	29,843	29,483	360
Engineering and inspection	10,000	10,045	(45)
GIS system maintenance	8,000	650	7,350
Maintenance and repairs	130,000	97,004	32,996
Sewer treatment fees - Englewood	350,000	334,345	15,655
Contingency	25,000	-	25,000
Total Operating Expenditures	<u>900,133</u>	<u>812,588</u>	<u>87,545</u>
Gain from operations	<u>\$ 608</u>	<u>\$ 75,260</u>	<u>\$ 74,652</u>
CAPITAL			
REVENUES			
Tap fees	\$ 50,000	\$ 113,060	\$ 63,060
Gilpin street extension contribution	-	18,616	18,616
Capital assets contributed	-	295,074	295,074
Interest	50,000	216,309	166,309
Sewer line projects reimbursement - Harrison Oaks	-	1,004	1,004
Total Capital Revenues	<u>100,000</u>	<u>644,063</u>	<u>544,063</u>
EXPENDITURES			
Capital outlay - capitalizable and non-capitalizable	350,000	345,927	4,073
Sewer line projects - Harrison Oaks	-	3,132	(3,132)
Revise standard	40,000	29,798	10,202
Total Capital Expenditures	<u>390,000</u>	<u>378,857</u>	<u>11,143</u>
Gain (loss) from capital	<u>\$ (290,000)</u>	<u>\$ 265,206</u>	<u>\$ 555,206</u>
TOTAL REVENUES	<u>\$ 1,000,741</u>	<u>\$ 1,531,911</u>	<u>\$ 531,170</u>
TOTAL EXPENDITURES	<u>1,290,133</u>	<u>1,191,445</u>	<u>98,688</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(289,392)</u>	<u>340,466</u>	<u>629,858</u>
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>7,055,185</u>	<u>7,184,757</u>	<u>129,572</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 6,765,793</u>	<u>\$ 7,525,223</u>	<u>\$ 759,430</u>

Funds available at December 31, 2019 is computed as follows:

Current assets	\$ 7,714,280
Current liabilities	(189,057)
	<u>\$ 7,525,223</u>

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2019**

Revenue (budgetary basis)	<u>\$ 1,531,911</u>
Revenues per Statements of Revenues, Expenses and Changes in Fund Net Position	<u>1,531,911</u>
Expenditures (budgetary basis)	1,191,445
Depreciation	98,220
Capital outlay	<u>(345,927)</u>
Expenses per Statements of Revenues, Expenses and Changes in Fund Net Position	<u>943,738</u>
Change in net position per Statements of Revenues, Expenses and Changes in Fund Net Position	<u><u>\$ 588,173</u></u>