Cherry Creek Valley Water and Sanitation District

Annual Financial Report

December 31, 2019 and 2018

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Haynie & Company
Certified Public Accountants
& Management Consultants

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities of Cherry Creek Valley Water & Sanitation District as of and for the years ended December 31, 2019 and 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Cherry Creek Valley Water & Sanitation District, as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Other Information

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

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Haynie & Company

Littleton, Colorado
June 29, 2020

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

This discussion and analysis (MD&A) of Cherry Creek Valley Water and Sanitation District's financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2019 and 2018. The MD&A should be read in conjunction with the District's financial statements.

Management has adopted the provisions of the Governmental Accounting Standards Board Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and other related statements as required for the years ended December 31, 2019 and 2018.

Financial Highlights

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

- Service fee revenue increased less than 1% during 2019 and increased 5% during 2018.
- Investment income increased by 287% during 2019 and decreased by 31% during 2018. Investments are recorded at fair market value and include unrealized gains and losses. Therefore, investment income in any given year reflect both actual and unrealized gains and losses. The District normally holds all investments to maturity.

Overview of the Financial Statements

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

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

The ***Statements of Revenues, Expenses and Changes in Fund Net Position*** report the changes that have occurred during the year to the District's net position. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statements for some items that will only result in cash flows in future fiscal periods.

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

Financial Summary and Analysis

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

NET POSITION

December 31,	**2019**	**2018**
ASSETS		
Current assets	$ 39,459,433	$ 38,363,164
Capital assets	13,745,398	13,754,217
Total assets	53,204,831	52,117,381
LIABILITIES		
Current liabilities	613,411	655,130
Long-term liabilities	85,384	109,327
Total liabilities	698,795	764,457
NET POSITION		
Invested in capital assets, net of related debt	13,745,398	13,754,217
Unrestricted	38,760,638	37,598,707
	$ 52,506,036	$ 51,352,924

A large portion of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Overall the District's total net position increased by $1,153,112 during 2019 and by $255,553 during 2018.

Capital assets decreased as of December 31, 2019, by $8,819, and as of December 31, 2018 by $24,088, primarily as a result of fewer capital asset additions, sale of capital assets, and partially offset by the increased depreciation of existing assets.

Total money market and investment accounts, which reflect total account balances held at two separate investment banks, increased $628,419 during 2019 as a result of both realized and unrealized gains and losses.

A decrease of $41,719 in current liabilities as of December 31, 2019 and increase of $163,316 in current liabilities as of December 31, 2018 consisted of changes in accounts payable, retirement contributions payable and deposits during the respective years.

Long term liabilities consist of the accrual for compensated absences (accumulated sick leave) which decreased during 2019 and increased during 2018.

CHANGES IN NET POSITION

	2019	2018
REVENUES		
OPERATING REVENUE		
Water sales	$ 3,861,511	$ 3,884,994
Sewer sales	2,670,233	2,631,101
Total Operating Revenue	6,531,744	6,516,095
NONOPERATING REVENUES		
Net investment income (loss)	1,758,649	454,110
Other	(51,943)	125,737
Total Nonoperating Revenues	1,706,706	579,847
Total Revenue	8,238,450	7,095,942
EXPENSES		
OPERATING		
Water	4,636,486	4,668,389
Sewer	1,903,475	1,866,295
Total Operating Expenses	6,539,961	6,534,684
GENERAL AND ADMINISTRATIVE EXPENSES	576,325	625,546
Total operating and general administrative expenses	7,116,286	7,160,230
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,122,164	(64,288)
CAPITAL CONTRIBUTIONS	30,948	319,841
CHANGES IN NET POSITION	1,153,112	255,553
NET POSITION BEGINNING OF YEAR	51,352,924	51,097,371
NET POSITION END OF YEAR	$ 52,506,036	$ 51,352,924

Water and sanitation service fees increased less than 1% for 2019, compared to an increase of 5% during 2018.

Operating expenses for water and sanitation operations experienced an increase of $5,277 during 2019 and an increase of $445,035 during 2018. The 2019 increase was primarily due to increased costs for sewage treatment. The 2018 increase was due primarily to the increase in water purchased.

General and Administrative expenses decreased in 2019 by $49,221 due primarily to decreased engineering, legal, and consultant services. General and Administrative expenses increased in 2018 by $8,539 due primarily to increased legal, truck and equipment expenses, and IT services.

Budgetary Highlights

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

Revenues were lower than budgeted mainly due to tap surcharges and contributed lines being lower than anticipated.

Capital expenditures were $2,601,454 less than budget compared with $1,676,814 less than budget in the prior year.

Capital Assets

	December 31, 2018	Net Changes	December 31, 2019
Capital assets			
Land and easements	$ 1,946,850	$ (478,647)	1,468,203
Buildings	2,187,928	-	2,187,928
Water rights	698,300	-	698,300
Construction in progress	1,187,087	498,483	1,685,570
Water lines	8,970,215	299,274	9,269,489
Purchased capacity — water	1,887,400	-	1,887,400
Water wells and pump station	861,909	4,280	866,189
Sewer lines	4,093,882	-	4,093,882
Office equipment	196,610	4,697	201,307
Trucks and equipment	397,417	40,165	437,582
Total Capital Assets	$ 22,427,598	$ 368,252	$ 22,795,850
Accumulated depreciation	(8,673,381)	(377,071)	(9,050,452)
Total capital assets - Net	$ 13,754,217	$ (8,819)	$ 13,745,398

	December 31, 2017	Net Changes	December 31, 2018
Capital assets			
Land and easements	$ 1,946,850	$ -	$ 1,946,850
Buildings	2,172,244	15,684	2,187,928
Water rights	698,300	-	698,300
Construction in progress	1,320,480	(133,393)	1,187,087
Water lines	8,623,389	346,826	8,970,215
Purchased capacity — water	1,887,400	-	1,887,400
Water wells and pump station	848,408	13,501	861,909
Sewer lines	3,959,956	133,926	4,093,882
Office equipment	193,921	2,689	196,610
Trucks and equipment	389,674	7,743	397,417
Total Capital Assets	$ 22,040,622	$ 386,976	$ 22,427,598
Accumulated depreciation	(8,262,317)	(411,064)	(8,673,381)
Total capital assets - Net	$ 13,778,305	$ (24,088)	$ 13,754,217

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

Requests for Information

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

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

Basic Financial Statements

Cherry Creek Valley Water & Sanitation District
Statements of Net Position
December 31, 2019 and 2018

Assets	2019	2018
Current Assets:		
Operating and escrow accounts	$ 1,479,624	$ 1,041,328
Money market accounts	1,521,464	1,212,664
Investments	11,137,489	10,867,370
Investments - Designated	24,515,300	24,465,800
Accrued interest receivable	222,813	221,582
Accounts receivable - Service fees	498,845	481,938
Grant receivable	-	4,412
Prepaid expenses	49,414	51,758
Inventory	34,484	16,312
Total Current Assets	39,459,433	38,363,164
Capital Assets		
Capital assests, not being depreciated	3,852,074	3,832,236
Capital assests, being depreciated (net of accumulated depreciation)	9,893,324	9,921,981
Total Capital Assets	13,745,398	13,754,217
Total Assets	$ 53,204,831	$ 52,117,381
Liabilities		
Current Liabilities:		
Accounts payable	$ 502,324	$ 511,588
Retirement plan contributions payable	32,698	64,794
Deposits for line construction	78,389	78,748
Total Current Liabilities	613,411	655,130
Long-Term Liabilities		
Compensated absences	85,384	109,327
Total Long-Term Liablilities	85,384	109,327
Total Liabilties	698,795	764,457
Net Position		
Net investment in capital assets	13,745,398	13,754,217
Unrestricted	38,760,638	37,598,707
Total Net Position	52,506,036	51,352,924
Total Liabilities and Net Position	$ 53,204,831	$ 52,117,381

The accompanying notes are an integral part of these statements.

Cherry Creek Valley Water & Sanitation District

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended December 31, 2019 and 2018

	2019	2018
Water Operations		
Revenues		
Service fees	$ 3,833,899	$ 3,871,786
Penalties	11,248	6,888
Parts sales	16,364	6,320
	3,861,511	3,884,994
Direct water expenses		
Water purchased	3,730,289	3,800,783
Maintenance	244,351	216,873
Wages, payroll tax and fringe benefits	292,679	289,909
Utilities	36,496	40,901
Miscellaneous	41	42
Depreciation	332,630	319,881
	4,636,486	4,668,389
Gross (Loss) from Water Operations	(774,975)	(783,395)
Sewer Operations		
Revenues		
Service fees	2,663,333	2,624,351
Swimming pool fees	6,900	6,750
	2,670,233	2,631,101
Direct sewer expenses		
Sewage treatment fees	1,588,034	1,478,725
Maintenance	31,766	110,974
Wages, payroll tax and fringe benefits	202,387	196,340
Depreciation	81,287	80,256
	1,903,475	1,866,295
Gross Income from Sewer Operations	766,758	764,806
Gross Income (Loss) From Operations	(8,217)	(18,589)
General and Administrative Expenses	576,325	625,546
Net (Loss) from Operations	(584,542)	(644,135)
Nonoperating Revenues		
Net investment earnings (loss)	1,758,649	454,110
Miscellaneous revenue	18,093	125,737
Loss on sale of property and equipment	(70,036)	-
Total Nonoperating Revenues	1,706,706	579,847
Income (Loss) Before Capital Contributions	1,122,164	(64,288)
Capital Contributions		
Water		
Tap fees	28,000	47,000
Contributed lines	-	137,627
Sewer		
Tap fees	2,948	5,880
Contributed lines	-	129,334
Total Capital Contributions	30,948	319,841
Change in Net Position	1,153,112	255,553
Net Position—Beginning of Year	51,352,924	51,097,371
Net Position—End of Year	$ 52,506,036	$ 51,352,924

The accompanying notes are an integral part of these statements.

Cherry Creek Valley Water & Sanitation District

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Cash received from customers	$ 6,500,449	$ 6,509,430
Cash payments to suppliers for goods and services	(6,259,585)	(5,949,134)
Cash payments to employees for services	(726,803)	(531,664)
Net Cash from Operating Activities	(485,939)	28,632
Cash Flows from Noncapital Financing Activities		
Miscellaneous revenue	4,908	4,957
Net Cash from Noncapital Financing Activities	4,908	4,957
Cash Flows from Capital and Related Financing Activities		
Metro Wastewater sewage tap received	45,262	63,300
Metro Wastewater sewage tap paid	(45,262)	(63,300)
Denver Water water tap received	70,365	193,376
Denver Water water tap paid	(70,365)	(193,376)
Contributed capital - tap fees	48,805	60,098
Construction deposits received	45,100	108,999
Construction deposits returned/(disbursed)	(52,357)	(99,314)
Acquisition of property, plant and equipment	(669,024)	(102,740)
Sale of property, plant and equipment	411,000	-
Net Cash from Capital and Related Financing Activities	(216,476)	(32,957)
Cash Flows from Investing Activities:		
Net investment earnings	838,027	940,085
Investments matured/sold	11,923,774	19,767,303
Investments purchased	(11,317,198)	(20,816,309)
Net Cash from Investing Activities	1,444,603	(108,921)
Net Change in Cash and Cash Equivalents	747,096	(108,289)
Cash and cash equivalents—beginning of year	2,253,992	2,362,281
Cash and cash equivalents—end of year	$ 3,001,088	$ 2,253,992
Reconciliation of operating (loss) to net cash from operating activities		
(Loss) from operations	$ (584,542)	$ (644,135)
Adjustments to reconcile (loss) from operations to net cash provided (required) by operating activites		
Depreciation	422,590	416,000
Effects of changes in operating assets and liabilities:		
Receivables	(31,295)	(10,500)
Inventory	(18,172)	1,127
Prepaid expenses	2,344	5,972
Accrued liabilities	(290,784)	-
Accounts payable	13,920	260,168
Net cash from operating activities	$ (485,939)	$ 28,632
Noncash Capital and Investing Activities		
Contribution of water and sewer lines	-	266,961
Change in fair value of investments	1,151,102	(385,912)
	$ 1,151,102	$ (118,951)

The accompanying notes are an integral part of these statements.

Cherry Creek Valley Water & Sanitation District
Notes to Financial Statements
December 31, 2019 and 2018

1. Definition of Reporting Entity

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes; but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

2. Summary of Significant Accounting Policies

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

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

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

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

Operating Revenues and Expenses

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Cash and Cash Equivalents

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

2. Summary of Significant Accounting Policies (continued)

Designated Investments

As of December 31, 2019 and 2018, the District has designated a portion of its investments to be used for future projects as follows:

	2019	2018
Current water replacements	$ 960,000	$ 1,100,000
Current sewer replacements	331,000	349,000
Future water replacements	11,677,100	11,487,600
Future sewer replacements	10,637,200	10,619,200
Wabash storage & reservoir development	710,000	710,000
Self insurance	200,000	200,000
	$24,515,300	$24,465,800

Inventory

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

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

2. Summary of Significant Accounting Policies (continued)

Water Rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed. None were capitalized in 2019 or 2018.

Accrual for Compensated Absences

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

Tap Fees and Contributed Assets

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

3. Cash, Cash Equivalents and Investments

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized.

The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

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

3. Cash, Cash Equivalents and Investments (continued)

At December 31, 2019 and 2018, the District's cash deposits had a bank balance and a carrying balance as follows:

	2019		2018	
	Carrying Balance	Bank Balance	Carrying Balance	Bank Balance
Cash on hand	$ 200	$ 200	$ 200	$ 200
Cash in checking	1,004,319	979,459	1,041,128	1,154,835
Cash held at broker	1,996,569	1,996,569	1,212,664	1,212,664
	$ 3,001,088	$ 2,976,228	$ 2,253,992	$ 2,367,699

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

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

	2019	2018
Insured deposits	$ 250,000	$ 250,000
Category 1	200	200
Category 2	2,726,028	2,117,499
Total cash and equivalents	$ 2,976,228	$ 2,367,699

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers’ acceptances of certain banks,
- commercial paper,

3. Cash, Cash Equivalents and Investments (continued)

- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

The District's investments are recorded at fair value based on quoted market prices. District investments are securities that are held by the entity or its agent in the District's name, and are insured or registered by the District or its agent. The District’s investment policy limits the maximum maturity of any investment to five years with the maximum extended to 10 years for U.S. Government-Backed Securities. The policy also states the intention of the District to diversify investments in the portfolio to reduce risk from excessive concentration in specific investments, individual banks and financial institutions, or maturities.

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

	2019	2018
Direct U.S. Treasury Obligations	$ 19,503,354	$ 19,919,460
Bonds	16,149,435	15,413,710
Total investments	$ 35,652,789	$ 35,333,170

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

Interest Rate Risk - In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the maximum maturity of any investment in its portfolio to five years or less (ten for U.S Government-Backed Securities).

Credit Risk –The District’s investment policy limits its investments to those authorized by law, as stated above. The District’s corporate bonds at December 31, 2019, are rated AAAm by Standard & Poor’s

Concentration of Credit Risk –The District’s investment policy indicates an intention to diversify investments in the portfolio to reduce risk from excessive concentration in specific investments, individual banks and financial institutions or maturities. State statutes do not limit the amount the District may invest in one issuer. At December 31, 2019, 55% of the District’s investments are in U.S. Treasury obligations.

3. Cash, Cash Equivalents and Investments (continued)

Cash deposits and investments are reflected on the December 31, 2019 and 2018 statements of net position as follows:

	2019	2018
Operating and escrow accounts	$ 1,479,624	$ 1,041,328
Money market accounts	1,521,464	1,212,664
Investments	11,137,489	10,867,370
Investments - Designated	24,515,300	24,465,800
Total cash and investments	$ 38,653,877	$ 37,587,162

The District has designated $24,515,300 in investments for future capital needs. Designated investments can be released at the board's discretion.

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

4. Capital Assets

An analysis of the changes in net capital asset for the years ended December 31, 2019 and 2018 follows:

	Balance December 31, 2018	Additions	Retirements	Balance December 31, 2019
Capital assets, not being depreciated:				
Land and easements	$ 1,946,850	$ -	$ (478,647)	$ 1,468,203
Water rights	698,300	-	-	698,300
Construction in progress	1,187,087	797,757	(299,274)	1,685,570
Total capital assets, not being depreciated	3,832,237	797,757	(777,921)	3,852,073
Capital assets, being depreciated:				
Water lines	8,970,215	299,274	-	9,269,489
Purchased capacity - Water	1,887,400	-	-	1,887,400
Water wells and pump station	861,909	4,280	-	866,189
Sewer lines	4,093,882	-	-	4,093,882
Office equipment	196,610	11,424	(6,727)	201,307
Building	2,187,928	-	-	2,187,928
Trucks and equipment	397,417	78,957	(38,792)	437,582
Total capital assets, being depreciated	18,595,361	393,935	(45,519)	18,943,777
Less accummulated depreciation for:				
Water lines	(4,436,231)	(214,167)	-	(4,650,398)
Purchased capacity - water	(861,126)	(47,185)	-	(908,311)
Water wells and pump station	(544,604)	(16,668)	-	(561,272)
Sewer lines	(1,773,231)	(80,405)	-	(1,853,636)
Office equipment	(182,434)	(8,673)	6,727	(184,380)
Building	(496,792)	(41,698)	-	(538,490)
Trucks and equipment	(378,963)	(13,794)	38,792	(353,965)
Total accumulated depreciation	(8,673,381)	(422,590)	45,519	(9,050,452)
Total capital assets, being depreciated, net	9,921,980	(28,655)	-	9,893,325
Capital assets, net	$ 13,754,217	$ 769,102	$ (777,921)	$ 13,745,398

Cherry Creek Valley Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

4. Capital Assets (continued)

	Balance December 31, 2017	Additions	Retirements	Balance December 31, 2018
Capital assets, not being depreciated:				
Land and easements	$ 1,946,850	$ -	$ -	$ 1,946,850
Water rights	698,300	-	-	698,300
Construction in progress	1,320,480	75,806	(209,199)	1,187,087
Total capital assets, not being depreciated	3,965,630	75,806	(209,199)	3,832,237
Capital assets, being depreciated:				
Water lines	8,623,389	346,826	-	8,970,215
Purchased capacity - Water	1,887,400	-	-	1,887,400
Water wells and pump station	848,408	13,501	-	861,909
Sewer lines	3,959,956	133,926	-	4,093,882
Office equipment	193,921	7,625	(4,936)	196,610
Building	2,172,244	15,684	-	2,187,928
Trucks and equipment	389,674	7,743	-	397,417
Total capital assets, being depreciated	18,074,992	525,305	(4,936)	18,595,361
Less accumulated depreciation for:				
Water lines	(4,231,746)	(204,485)	-	(4,436,231)
Purchased capacity - water	(813,941)	(47,185)	-	(861,126)
Water wells and pump station	(528,826)	(15,778)	-	(544,604)
Sewer lines	(1,693,365)	(79,866)	-	(1,773,231)
Office equipment	(171,505)	(15,865)	4,936	(182,434)
Building	(455,980)	(40,812)	-	(496,792)
Trucks and equipment	(366,954)	(12,009)	-	(378,963)
Total accumulated depreciation	(8,262,317)	(416,000)	4,936	(8,673,381)
Total capital assets, being depreciated, net	9,812,675	109,305	-	9,921,980
Capital assets, net	$ 13,778,305	$ 185,111	$ (209,199)	$ 13,754,217

4. Capital Assets (continued)

Depreciation expense for the years ended December 31, 2019 and 2018 was charged to the following operations:

	2019	2018
Water operations	$ 332,630	$ 319,881
Sewer operations	81,287	80,256
General and administration	8,673	15,863
	$ 422,590	$ 416,000

5. Long-Term Liabilities

Changes in the District's accrued compensated absences for the years ended December 31, 2019 and 2018 follows:

	Balance December 31, 2018	Incurred	Retired	Balance December 31, 2019
Compensated absences	$ 109,327	$ 45,122	$ (69,065)	$ 85,384

	Balance December 31, 2017	Incurred	Retired	Balance December 31, 2018
Compensated absences	$ 94,141	$ 40,083	$ (24,897)	$ 109,327

6. Intergovernmental Agreements

Water Service Contract

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

Participation Agreement

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

6. Intergovernmental Agreements (continued)

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

Sewage Treatment Contract

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

The composition of the charges for 2019 and 2018 are as follows:

	2019	2018
Estimate for current year	$ 1,539,829	$ 1,491,622
Preliminary adjustment of preceding year estimate	27,415	(9,562)
Adjustment of second preceeding year estimate to actual finding	19,075	(5,009)
Total annual charges	$ 1,586,319	$ 1,477,051

The 2019 sewer treatment estimate is $1,586,319.

7. Simplified Employee Pension Plan

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

District contributions for employees who leave employment before they are fully vested are used to reduce the District's benefit obligations or pay plan related expenses. The District's contributions are shown net of forfeitures (if any).

7. Simplified Employee Pension Plan (continued)

The District made a $103,185 contribution to the plan during 2019 which was 20% of the covered payroll of $515,921. The District's contribution in 2018 was $79,198 which was 20%-25% of the covered payroll of $389,223.

During 2017, the District discovered contributions were not being made to the plan using a required uniform contribution rate. In order to correct this operational issue related to the plan, additional contributions are required for several employees. The additional estimated contributions totaled $182,303 and included estimated earnings. In November 2018, the District filed a Voluntary Compliance Statement that was approved by the IRS. The approved plan, identified in the statement, lowered the additional contribution liability to $64,794, which is reflected on the Statement of Net Position as Retirement plan contributions payable at December 31, 2018. The District made additional contributions during 2019 bringing the contribution liability to $32,698, which is reflected on the Statement of Net Position as Retirement plan contributions payable at December 31, 2019.

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

8. Risk Management

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

9. Commitments and Contingencies

Water License and Easement Agreement

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

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

Tax, Spending and Debt Limitations

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

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

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

10. Subsequent Event

The District has evaluated subsequent events through June 29, 2020, the date which the financial statements were available to be issued.

On March 11, 2020 the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which may negatively impact operations of the District. Other financial impacts could occur, though such potential impact is unknown at this time.

Supplementary Information

Cherry Creek Valley Water & Sanitation District
Schedules of General and Administrative Expenses
For the Years Ended December 31, 2019 and 2018

	2019	2018
Wages, payroll tax and fringe benefits	$ 277,756	$ 241,331
Director's fees	5,400	5,300
Legal	37,548	54,973
Accounting and audit	9,700	9,400
Engineering	42,638	72,534
Consultant	4,432	30,250
Telephone and postage	26,284	26,529
Office expense	18,113	13,731
Truck and equipment expense	26,436	36,837
Insurance	46,859	51,478
Miscellaneous	72,486	67,320
Depreciation	8,673	15,863
	$ 576,325	$ 625,546

Cherry Creek Valley Water & Sanitation District

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

For the Year Ended December 31, 2019

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue			
Water service fees	$ 4,016,100	$ 3,833,899	$ (182,201)
Sewer service fees	2,815,500	2,663,333	(152,167)
Swimming pool permits	6,900	6,900	-
Net investment earnings	1,041,600	1,758,649	717,049
Penalties	6,900	11,248	4,348
Parts sales	19,700	16,364	(3,336)
Miscellaneous	6,500	426,703	420,203
Water tap fees	167,000	28,000	(139,000)
Sewer tap fees	52,400	2,948	(49,452)
Contributed lines	180,000	-	(180,000)
Denver Water tap surcharge	544,300	70,365	(473,935)
Metro Wastewater sewage tap surcharge	269,800	45,262	(224,538)
Total revenue	9,126,700	8,863,671	(263,029)
Expenditures (Page 20)	10,738,540	7,701,740	3,036,800
Excess of Revenue Over (Under) Expenditures	(1,611,840)	1,161,931	2,773,771
Funds Available — Beginning of Year	37,824,716	37,598,707	(226,009)
Funds Available — End of Year	$ 36,212,876	$ 38,760,638	$ 2,547,762

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

Current assets	$ 39,459,433
Current liabilities	(613,411)
Accrued compensated absences	(85,384)
	$ 38,760,638

Though the District considers itself exempt from TABOR as an "enterprise" as defined in Article X, Section 20 of the Colorado Constitution, it is noted that the District considers the entire balance of funds available as of December 31, 2019, to be reserved.

Cherry Creek Valley Water & Sanitation District
Schedule of Expenditures — Budget and Actual
(Budgetary Basis)
For the Year Ended December 31, 2019

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Operating			
Water			
Water purchased	$ 3,910,600	$ 3,730,289	$ 180,311
Maintenance	311,700	244,351	67,349
Wages, payroll tax and fringe benefits	309,920	292,679	17,241
Utilities	39,900	36,496	3,404
Miscellaneous	40	40	-
Sewer			
Sewage treatment fees	1,588,000	1,588,034	(34)
Maintenance	106,000	31,766	74,234
Wages, payroll tax and fringe benefits	216,380	202,387	13,993
Total operating	6,482,540	6,126,042	356,498

(Continued)

Cherry Creek Valley Water & Sanitation District
Schedule of Expenditures — Budget and Actual
(Budgetary Basis)
For the Year Ended December 31, 2019
(continued)

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
General and Administrative			
Wages, payroll tax and fringe benefits	$ 280,600	$ 277,756	$ 2,844
Director's fees	7,000	5,400	1,600
Legal	52,100	37,548	14,552
Accounting and Audit	9,700	9,700	-
Engineering	75,800	42,638	33,162
Consultant	28,500	4,432	24,068
Telephone and postage	27,400	26,284	1,116
Office expense	13,200	18,113	(4,913)
Truck and equipment expense	37,500	26,436	11,064
Insurance	53,000	46,859	6,141
Miscellaneous	61,700	72,486	(10,786)
	646,500	567,652	78,848
Capital Outlay			
Metro Wastewater sewage tap surcharge	269,800	45,262	224,538
Denver Water tap surcharge	544,300	70,365	473,935
Wabash water storage facility	710,000	-	710,000
Miscellaneous	300,000	-	300,000
Property and equipment	1,785,400	892,419	892,981
Total capital outlay	3,609,500	1,008,046	2,601,454
Total Expenditures (page 18)	$ 10,738,540	$ 7,701,740	$ 3,036,800

Cherry Creek Valley Water & Sanitation District
Reconciliation of Budgetary Basis (Actual)
to Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019

Revenue (budgetary basis)	$ 8,863,674
Denver Water tap surcharge	(70,365)
Metro Wastewater sewage tap surcharge	(45,262)
Proceeds from capital asset sale	(408,610)
Total revenue per statement of revenues, expenses and changes in net position	8,339,437
Expenditures (budgetary basis)	7,701,740
Depreciation	422,590
Capital outlay	(1,008,046)
Loss on sale of capital assets	70,036
Total expenses per statement of revenues, expenses and changes in net position	7,186,323
Net income per statement of revenues, expenses and changes in net position	$ 1,153,114