Cherry Creek Valley
Water and Sanitation District

Annual Financial Report

December 31, 2021 and 2020

Haynie & Company

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Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the business-type activities of the District as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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 the District's basic financial statements. The supplementary information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in table of contents is the responsibility of management and was derived from and relate 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 basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Haynie & Company

Littleton, Colorado
July 28, 2022

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, 2021 and 2020. 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, 2021 and 2020.

Financial Highlights

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

- Service fee revenue decreased 3% during 2021 and increased 9% during 2020.
- Investment income decreased by 97% during 2021 and decreased by 5% during 2020. 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,		2021	2020
ASSETS			
	Current Assets	$ 40,386,979	$ 40,957,832
	Capital Assets	14,134,141	13,861,051
	Total Assets	54,521,120	54,818,883
LIABILITIES			
	Current Liabilities	591,210	436,929
	Long-term Liabilites	100,149	85,160
	Total liabilites	691,359	522,089
NET POSITION			
	Invested in capital assets, net of related debt	14,134,141	13,861,051
	Unrestricted	39,695,620	40,435,743
		$ 53,829,761	$ 54,296,794

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 decreased by $467,033 during 2021 and increased by $1,790,758 during 2020.

Capital assets increased as of December 31, 2021, by $273,090. The increase was due largely to building improvements, equipments acquisitions, and fewer asset retirements during the year.

Total money market and investment accounts, which reflect total account balances held at two separate investment management firms, decreased $101,350 during 2021 as a result of both realized and unrealized gains and losses.

An increase of $154,281 in current liabilities as of December 31, 2021 consisted primarily of an increase in accounts payable during the year.

Long term liabilities consist of the accrual for compensated absences which increased during 2021.

CHANGES IN NET POSITION

REVENUES	2021	2020
OPERATING REVENUE		
Water sales	$ 4,218,813	$ 4,428,923
Sewer sales	2,704,869	2,678,029
Total Operating Revenue	6,923,682	7,106,952
NONOPERATING REVENUES		
Net investment income (loss)	44,250	1,678,529
Other	26,901	73,885
Total Nonoperating Revenues	71,151	1,752,414
Total Revenue	6,994,833	8,859,366
EXPENSES		
OPERATING		
Water	5,101,465	5,230,561
Sewer	1,990,157	1,799,427
Total Operating Expenses	7,091,622	7,029,988
GENERAL AND ADMINISTRATIVE EXPENSES	749,573	594,395
Total operating and general administrative expenses	7,841,195	7,624,383
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(846,362)	1,234,983
CAPITAL CONTRIBUTIONS	379,329	555,775
CHANGES IN NET POSITION	(467,033)	1,790,758
NET POSITION BEGINNING OF YEAR	54,296,794	52,506,036
NET POSITION END OF YEAR	$ 53,829,761	$ 54,296,794

Water and sanitation service fees decreased 3% for 2021, and increased 9% during 2020.

Operating expenses for water and sanitation operations experienced an increase of $61,634 during 2021 and an increase of $490,027 during 2020. The 2021 increase was due primarily to increases in maintenance and payroll expenses in addition to an increase in sewage treatment fees. The 2020 increase was due primarily to the increase in water purchased.

General and Administrative expenses increased in 2021 by $155,178 due primarily to increased payroll, legal, engineering, and miscellaneous expenses. General and Administrative expenses increased in 2020 by $18,070 due primarily to increased legal, engineering, consulting services, and miscellaneous expenses.

Budgetary Highlights

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

Revenues were lower than budgeted mainly due to contributed lines being lower in the current year.

Capital expenditures were $2,127,528 less than budget compared with $2,763,343 less than budget in the prior year.

Capital Assets

	December 31, 2020	Net Changes	December 31, 2021
Capital assets			
Land and easements	$ 1,468,203	$ 2,558	$ 1,470,761
Buildings	2,187,928	46,040	2,233,968
Water rights	698,300	-	698,300
Construction in progress	1,776,392	(507,788)	1,268,604
Water lines	9,587,091	952,235	10,539,326
Purchased capacity - water	1,887,400	-	1,887,400
Water wells and pump station	866,189	25,377	891,566
Sewer lines	4,160,828	92,544	4,253,372
Office equipment	205,060	8,388	213,448
Trucks and equipment	478,633	97,018	575,651
Total Capital Assets	$ 23,316,024	$ 716,372	$ 24,032,396
Accumulated depreciation	(9,454,973)	(443,282)	(9,898,255)
Total capital assets - Net	$ 13,861,051	$ 273,090	$ 14,134,141

	December 31, 2019	Net Changes	December 31, 2020
Capital assets			
Land and easements	$ 1,468,203	$ -	$ 1,468,203
Buildings	2,187,928	-	2,187,928
Water rights	698,300	-	698,300
Construction in progress	1,685,570	90,822	1,776,392
Water lines	9,269,489	317,602	9,587,091
Purchased capacity - water	1,887,400	-	1,887,400
Water wells and pump station	866,189	-	866,189
Sewer lines	4,093,882	66,946	4,160,828
Office equipment	201,307	3,753	205,060
Trucks and equipment	437,582	41,051	478,633
Total Capital Assets	$ 22,795,850	$ 520,174	$ 23,316,024
Accumulated depreciation	(9,050,452)	(404,521)	(9,454,973)
Total capital assets - Net	$ 13,745,398	$ 115,653	$ 13,861,051

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, 2021 and 2020

Assets	**2021**	**2020**
Current Assets:		
Cash in bank/on hand	$ 2,212,824	$ 2,720,512
Cash held at broker	294,854	519,353
Investments	11,959,374	12,054,825
Investments - Designated	24,946,700	24,728,100
Accrued interest receivable	294,226	273,315
Accounts receivable - Service fees	520,021	581,239
Prepaid expenses	56,132	48,899
Inventory	102,848	31,589
Total Current Assets	40,386,979	40,957,832
Capital Assets		
Capital assests, not being depreciated	3,437,665	3,942,895
Capital assests, being depreciated (net of accumulated depreciation)	10,696,476	9,918,156
Total Capital Assets	14,134,141	13,861,051
Total Assets	$ 54,521,120	$ 54,818,883
Liabilities		
Current Liabilities:		
Accounts payable	$ 561,014	$ 374,199
Retirement plan contributions payable	-	23,849
Deposits for line construction	30,196	38,881
Total Current Liabilities	591,210	436,929
Long-Term Liabilities		
Compensated absences	100,149	85,160
Total Long-Term Liablilities	100,149	85,160
Total Liabilties	691,359	522,089
Net Position		
Net investment in capital assets	14,134,141	13,861,051
Unrestricted	39,695,620	40,435,743
Total Net Position	53,829,761	54,296,794
Total Liabilities and Net Position	$ 54,521,120	$ 54,818,883

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, 2021 and 2020

	2021	2020
Water Operations		
Revenues		
Service fees	$ 4,188,820	$ 4,382,554
Penalties	11,601	11,687
Parts sales	18,392	34,682
	4,218,813	4,428,923
Direct water expenses		
Water purchased	4,011,746	4,288,291
Maintenance	360,256	273,991
Wages, payroll tax and fringe benefits	314,933	271,239
Utilities	37,763	41,460
Miscellaneous	41	41
Depreciation	376,726	355,539
	5,101,465	5,230,561
Gross (Loss) from Water Operations	(882,652)	(801,638)
Sewer Operations		
Revenues		
Service fees	2,697,819	2,670,979
Swimming pool fees	7,050	7,050
	2,704,869	2,678,029
Direct sewer expenses		
Sewage treatment fees	1,512,490	1,385,954
Maintenance	191,937	167,385
Wages, payroll tax and fringe benefits	201,917	164,009
Depreciation	83,813	82,079
	1,990,157	1,799,427
Gross Income from Sewer Operations	714,712	878,602
Gross Income (Loss) From Operations	(167,940)	76,964
General and Administrative Expenses	749,573	594,395
Net (Loss) from Operations	(917,513)	(517,431)
Nonoperating Revenues		
Net investment earnings	44,250	1,678,529
Miscellaneous revenue	13,101	11,033
Gain (loss) on sale of property and equipment	13,800	62,852
Total Nonoperating Revenues	71,151	1,752,414
Income (Loss) Before Capital Contributions	(846,362)	1,234,983
Capital Contributions		
Water		
Tap fees	317,000	154,000
Development Fees	10,304	2,106
Contributed lines	-	339,600
Sewer		
Tap fees	45,600	48,800
Development Fees	6,425	11,269
Total Capital Contributions	379,329	555,775
Change in Net Position	(467,033)	1,790,758
Net Position—Beginning of Year	54,296,794	52,506,036
Net Position—End of Year	53,829,761	$ 54,296,794

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, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Cash received from customers	$ 6,959,803	$ 6,984,485
Cash payments to suppliers for goods and services	(6,561,922)	(6,568,589)
Cash payments to employees for services	(677,687)	(579,146)
Net Cash from Operating Activities	(279,806)	(163,250)
Cash Flows from Noncapital Financing Activities		
Miscellaneous revenue	24,238	46,415
Net Cash from Noncapital Financing Activities	24,238	46,415
Cash Flows from Capital and Related Financing Activities		
Metro Wastewater sewage tap received	518,910	251,720
Metro Wastewater sewage tap paid	(518,910)	(251,720)
Denver Water water tap received	836,994	571,122
Denver Water water tap paid	(801,559)	(571,122)
Contributed capital - tap fees	400,953	249,722
Construction deposits received	69,220	35,576
Construction deposits returned/(disbursed)	(105,806)	(61,394)
Acquisition of property, plant and equipment	(797,674)	(391,216)
Sale of property, plant and equipment	13,800	18,832
Net Cash from Capital and Related Financing Activities	(384,072)	(148,480)
Cash Flows from Investing Activities:		
Net investment earnings	31,978	75,481
Investments matured/sold	11,154,471	20,510,164
Investments purchased	(11,190,707)	(19,985,008)
Investment Fees	(88,289)	(96,545)
Net Cash from Investing Activities	(92,547)	504,092
Net Change in Cash and Cash Equivalents	(732,187)	238,777
Cash and cash equivalents—beginning of year	3,239,865	3,001,088
Cash and cash equivalents—end of year	$ 2,507,678	$ 3,239,865
Reconciliation of operating (loss) to net cash from operating activities		
(Loss) from operations	$ (917,513)	$ (517,431)
Adjustments to reconcile (loss) from operations to net cash provided (required) by operating activites		
Depreciation	466,078	444,513
Effects of changes in operating assets and liabilities:		
Receivables	61,214	(82,396)
Inventory	(71,259)	2,895
Prepaid expenses	(7,234)	514
Accrued liabilities	(8,860)	(9,074)
Accounts payable	197,770	(2,271)
Net cash from operating activities	$ (279,804)	$ (163,250)
Noncash Capital and Investing Activities		
Contribution of water and sewer lines	-	339,600
Change in fair value of investments	(754,900)	1,019,265
	$ (754,900)	$ 1,358,865

The accompanying notes are an integral part of these statements.

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, 2021 and 2020, the District has designated a portion of its investments to be used for future projects as follows:

	2021	2020
Current water replacements	$ 1,017,300	$ 991,700
Current sewer replacements	750,000	760,500
Future water replacements	11,898,800	11,858,200
Future sewer replacements	10,480,600	10,207,700
Wabash storage & reservoir development	600,000	710,000
Self insurance	200,000	200,000
	$ 24,946,700	$ 24,728,100

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 2021 or 2020.

Accrual for Compensated Absences

The District has a policy which allows employees to accumulate vacation and 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, 2021 and 2020, the District's cash deposits had a bank balance and a carrying balance as follows:

	2021		2020	
	Carrying Balance	Bank Balance	Carrying Balance	Bank Balance
Cash on hand	$ 200	$ 200	$ 200	$ 200
Cash in bank	2,212,624	2,418,657	2,720,312	2,829,492
Cash held at broker	294,854	294,854	519,353	519,353
	$ 2,507,678	$ 2,713,711	$ 3,239,865	$ 3,349,045

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.

	2021	2020
Insured deposits	$ 250,000	$ 250,000
Category 1 deposits	200	200
Category 2 deposits	2,463,511	3,098,845
Total cash and equivalents	$ 2,713,711	$ 3,349,045

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:

	2021	2020
Direct U.S. Treasury Obligations	$ 9,211,911	$ 9,213,434
Bonds	27,694,163	27,569,491
Total investments	$ 36,906,074	$ 36,782,925

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, 2021 and 2020, 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, 2021 and 2020, 25% and 25%, respectively, 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, 2021 and 2020 statements of net position as follows:

	2021	2020
Cash in bank/on hand	$ 2,212,824	$ 2,720,512
Cash held at broker	294,854	519,353
Investments	11,959,374	12,054,825
Investments - Designated	24,946,700	24,728,100
	$ 39,413,752	$ 40,022,790

The District has designated $24,946,700 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 assets for the years ended December 31, 2021 and 2020 follows:

	Balance December 31, 2020	Additions	Transfers/ Retirements	Balance December 31, 2021
Capital assets, not being depreciated:				
Land and easements	$ 1,468,203	$ 2,558	$ -	$ 1,470,761
Water rights	698,300	-	-	698,300
Construction in progress	1,776,392	716,188	(1,223,976)	1,268,604
Total capital assets, not being depreciated	3,942,895	718,746	(1,223,976)	3,437,665

4. Capital Assets (continued)

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021
Capital assets, being depreciated:				
Water lines	9,587,091	952,235	-	10,539,326
Purchased capacity - Water	1,887,400	-	-	1,887,400
Water wells and pump station	866,189	25,377	-	891,566
Sewer lines	4,160,828	92,544	-	4,253,372
Office equipment	205,060	8,388	-	213,448
Building	2,187,928	46,040	-	2,233,968
Trucks and equipment	478,633	119,814	(22,796)	575,651
Total capital assets, being depreciated	19,373,129	1,244,398	(22,796)	20,594,731
Less accummulated depreciation for:				
Water lines	(4,870,900)	(228,984)	-	(5,099,884)
Purchased capacity - water	(955,496)	(47,185)	-	(1,002,681)
Water wells and pump station	(577,939)	(16,774)	-	(594,713)
Sewer lines	(1,935,715)	(83,813)	-	(2,019,528)
Office equipment	(191,275)	(5,539)	-	(196,814)
Building	(580,189)	(42,623)	-	(622,812)
Trucks and equipment	(343,459)	(41,160)	22,796	(361,823)
Total accumulated depreciation	(9,454,973)	(466,078)	22,796	(9,898,255)
Total capital assets, being depreciated, net	9,918,156	778,320	-	10,696,476
Capital assets, net	$ 13,861,051	$ 1,497,066	$ (1,223,976)	$ 14,134,141

4. Capital Assets (continued)

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020
Capital assets, not being depreciated:				
Land and easements	$ 1,468,203	$ -	$ -	$ 1,468,203
Water rights	698,300	-	-	698,300
Construction in progress	1,685,570	90,822	-	1,776,392
Total capital assets, not being depreciated	3,852,073	90,822	-	3,942,895

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020
Capital assets, being depreciated:				
Water lines	9,269,489	339,600	(21,998)	9,587,091
Purchased capacity - Water	1,887,400	-	-	1,887,400
Water wells and pump station	866,189	-	-	866,189
Sewer lines	4,093,882	66,946	-	4,160,828
Office equipment	201,307	3,753	-	205,060
Building	2,187,928	-	-	2,187,928
Trucks and equipment	437,582	79,806	(38,755)	478,633
Total capital assets, being depreciated	18,943,777	490,105	(60,753)	19,373,129
Less accummulated depreciation for:				
Water lines	(4,650,398)	(221,739)	1,237	(4,870,900)
Purchased capacity - water	(908,311)	(47,185)	-	(955,496)
Water wells and pump station	(561,272)	(16,667)	-	(577,939)
Sewer lines	(1,853,636)	(82,079)	-	(1,935,715)
Office equipment	(184,380)	(6,895)	-	(191,275)
Building	(538,490)	(41,699)	-	(580,189)
Trucks and equipment	(353,965)	(28,249)	38,755	(343,459)
Total accumulated depreciation	(9,050,452)	(444,513)	39,992	(9,454,973)
Total capital assets, being depreciated, net	9,893,325	45,592	(20,761)	9,918,156
Capital assets, net	$ 13,745,398	$ 136,414	$ (20,761)	$ 13,861,051

4. Capital Assets (continued)

Depreciation expense for the years ended December 31, 2021 and 2020 was charged to the following operations:

	2021	2020
Water operations	$ 376,726	$ 355,539
Sewer operations	83,813	82,079
General and administration	5,539	6,895
	$ 466,078	$ 444,513

5. Long-Term Liabilities

Changes in the District's accrued compensated absences for the years ended December 31, 2021 and 2020 follows:

	Balance December 31, 2020	Incurred	Retired	Balance December 31, 2021
Compensated absences	$ 85,160	$ 48,285	$ (33,296)	$ 100,149

	Balance December 31, 2019	Incurred	Retired	Balance December 31, 2020
Compensated absences	$ 85,384	$ 35,862	$ (36,086)	$ 85,160

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.

6. Intergovernmental Agreements (continued)

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 $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 Water Recovery (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 2021 and 2020 are as follows:

	2021	2020
Estimate for current year	$ 1,498,049	$ 1,508,836
Preliminary adjustment of preceding year estimate	8,314	(61,906)
Adjustment of second preceeding year estimate to actual finding	4,173	(62,742)
Total annual charges	$ 1,510,536	$ 1,384,188

The 2021 sewer treatment estimate is $1,510,536.

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 $82,876 contribution to the plan during 2021 which was 20% of the covered payroll of $414,382. The District's contribution in 2020 was $67,551 which was 20% of the covered payroll of $337,753.

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 were 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 was reflected on the Statement of Net Position as Retirement plan contributions payable at December 31, 2018. The District made additional contributions during 2020 and 2019 bringing the contribution liability to $23,849 and $32,698, which was reflected on the Statement of Net Position as Retirement plan contributions payable at December 31, 2020 and 2019, respectively. In 2021, no additional contributions were made.

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, 2021. 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.

Supplementary Information

Cherry Creek Valley Water & Sanitation District
Schedule of General and Administrative Expenses
For the Years Ended December 31, 2021 and 2020

	2021	2020
Wages, payroll tax and fringe benefits	$ 301,872	$ 241,858
Director's fees	8,000	6,100
Legal	72,143	49,874
Accounting and audit	10,300	10,000
Engineering	110,762	59,318
Consultant	16,635	24,631
Telephone and postage	24,563	22,803
Office expense	19,238	14,122
Truck and equipment expense	23,457	25,967
Insurance	46,128	46,294
Miscellaneous	110,936	86,533
Depreciation	5,539	6,895
	$ 749,573	$ 594,395

Cherry Creek Valley Water & Sanitation District
Schedules of Revenues, Expenditures and Changes in Funds Available — Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2021

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Water service fees	4,406,450	$ 4,188,820	$ (217,630)
Sewer service fees	2,669,300	2,697,819	28,519
Swimming pool permits	7,050	7,050	-
Net investment earnings	1,098,800	44,249	(1,054,551)
Penalties	11,700	11,601	(99)
Parts sales	21,100	18,392	(2,708)
Miscellaneous	12,000	13,102	1,102
Water tap fees	286,000	317,000	31,000
Sewer tap fees	51,600	45,600	(6,000)
Contributed lines	1,437,500	-	(1,437,500)
Development fees	-	16,729	16,729
Denver Water tap surcharge	801,400	836,994	35,594
Metro Wastewater sewage tap surcharge	619,000	518,910	(100,090)
Gain on Sale of Equipment	-	13,800	13,800
Total revenue	11,421,900	8,730,066	(2,691,834)
Expenditures (Page 20)	11,790,200	9,470,188	2,320,012
Excess of Revenue Over (Under) Expenditures	(368,300)	(740,122)	(371,822)
Funds Available — Beginning of Year	40,698,060	40,435,743	(262,317)
Funds Available — End of Year	$ 40,329,760	$ 39,695,621	$ (634,139)

Funds available at December 31, 2021 is computed as follows:

Current assets	$ 40,386,979
Current liabilities	(591,210)
Accrued compensated absences	(100,149)
	$ 39,695,620

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, 2021, to be reserved.

Cherry Creek Valley Water & Sanitation District
Schedule of Expenditures — Budget and Actual
(Budgetary Basis)
For the Year Ended December 31, 2021

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Operating			
Water			
Water purchased	$ 4,378,750	$ 4,011,746	$ 367,004
Maintenance	281,900	360,256	(78,356)
Wages, payroll tax and fringe benefits	317,500	314,933	2,567
Utilities	41,700	37,763	3,937
Miscellaneous	50	41	9
Sewer			
Sewage treatment fees	1,512,300	1,512,490	(190)
Maintenance	151,800	191,937	(40,137)
Wages, payroll tax and fringe benefits	189,500	201,917	(12,417)
Total operating	6,873,500	6,631,083	242,417

(Continued)

Cherry Creek Valley Water & Sanitation District
Schedule of Expenditures — Budget and Actual
(Budgetary Basis)
For the Year Ended December 31, 2021
(continued)

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
General and Administrative			
Wages, payroll tax and fringe benefits	$ 299,100	$ 301,872	$ (2,772)
Director's fees	6,100	8,000	(1,900)
Legal	110,000	72,143	37,857
Accounting and Audit	10,300	10,300	-
Engineering	53,000	110,762	(57,762)
Consultant	15,900	16,635	(735)
Telephone and postage	24,200	24,563	(363)
Office expense	14,700	19,238	(4,538)
Truck and equipment expense	27,100	23,457	3,643
Insurance	49,100	46,128	2,972
Miscellaneous	84,600	110,936	(26,336)
	694,100	744,034	(49,934)
Capital Outlay			
Metro Wastewater sewage tap surcharge	619,000	518,910	100,090
Denver Water tap surcharge	801,400	836,994	(35,594)
Wabash water storage facility	710,000	-	710,000
Property and equipment	1,792,200	739,167	1,053,033
Contingency	300,000	-	300,000
Total capital outlay	4,222,600	2,095,071	2,127,529
Total Expenditures (page 18)	$ 11,790,200	$ 9,470,188	$ 2,320,012

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, 2021

Revenue (budgetary basis)	$ 8,730,066
Denver Water tap surcharge	(836,994)
Metro Wastewater sewage tap surcharge	(518,910)
Total revenue per statement of revenues, expenses and changes in net position	7,374,162
Expenditures (budgetary basis)	9,470,188
Depreciation	466,078
Capital outlay	(2,095,070)
Total expenses per statement of revenues, expenses and changes in net position	7,841,195
Net income per statement of revenues, expenses and changes in net position	$ (467,033)