

**EAST CHERRY CREEK VALLEY
WATER AND SANITATION DISTRICT
Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the financial statements of the business-type activities of East Cherry Creek Valley Water and Sanitation District (the District), as of and for the years ended December 31, 2022 and 2021, 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 accompanying 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, 2022 and 2021, 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 (GAAS). 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 opinions. 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 GAAS 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 GAAS, 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 on pages IV through IX be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 as identified in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. Such information 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. The 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 such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information (continuing disclosure annual financial information). Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Fiscal Focus Partners

Arvada, Colorado
March 31, 2023

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

The management of East Cherry Creek Valley Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2022.

Financial Highlights

- Net position increased \$4.1 million in 2022 (0.9%).
- Operating loss increased from \$8.8 million in 2021 to \$10.5 million in 2022, due to an increase in operating expenses in 2022.
- Operating revenue increased \$2.8 million (3.3%) from the prior year. The number of customers increased by 0.1% and water consumption increased by 6.7%.
- Total operating expenses, exclusive of depreciation, increased \$3.1 million (12.5%) from 2021 to 2022. Selected individual expense items changed as follows: repairs and maintenance increased \$1.4 million (18.5%), utilities increased \$0.4 million (11.0%), and water operating expenses increased \$0.8 million (42.4%) in 2022. The majority of the remaining expense categories also increased in 2022 from 2021.
- Single family equivalents (SFEs) online for water service at year-end increased by 356 (1.6%) to 22,417 at year-end.
- Funds available (current assets, less deferred inflow of resources, less current liabilities exclusive of the current portion of long-term obligations and unspent loan proceeds) increased from \$60,519,946 to \$62,406,528 at December 31, 2022, an increase of \$1.9 million (3.1%).

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of Financial Statements and Notes to Financial Statements. This report also contains other supplemental information and continuing disclosure annual financial information in addition to the basic financial statements themselves.

The financial statements of the District are presented as a special purpose government engaged only in business type activities - providing water and sewer utility services. They include the legally separate East Cherry Creek Valley Water and Sanitation District Water Activity Enterprise, Inc. (the Enterprise) as blended into the District's financial information since it is a component unit of the District.

The statements of net position present information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources 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.

The statements of revenues, expenses, and changes in net position present information that reflects how the District's net position changed during the past year. 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, revenue and expenses are reported in the statement 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.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Overview of the Financial Statements (Continued)

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The supplementary information contained in this report provides a schedule of expenses, budget and actual information, debt service requirements and assessed valuation, mill levy and property tax information.

The continuing disclosure annual financial information is information required by the covenants of the Series 2015 bonds, the Series 2019A bonds, and the Series 2020 bonds, including a bond debt coverage calculation and annual operating data.

| | December 31, | | |
|--|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2020 |
| | (In thousands) | | |
| Current Assets | \$ 71,778 | \$ 69,456 | \$ 71,320 |
| Capital Assets | 466,470 | 469,786 | 470,250 |
| Other Assets | - | 1 | 8 |
| Deferred Outflows of Resources | 497 | 583 | 691 |
| Total Assets and Deferred Outflows of Resources | <u>538,745</u> | <u>539,826</u> | <u>542,269</u> |
| Current Liabilities | 10,552 | 11,806 | 17,704 |
| Long-Term Obligations | 86,993 | 91,291 | 100,280 |
| Deferred Inflows of Resources | 4,109 | 3,747 | 3,451 |
| Total Liabilities and Deferred Inflows of Resources | <u>101,654</u> | <u>106,844</u> | <u>121,435</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | 374,894 | 372,667 | 360,558 |
| Restricted | 4,350 | 3,842 | 4,942 |
| Unrestricted | 57,847 | 56,473 | 55,334 |
| Total Net Position | <u>\$ 437,091</u> | <u>\$ 432,982</u> | <u>\$ 420,834</u> |

The District's net position increased by \$4,109,000 during 2022 and by \$12,148,000 during 2021. Capital assets decreased \$3,316,000 during 2022 and \$464,000 during 2021. The decrease in 2022 and 2021 is due to depreciation of capital assets being greater than current year infrastructure costs. Current liabilities decreased by \$1,254,000 during 2022 and by \$5,898,000 during 2021. The decrease in 2022 and 2021 current liabilities is due to a decrease in accounts payable and funds held in escrow. Current assets net of current liabilities increased \$3,575,000 in 2022 and \$4,034,000 in 2021. The "Funds Available" (current assets, less deferred inflow of resources, less current liabilities, exclusive of the current portion of long-term obligations) calculates to an amount of \$62,406,528 and \$60,519,946 for 2022 and 2021, respectively. The funds available of \$62,406,528 are primarily available for future operations and capital outlay.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Overview of the Financial Statements (Continued)

| | December 31, | | |
|--|-------------------|------------------------|-------------------|
| | 2022 | 2021 (In thousands) | 2020 |
| Revenues | | | |
| Operating Revenue | | | |
| Water Services | \$ 21,970 | \$ 20,017 | \$ 21,422 |
| Sewer Services | 10,619 | 9,801 | 9,406 |
| Total Operating Revenues | <u>32,589</u> | <u>29,818</u> | <u>30,828</u> |
| Nonoperating Revenues | | | |
| Tax Revenue | 3,977 | 3,686 | 3,419 |
| Investment Income | 540 | 22 | 411 |
| Other | 197 | 557 | 358 |
| Contributions | | | |
| Northern Project Construction Fund Charges | 7,175 | 6,956 | 6,788 |
| Tap Fees and Storm Drainage Fees | 4,117 | 10,410 | 8,539 |
| Cash Contributions for Capital | 770 | 588 | 8,969 |
| Contributed Facilities from Developers | 669 | 1,948 | 474 |
| Total Revenues | <u>50,034</u> | <u>53,985</u> | <u>59,786</u> |
| Expenses | | | |
| Operating Expenses | | | |
| Water | 19,272 | 16,977 | 15,494 |
| Sewer | 8,870 | 8,045 | 7,972 |
| Storm Drainage | 79 | 63 | 73 |
| | <u>28,221</u> | <u>25,085</u> | <u>23,539</u> |
| General and Administrative | 3,389 | 2,879 | 2,814 |
| Depreciation and Amortization | 11,472 | 10,619 | 10,743 |
| Total Operating Expenses | <u>43,082</u> | <u>38,583</u> | <u>37,096</u> |
| Nonoperating Expense | <u>2,843</u> | <u>3,254</u> | <u>4,277</u> |
| Total Expenses | <u>45,925</u> | <u>41,837</u> | <u>41,373</u> |
| Changes in Net Position | 4,109 | 12,148 | 18,413 |
| Net Position - Beginning of Year | <u>432,982</u> | <u>420,834</u> | <u>402,421</u> |
| Net Position - End of Year | <u>\$ 437,091</u> | <u>\$ 432,982</u> | <u>\$ 420,834</u> |

Operating revenues from the operation of the water and sewer utilities increased \$2,771,000 in 2022 and decreased \$1,010,000 in 2021. The 2022 increase was due to an increase in water consumption and the 2021 decrease was due to a decrease in water consumption. Investment income increased \$518,000 in 2022 and decreased \$389,000 in 2021. The increase in 2022 was due to higher interest rates, and the decrease in 2021 was due to a reduction in interest rates and reduced cash on hand. Tap fee revenues decreased \$6,293,000 in 2022 and increased \$1,871,000 in 2021.

Water operating expenses increased \$2,295,000 (13.5%) in 2022, primarily due to increases in repairs and maintenance, utilities, and operating expenses. Water operating expenses increased \$1,483,000 (10%) in 2021, primarily due to increases in engineering and plan review, legal, operating expenses, and repairs and maintenance.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Overview of the Financial Statements (Continued)

Sewer operating costs increased \$825,000 (10.3%) in 2022 compared to 2021, due to increased repairs and maintenance, and sewage treatment. Sewer operating costs increased \$73,000 (0.1%) in 2021 compared to 2020, due to increased repairs and maintenance, and utilities.

General and administrative expenses increased \$510,000 (17.7%) in 2022 and increased \$65,000 (2.3%) 2021. Depreciation and amortization increased \$853,000 in 2022 and decreased \$124,000 in 2021. Nonoperating expenses decreased \$411,000 in 2022 and \$1,023,000 in 2021.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and nonoperating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect "funds available". State statutes require this budgetary accounting. Additionally, the budget includes the separation of the District from the Enterprise, under the joint resolution.

Capital Assets

The activity related to capital assets during 2022, 2021 and 2020 is as follows:

| | December 31, 2021 | Net Changes (In thousands) | December 31, 2022 |
|--------------------------|----------------------|----------------------------------|----------------------|
| Land and Easements | \$ 14,523 | \$ - | \$ 14,523 |
| Projects in Progress | 81,607 | (71,790) | 9,817 |
| Water System: | | | |
| Water Rights | 116,882 | 498 | 117,380 |
| Water Facilities | 339,635 | 68,202 | 407,837 |
| Sewer System: | | | |
| Sewer Capacity | 1,383 | - | 1,383 |
| Sewer Facilities | 62,777 | 1,907 | 64,684 |
| Storm Drainage System | 18,861 | 744 | 19,605 |
| Office Building | 3,678 | 8,513 | 12,191 |
| Equipment | 2,141 | 54 | 2,195 |
| Total Assets | <u>641,487</u> | <u>8,127</u> | <u>649,614</u> |
| Accumulated Depreciation | <u>(171,702)</u> | <u>(11,441)</u> | <u>(183,143)</u> |
| Net Capital Assets | <u>\$ 469,785</u> | <u>\$ (3,315)</u> | <u>\$ 466,470</u> |

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Capital Assets (Continued)

| | December 31, 2020 | Net Changes (In thousands) | December 31, 2021 |
|--------------------------|----------------------|----------------------------------|----------------------|
| Land and Easements | \$ 14,523 | \$ - | \$ 14,523 |
| Projects in Progress | 74,088 | 7,519 | 81,607 |
| Water System: | | | |
| Water Rights | 116,514 | 368 | 116,882 |
| Water Facilities | 338,649 | 986 | 339,635 |
| Sewer System: | | | |
| Sewer Capacity | 1,383 | - | 1,383 |
| Sewer Facilities | 61,815 | 962 | 62,777 |
| Storm Drainage System | 18,861 | - | 18,861 |
| Office Building | 3,678 | - | 3,678 |
| Equipment | 2,089 | 52 | 2,141 |
| Total Assets | <u>631,600</u> | <u>9,887</u> | <u>641,487</u> |
| Accumulated Depreciation | <u>(161,351)</u> | <u>(10,351)</u> | <u>(171,702)</u> |
| Net Capital Assets | <u>\$ 470,249</u> | <u>\$ (464)</u> | <u>\$ 469,785</u> |
| | December 31, 2019 | Net Changes (In thousands) | December 31, 2020 |
| Land and Easements | \$ 14,491 | \$ 32 | \$ 14,523 |
| Projects in Progress | 45,396 | 28,692 | 74,088 |
| Water System: | | | |
| Water Rights | 115,950 | 564 | 116,514 |
| Water Facilities | 337,555 | 1,094 | 338,649 |
| Sewer System: | | | |
| Sewer Capacity | 1,383 | - | 1,383 |
| Sewer Facilities | 61,633 | 182 | 61,815 |
| Storm Drainage System | 18,861 | - | 18,861 |
| Office Building | 3,678 | - | 3,678 |
| Equipment | 1,792 | 297 | 2,089 |
| Total Assets | <u>600,739</u> | <u>30,861</u> | <u>631,600</u> |
| Accumulated Depreciation | <u>(150,904)</u> | <u>(10,447)</u> | <u>(161,351)</u> |
| Net Capital Assets | <u>\$ 449,835</u> | <u>\$ 20,414</u> | <u>\$ 470,249</u> |

In 2022, the District spent \$2,850,005 for well rehabilitation projects and \$2,944,394 on additional capital water projects.

Contributions of \$474,946 in water lines and \$193,655 in sewer lines were accepted during 2022. Projects in process completed in 2022 include \$41,307,247 related to the Northern Treatment Plant, \$14,487,787 related to booster pump stations, \$11,230,816 in other water projects, \$700,099 in well rehabilitation projects, \$1,712,989 in sewer system projects, \$743,902 in storm drainage projects, and \$8,507,338 related to the office building expansion.

In 2021, the District spent \$1,986,444 for well rehabilitation projects and \$1,858,532 on additional capital water projects.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Capital Assets (Continued)

Contributions of \$985,669 in water lines and \$962,343 in sewer lines were accepted during 2021. No projects in progress were completed in 2021.

Additional information on the District's capital assets can be found in Note 4 of this report.

Debt Administration

All scheduled debt service payments were made timely during 2022, 2021, and 2020.

Additional detail on the District's debt is in Note 5 of this report.

Economic and Other Factors

The District continues to emphasize conservation by maintaining mandatory watering schedules for its customers. Water consumption in 2022 increased by approximately 218 million gallons (6.7%). Total water consumption was approximately 3,478 million gallons.

The District anticipates continuing growth in residential customers for 2023 as new home construction continues to recover along with the overall economy. The District is approximately 95% built out at the end of 2022.

Request for Information

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

East Cherry Creek Valley Water and Sanitation District
6201 South Gun Club Road
Aurora, Colorado 80016

BASIC FINANCIAL STATEMENTS

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|---|----------------|----------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 57,868,400 | \$ 58,199,908 |
| Accounts Receivable | 4,874,992 | 3,544,265 |
| Property Taxes Receivable | 4,108,524 | 3,747,358 |
| Prepaid Expenses | 309,508 | 9,371 |
| Inventories | 266,259 | 112,949 |
| Total Current Assets | 67,427,683 | 65,613,851 |
| RESTRICTED CURRENT ASSETS | | |
| Cash and Cash Equivalents | 4,349,764 | 3,842,286 |
| Total Restricted Current Assets | 4,349,764 | 3,842,286 |
| CAPITAL ASSETS, NET | 466,470,192 | 469,785,855 |
| OTHER ASSETS | | |
| Special Projects and Planning (Net of Accumulated Amortization of \$5,175,046 and \$5,174,059 in 2022 and 2021, Respectively) | 493 | 1,480 |
| Total Other Assets | 493 | 1,480 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Cost of Debt Refunding, Net | 497,021 | 582,980 |
| Total Deferred Outflows of Resources | 497,021 | 582,980 |
| Total Assets and Deferred Outflows of Resources | \$ 538,745,153 | \$ 539,826,452 |

See accompanying Notes to Basic Financial Statements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2022 AND 2021**

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | 2022 | 2021 |
|---|----------------|----------------|
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 4,096,478 | \$ 2,800,551 |
| Deposits /Escrows | 93,683 | 111,000 |
| Accrued Interest Payable | 443,749 | 455,187 |
| Current Portion of Long-Term Obligations | 5,290,005 | 6,617,474 |
| Total Current Liabilities | 9,923,915 | 9,984,212 |
| CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS | | |
| ACWWA Escrow | 608,772 | 1,795,591 |
| Accrued Interest Payable | 19,713 | 26,504 |
| Total Current Liabilities Payable from Restricted Assets | 628,485 | 1,822,095 |
| LONG-TERM OBLIGATIONS | 86,992,874 | 91,290,944 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Tax Revenue | 4,108,524 | 3,747,358 |
| Total Deferred Inflows of Resources | 4,108,524 | 3,747,358 |
| NET POSITION | | |
| Net Investment in Capital Assets | 374,894,157 | 372,666,632 |
| Restricted | 4,349,764 | 3,842,286 |
| Unrestricted | 57,847,434 | 56,472,925 |
| Total Net Position | 437,091,355 | 432,981,843 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 538,745,153 | \$ 539,826,452 |

See accompanying Notes to Basic Financial Statements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|---|---------------|---------------|
| WATER OPERATIONS | | |
| Water Income | \$ 21,969,861 | \$ 20,017,040 |
| Direct Water Expenses | (19,272,417) | (16,977,049) |
| Depreciation | (9,078,510) | (8,469,913) |
| Gross Loss from Water Operations | (6,381,066) | (5,429,922) |
| SEWER OPERATIONS | | |
| Sewer Income | 10,618,902 | 9,801,164 |
| Direct Sewer Expenses | (8,869,833) | (8,044,613) |
| Depreciation | (1,424,503) | (1,396,781) |
| Gross Income from Sewer Operations | 324,566 | 359,770 |
| DIRECT STORM DRAINAGE EXPENSES | | |
| Direct Storm Drainage Expenses | (79,273) | (63,426) |
| Depreciation | (384,150) | (414,859) |
| Gross Loss from Direct Storm Drainage Expenses | (463,423) | (478,285) |
| TOTAL GROSS LOSS FROM OPERATIONS | (6,519,923) | (5,548,437) |
| GENERAL AND ADMINISTRATIVE EXPENSES | 3,974,035 | 3,216,782 |
| OPERATING LOSS | (10,493,958) | (8,765,219) |
| NONOPERATING REVENUES | | |
| Property Taxes | 3,738,230 | 3,448,509 |
| Specific Ownership Taxes | 238,470 | 237,813 |
| Net Investment Income | 539,929 | 22,225 |
| Miscellaneous Income | 197,358 | 557,243 |
| Total Nonoperating Revenues | 4,713,987 | 4,265,790 |
| NONOPERATING EXPENSES | | |
| Interest Expense | 3,705,459 | 4,131,521 |
| County Treasurer's Fees | 56,137 | 51,763 |
| Paying Agent Fees and Other Debt Related Expenses | 3,600 | 2,300 |
| Amortization of Debt Related Costs | (924,325) | (929,836) |
| Total Nonoperating Expenses | 2,840,871 | 3,255,748 |
| LOSS BEFORE CONTRIBUTIONS | (8,620,842) | (7,755,177) |

See accompanying Notes to Basic Financial Statements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
 YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|--|--------------------|--------------------|
| CAPITAL CONTRIBUTIONS | | |
| Northern Project Construction Fund Charges | \$ 7,175,302 | \$ 6,955,728 |
| Water Tap Fees | 3,144,829 | 8,293,232 |
| Sewer Tap Fees | 540,472 | 1,098,048 |
| Storm Drainage Fees | 431,590 | 1,018,954 |
| Contributed Facilities from Developers | 668,601 | 1,948,012 |
| Contributions for Capital Outlay | 769,560 | 588,352 |
| Total Capital Contributions | 12,730,354 | 19,902,326 |
| CHANGE IN NET POSITION | 4,109,512 | 12,147,149 |
| Net Position - Beginning of Year | 432,981,843 | 420,834,694 |
| NET POSITION - END OF YEAR | \$ 437,091,355 | \$ 432,981,843 |

See accompanying Notes to Basic Financial Statements.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers | \$ 31,824,627 | \$ 29,855,618 |
| Payments to Suppliers | (22,511,527) | (21,143,601) |
| Payments to Employees and Related Expenses | (6,490,638) | (5,960,783) |
| Other Receipts (Payments) | (31,008) | 554,927 |
| Net Cash Provided by Operating Activities | 2,791,454 | 3,306,161 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Property Tax Collections for Operations | 3,738,230 | 3,448,509 |
| Specific Ownership Taxes | 240,982 | 232,102 |
| Miscellaneous Income | 139,621 | 139,429 |
| County Treasurer's Fees | (56,137) | (51,763) |
| Net Cash Provided by Noncapital Financing Activities | 4,062,696 | 3,768,277 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Water Tap Fees | 3,144,829 | 8,293,232 |
| Sewer Tap Fees | 540,472 | 1,098,048 |
| Storm Drainage Fees | 431,590 | 1,018,954 |
| Sustainable Water Assurance Fee | 7,175,302 | 6,955,728 |
| Abandonment of Capital Assets | (30,070) | (260,529) |
| Acquisition of Property, Plant, and Equipment, Net of Contributed Lines of \$668,601 and \$1,948,012 in 2022 and 2021, Respectively | (10,861,531) | (10,381,062) |
| Cash Contributions for Capital | 723,843 | 625,692 |
| Lease proceeds | 1,363,959 | - |
| Interest on Debt | (3,723,688) | (4,171,249) |
| Debt Principal Reduction | (5,979,215) | (11,642,115) |
| Paying Agent Fees and Other Expenses | (3,600) | (2,300) |
| Net Cash Used by Capital and Related Financing Activities | (7,218,109) | (8,465,601) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received | 539,929 | 22,225 |
| Net Cash Provided by Investing Activities | 539,929 | 22,225 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 175,970 | (1,368,938) |
| Cash and Cash Equivalents - Beginning of Year | 62,042,194 | 63,411,132 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 62,218,164 | \$ 62,042,194 |

See accompanying Notes to Basic Financial Statements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|---|-----------------|----------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating Loss | \$ (10,493,958) | \$ (8,765,219) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 11,441,165 | 10,351,943 |
| (Increase) Decrease in: | | |
| Accounts Receivable | 160,123 | 850,347 |
| Prepaid Expenses | (300,137) | (769) |
| Inventories | (153,310) | 1,775 |
| Increase (Decrease) in: | | |
| Accounts Payable and Accrued Expenses | 2,154,888 | 860,584 |
| Deposits | (17,317) | 7,500 |
| Net Cash Provided by Operating Activities | \$ 2,791,454 | \$ 3,306,161 |
| NONCASH TRANSACTIONS | | |
| Assets Contributed by Developers | \$ 668,601 | \$ 1,948,012 |

See accompanying Notes to Basic Financial Statements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 DEFINITION OF REPORTING ENTITY

East Cherry Creek Valley Water and Sanitation District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court on June 7, 1962, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District exists to provide water, sanitary sewer and storm drainage services to the East Cherry Creek Valley area of unincorporated Arapahoe County, Colorado. A portion of the District is included in the city of Centennial.

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.

The East Cherry Creek Valley Water and Sanitation District Water Activity Enterprise, Inc. (the Enterprise), a Colorado nonprofit corporation, was established in 1998 as a "Water Activity Enterprise" pursuant to C.R.S. §§37-45.1-101, *et seq.* The District's Board of Directors serves as the Board of Directors for the Enterprise. Effective January 1, 2001, the Board adopted a Joint Resolution of the District and the Enterprise concerning the sharing of revenue between each entity, the responsibilities of each entity for the cost of operation and maintenance of facilities, administration costs, construction of new facilities, and the ownership of certain assets. Effective January 1, 2012, the Board adopted an Amended and Restated Joint Resolution which clarifies and redefines the responsibilities of each entity. District management believes that the operations of the Enterprise also have qualified for the enterprise exclusion under TABOR (see Note 11). The Enterprise is considered a component unit of the District and blended in the District's financial statements. Separate financial statements of the Enterprise are not issued.

NOTE 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 accounting principles generally accepted in the United States of America 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.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 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. Expenditures for capital assets are shown as increases in assets. Redemptions of bonds and loans are recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received or collectible.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the statements of revenue, 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, sanitation and storm drainage services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of services, 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 appropriation, including the Enterprise, is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating entities based upon each entity's average equity balance in the total cash and investments.

Cash Equivalents

For purposes of the statements of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are valued at the lower of either cost or market, using the first-in first-out method.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include land, water rights, buildings, distribution and collection systems and machinery 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 acquisition value at the date of donation or at the developers' cost.

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:

| | |
|-------------------------------------|----------------|
| Buildings | 30 Years |
| Distribution and Collection Systems | 10 to 50 Years |
| Machinery and Equipment | 3 to 10 Years |
| Treatment Plants | 20 Years |

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions in the period in which they are received or become collectible. Under the District's policy, developers are required to pay for the equivalent cost of certain water lines previously constructed by the District to serve the developers' property as actual development begins. Water and sewer lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developers' cost or at estimated fair market value when received. The District records the contributions at the time the lines are conveyed to the District for final acceptance. Payments to other governments for the construction of capital infrastructure that will benefit the District but not be owned, operated or maintained by the District are recorded as an expense.

Water Rights and Sewer Capacity Rights

Water rights are being amortized over one hundred years, and sewer capacity rights are being amortized over 30 to 100 years. The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Certain water rights to renewable water resources have a perpetual life and are not amortized. All other costs, including costs incurred for the protection of water rights, are expensed.

Special Projects and Planning

The Board has elected to capitalize certain legal, engineering, and other costs of projects that are of benefit to the District over a period of time. These costs are being amortized over ten years on a straight-line basis.

Amortization of Original Issue Premium

Debt premiums are amortized over the respective terms of the debt using the effective interest method.

Amortization of Cost on Debt Refunding

The deferred cost on debt refunding is being amortized using the effective interest method over the life of the new debt. The amortization amount is a component of interest expense.

Compensated Absences

The District's employees are entitled to certain compensated absences based on their length of employment. Compensated absences are accrued when incurred in the financial statements.

The District has accrued \$267,782 and \$322,988 as of December 31, 2022 and 2021, respectively, for future payment of this earned leave.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflow/Inflow of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *cost of debt refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Reclassifications

For comparability, certain 2021 amounts have been reclassified where appropriate to conform with the 2022 financial statement presentation.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 and 2021 are classified in the accompanying financial statements as follows:

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Statement of Net Position: | | |
| Cash and Cash Equivalents | \$ 57,868,400 | \$ 58,199,908 |
| Cash and Cash Equivalents - Restricted | 4,349,764 | 3,842,286 |
| Total Cash and Investments | <u>\$ 62,218,164</u> | <u>\$ 62,042,194</u> |

Cash and investments as of December 31, 2022 and 2021 consist of the following:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------|----------------------|----------------------|
| Deposits with Financial Institutions | \$ 34,257,412 | \$ 29,078,817 |
| Investments | 27,960,752 | 32,963,377 |
| Total Cash and Investments | <u>\$ 62,218,164</u> | <u>\$ 62,042,194</u> |

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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 102% of the aggregate uninsured deposits.

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

At December 31, 2022 and 2021, the District's cash deposits had a bank balance of \$35,625,188 and \$29,954,873, respectively; and a carrying balance of \$34,257,412 and \$29,078,817, respectively.

Investments

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

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

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2022 and 2021, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>2022</u> | <u>2021</u> |
|--|-----------------------------------|----------------------|----------------------|
| Colorado Local Government Liquid Asset Trust (COLOTRUST) | Weighted-Average Under 60 Days | <u>\$ 27,960,752</u> | <u>\$ 32,963,377</u> |

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor’s. COLOTRUST EDGE is rated AAAs/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

Restricted cash included Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11) of \$135,400 and \$145,700 at December 31, 2022 and 2021, respectively.

Restricted cash also included \$739,758 and \$78,387 held in escrow for payment of the District's subordinate Water Revenue Exchange Bonds, Series 2004 at December 31, 2022 and 2021, respectively; \$712,030 and \$74,673 for payment of the District's 2007 Lease Purchase Agreement at December 31, 2022 and 2021, respectively; and \$2,552,754 and \$3,543,516 for capital projects at December 31, 2022 and 2021, respectively.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2022 and 2021 follows:

| | 2022 | | | Balance at December 31, 2022 |
|--|------------------------------------|----------------------|----------------------|------------------------------------|
| | Balance at December 31, 2021 | Increases | Decreases | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 1,193,295 | \$ - | \$ - | \$ 1,193,295 |
| Easements | 13,330,157 | - | - | 13,330,157 |
| Water Rights | 87,133,881 | 497,824 | - | 87,631,705 |
| Construction in Progress | 81,606,824 | 6,899,726 | 78,689,881 | 9,816,669 |
| Total Capital Assets, Not Being Depreciated | 183,264,157 | 7,397,550 | 78,689,881 | 111,971,826 |
| Capital Assets, Being Depreciated: | | | | |
| Water Rights and Leases | 29,747,765 | - | - | 29,747,765 |
| Sewer Capacity Rights | 1,382,760 | - | - | 1,382,760 |
| Water System | 339,634,384 | 68,200,597 | - | 407,834,981 |
| Sewer System | 62,776,451 | 1,906,645 | - | 64,683,096 |
| Storm Drainage | 18,861,963 | 743,902 | - | 19,605,865 |
| Buildings | 3,677,162 | 8,512,991 | - | 12,190,153 |
| Office and Field Equipment | 2,143,448 | 84,982 | 31,284 | 2,197,146 |
| Total Capital Assets, Being Depreciated | 458,223,933 | 79,449,117 | 31,284 | 537,641,766 |
| Less Accumulated Depreciation for: | | | | |
| Water Rights and Leases | 8,071,523 | 282,018 | - | 8,353,541 |
| Sewer Capacity Rights | 711,601 | 19,834 | - | 731,435 |
| Water System | 130,348,069 | 8,796,492 | - | 139,144,561 |
| Sewer System | 21,473,468 | 1,404,669 | - | 22,878,137 |
| Storm Drainage | 7,466,787 | 384,150 | - | 7,850,937 |
| Buildings | 2,355,591 | 345,110 | - | 2,700,701 |
| Office and Field Equipment | 1,275,196 | 238,962 | 30,070 | 1,484,088 |
| Total Accumulated Depreciation | 171,702,235 | 11,471,235 | 30,070 | 183,143,400 |
| Total Capital Assets, Being Depreciated, Net | 286,521,698 | 67,977,882 | 1,214 | 354,498,366 |
| Capital Assets, Net | <u>\$ 469,785,855</u> | <u>\$ 75,375,432</u> | <u>\$ 78,691,095</u> | <u>\$ 466,470,192</u> |

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 CAPITAL ASSETS (CONTINUED)

| | 2021 | | | Balance at December 31, 2021 |
|--|------------------------------------|---------------------|-------------|------------------------------------|
| | Balance at December 31, 2020 | Increases | Decreases | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 1,193,295 | \$ - | \$ - | \$ 1,193,295 |
| Easements | 13,330,157 | - | - | 13,330,157 |
| Water Rights | 86,766,207 | 367,674 | - | 87,133,881 |
| Construction in Progress | 74,088,374 | 7,518,450 | - | 81,606,824 |
| Total Capital Assets, Not Being Depreciated | 175,378,033 | 7,886,124 | - | 183,264,157 |
| Capital Assets, Being Depreciated: | | | | |
| Water Rights and Leases | 29,747,765 | - | - | 29,747,765 |
| Sewer Capacity Rights | 1,382,760 | - | - | 1,382,760 |
| Water System | 338,648,715 | 985,669 | - | 339,634,384 |
| Sewer System | 61,814,108 | 962,343 | - | 62,776,451 |
| Storm Drainage | 18,861,963 | - | - | 18,861,963 |
| Buildings | 3,677,162 | - | - | 3,677,162 |
| Office and Field Equipment | 2,089,454 | 314,523 | 260,529 | 2,143,448 |
| Total Capital Assets, Being Depreciated | 456,221,927 | 2,262,535 | 260,529 | 458,223,933 |
| Less Accumulated Depreciation For: | | | | |
| Water Rights and Leases | 7,789,507 | 282,016 | - | 8,071,523 |
| Sewer Capacity Rights | 691,768 | 19,833 | - | 711,601 |
| Water System | 122,160,172 | 8,187,897 | - | 130,348,069 |
| Sewer System | 20,096,520 | 1,376,948 | - | 21,473,468 |
| Storm Drainage | 7,051,928 | 414,859 | - | 7,466,787 |
| Buildings | 2,226,891 | 128,700 | - | 2,355,591 |
| Office and Field Equipment | 1,333,506 | 202,219 | 260,529 | 1,275,196 |
| Total Accumulated Depreciation | 161,350,292 | 10,612,472 | 260,529 | 171,702,235 |
| Total Capital Assets, Being Depreciated, Net | 303,745,071 | (8,349,937) | - | 286,521,698 |
| Capital Assets, Net | <u>\$ 479,123,104</u> | <u>\$ (463,813)</u> | <u>\$ -</u> | <u>\$ 469,785,855</u> |

Depreciation expense for the years ended December 31, 2022 and 2021 was charged to the following:

| | 2022 | 2021 |
|----------------------------|----------------------|----------------------|
| Water | \$ 9,078,510 | \$ 8,469,913 |
| Sewer | 1,424,503 | 1,396,781 |
| Storm Drainage | 384,150 | 414,859 |
| General and Administrative | 554,002 | 70,390 |
| Total | <u>\$ 11,441,165</u> | <u>\$ 10,351,943</u> |

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the years ended December 31, 2022 and 2021:

| | Balance December 31, 2021 | Additions | Reductions | Balance December 31, 2022 | Amounts Due Within One Year |
|---|---------------------------------|---------------------|---------------------|---------------------------------|-----------------------------------|
| Bonds Payable | | | | | |
| 2015 Water Refunding | | | | | |
| Bonds | \$ 34,275,000 | \$ - | \$ 1,460,000 | \$ 32,815,000 | \$ 1,800,000 |
| Bond Premium | 2,089,007 | - | 245,081 | 1,843,926 | 237,787 |
| 2019 Water Improvement | | | | | |
| Bonds | 20,570,000 | - | 730,000 | 19,840,000 | 770,000 |
| Bond Premium | 2,689,839 | - | 244,022 | 2,445,817 | 233,360 |
| 2020 Water Refunding | | | | | |
| Bonds | 22,530,000 | - | 225,000 | 22,305,000 | 1,265,000 |
| Bond Premium | 4,649,840 | - | 520,727 | 4,129,113 | 514,988 |
| Subtotal Bonds Payable | <u>86,803,686</u> | <u>-</u> | <u>3,424,829</u> | <u>83,378,857</u> | <u>4,821,135</u> |
| Notes/Loans/Bonds From Direct Borrowings and Direct Placement | | | | | |
| 2004 Subordinate Water Exchange Bonds | 3,477,000 | - | 427,000 | 3,050,000 | - |
| 2009B Variable Rate Water Revenue Bonds | 1,860,000 | - | 1,860,000 | - | - |
| Bond Premium | 454 | - | 454 | - | - |
| 2007 Subordinate Lease Purchase Agreement | 998,453 | - | 943,478 | 54,975 | - |
| 2019 Lease Purchase Agreement | 4,768,825 | 1,363,959 | 333,737 | 5,799,047 | 468,870 |
| Subtotal Notes/Loans/Bonds From Direct Borrowings and Direct Placement | <u>11,104,732</u> | <u>1,363,959</u> | <u>3,564,669</u> | <u>8,904,022</u> | <u>468,870</u> |
| Total Long-Term Obligations | <u>\$ 97,908,418</u> | <u>\$ 1,363,959</u> | <u>\$ 6,989,498</u> | <u>\$ 92,282,879</u> | <u>\$ 5,290,005</u> |

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

| | Balance December 31, 2020 | Additions | Reductions | Balance December 31, 2021 | Amounts Due Within One Year |
|---|---------------------------------|-------------|----------------------|---------------------------------|-----------------------------------|
| Bonds Payable | | | | | |
| 2015 Water Refunding | | | | | |
| Bonds | \$ 35,670,000 | \$ - | \$ 1,395,000 | \$ 34,275,000 | \$ 1,460,000 |
| Bond Premium | 2,345,703 | - | 256,696 | 2,089,007 | 245,081 |
| 2019 Water Improvement | | | | | |
| Bonds | 21,265,000 | - | 695,000 | 20,570,000 | 730,000 |
| Bond Premium | 2,944,012 | - | 254,173 | 2,689,839 | 244,022 |
| 2020 Water Refunding | | | | | |
| Bonds | 22,745,000 | - | 215,000 | 22,530,000 | 225,000 |
| Bond Premium | 5,176,050 | - | 526,210 | 4,649,840 | 520,727 |
| Subtotal Bonds Payable | <u>90,145,765</u> | <u>-</u> | <u>3,342,079</u> | <u>86,803,686</u> | <u>3,424,830</u> |
| Notes/Loans/Bonds From Direct Borrowings and Direct Placement | | | | | |
| 2004 Subordinate Water Exchange Bonds | 6,847,000 | - | 3,370,000 | 3,477,000 | - |
| 2009B Variable Rate Water Revenue Bonds | 3,640,000 | - | 1,780,000 | 1,860,000 | 1,860,000 |
| Bond Premium | 1,343 | - | 889 | 454 | 454 |
| 2007 Subordinate Lease Purchase Agreement | 4,824,419 | - | 3,825,966 | 998,453 | 998,453 |
| 2019 Lease Purchase Agreement | 5,129,974 | - | 361,149 | 4,768,825 | 333,737 |
| Subtotal Notes/Loans/Bonds From Direct Borrowings and Direct Placement | <u>20,442,736</u> | <u>-</u> | <u>9,338,004</u> | <u>11,104,732</u> | <u>3,192,644</u> |
| Total Long-Term Obligations | <u>\$ 110,588,501</u> | <u>\$ -</u> | <u>\$ 12,680,083</u> | <u>\$ 97,908,418</u> | <u>\$ 6,617,474</u> |

The detail of the District's bonds payable is as follows:

Subordinate Water Revenue Exchange Bonds, Series 2004, dated May 6, 2004, in the original amount of \$26,793,000 mature on November 15, 2023, with an interest rate of 3.00% to December 31, 2009, and 5.00% from January 1, 2010, and thereafter, payable annually on November 15. The bonds are subject to early redemption, at the option of the Enterprise or the District, on any date without redemption premium. The bonds are also subject to mandatory redemption on any interest payment date, without redemption premium, to the extent of available revenue pledged to the payment of the bonds in excess of the amount of interest then due on the bonds. These bonds are limited, subordinate lien obligations of the Enterprise on behalf of the District payable solely from the portion of the Net Revenues comprising an amount equal to 40% of water tap fees collected by the Enterprise or the District. Any outstanding interest not paid on each November 15 compounds annually on each interest payment date at the interest rate then borne by the bonds. The bonds constitute an irrevocable lien on the Net Revenues, which is subordinate to the lien thereon of the Senior Bonds.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The actual amounts of principal and interest payments to be made in the future will depend on future water tap fee revenue and cannot be predicted with certainty. The District's 2023 budget contemplates a principal payment of \$580,000.

The occurrence or existence of any one or more of the following events shall be an Event of Default:

- (a) payment of the principal of any Bond is not made when due;
- (b) payment of the interest on any Bond is not made when due;
- (c) the Enterprise or the District defaults in the performance of the following covenants:
 - a. to maintain the System as an enterprise and as a water activity enterprise;
 - b. to maintain a minimum water tap fee of \$15,000;
 - c. shall not amend or supplement the Joint Resolution or adopt or enter into other resolutions, agreements or documents which would reduce the amount of various rates, fees, tolls, or charges imposed by the Joint Resolution or materially adversely affect the amount which would otherwise be credited to the Subordinate Bond Account; or
- (d) the District or the Enterprise files a petition under the federal bankruptcy laws or other applicable bankruptcy laws.

2007 Subordinate Lease Purchase Agreement – The Enterprise, on behalf of the District, entered into a Subordinate Lease Purchase Agreement with United Water and Sanitation District (United) on July 27, 2007 (effective May 25, 2007), in the original amount of \$31,250,000. United agrees, among other things, to construct certain facilities, to provide additional storage and to acquire, on behalf of the District and the Enterprise, sufficient water rights to produce not less than 2,960 acre feet of fully consumable water per year and not more than 3,221 acre feet of fully consumable water per year (Phase 2 Water), and to the delivery of such water to ECCV. Principal and interest payments under the Agreement are due annually on November 15 with an interest rate of 3.2%. The annual principal portion shall be an amount equal to the Allocated Tap Lease Revenue, defined as the portion of the Net Revenue that is equal to 38.57% of the Water Tap Fees collected by the Enterprise on and after November 1, 2004. The Agreement terminates on November 15, 2014, or upon payment of all amounts due and the conveyance of all the Phase 2 Water to ECCV, whichever occurs earliest. If the Agreement were allowed to terminate, not only does the District's obligation to pay the remaining principal cease, but the conveyance of any water rights associated with the unpaid portion of the principal ceases as well.

A Supplemental Lease Purchase Agreement was signed by United on October 30, 2014. The supplemental agreement extended the expiration date to November 15, 2017. In exchange, the District agreed to pay an additional \$400,000 of principal each year.

The Second Supplement to the Lease Purchase Agreement, effective as of September 26, 2017, extended the agreement to November 1, 2022.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Any one of the following shall be an "Event of Default" under this Agreement:

- (a) failure by ECCV to pay to United on the Payment Date all amounts on deposit in the Lease Payment Account as of the immediately preceding October 31;
- (b) failure by ECCV to deposit an amount equal to the Allocated Tap Lease Revenue to the Lease Payment Account in any year;
- (c) failure by ECCV to observe and perform the following covenants:
 - a. the District will maintain a minimum Water Tap Fee for connection to its water system of not less than \$16,500 per Single Family Equivalent;
 - b. neither the District nor the Enterprise will amend or supplement the Joint Resolution or adopt or enter into other resolutions, agreements or documents which would reduce the amount of various rates, fees, tolls, or charges imposed by the Joint Resolution or materially adversely affect the amount which would otherwise be credited to the Lease Payment Account; or
 - c. the District, acting on behalf of the Enterprise will provide certain information on an ongoing basis to United; or
- (d) ECCV files a petition seeking reorganization under federal bankruptcy law, or other debtor relief.

Variable Rate Water Revenue Refunding Bonds, Series 2009B, dated May 28, 2009, in the original amount of \$18,970,000, are serial bonds issued in the amount of \$3,535,000 due annually on November 15 in increasing amounts through 2012, with an interest rate of 2.00%, payable semiannually on May 15 and November 15 and term bonds issued in the amount of \$15,435,000 due November 15, 2022, with an interest rate of 2.75%, payable semiannually on May 15 and November 15 (Initial Term Rate Mode). On November 15, 2012, the bonds were restructured as private placement bonds and the Letter of Credit was removed.

The bonds are subject to optional redemption while in the Variable Rate Modes, without redemption premium, or while in the Fixed Rate Mode, with redemption premium, at the option of the District. The bonds were issued for the purpose of advance refunding the Water Revenue Bonds, Series 2002 with an outstanding principal amount of \$16,040,000. The Series 2002 Bonds were paid off by the Escrow on November 15, 2012.

The bonds are special and limited obligations of the Enterprise on behalf of the District, payable solely out of and secured by an irrevocable (but nonexclusive) pledge of the revenue of the Water System after deduction of operations and maintenance expenses (Net Revenues). The District and the Enterprise have covenanted that rates and fees may not be lowered or reduced so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2022, the District was in substantial compliance with its bond covenants.

The Bank Series 2009B Bonds are bonds that have been tendered for purchase, not remarketed, and purchased from amounts available under the LOC, dated May 28, 2009, by and among the Enterprise, acting on behalf of the District and the Letter of Credit Bank. The LOC expired on November 15, 2012, when the Enterprise converted the bonds to the Fixed Rate Mode.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The occurrence of any one or more of the following events shall constitute an Event of Default under the Indenture:

- (a) payment of principal of the Senior Bonds is not made when due and payable;
- (b) payment of interest on the Senior Bonds is not made when due and payable;
- (c) the Enterprise or the District defaults in the punctual performance of the covenants contained in any Outstanding Senior Bonds or in the Indenture;
- (d) the Trustee receives written notice from the Bank that the Enterprise has not reimbursed the Bank for a drawing under the Letter of Credit or that any other event of default has occurred and is continuing under the Reimbursement Agreement; or
- (e) a petition in bankruptcy is filed by or against the Enterprise or the District.

Acceleration of the Series 2009B Bonds shall not be an available remedy for any default or Event of Default unless the Bank has directed such acceleration pursuant to the terms of the Reimbursement Agreement.

Water Revenue Refunding Bonds, Series 2015, dated August 19, 2015, were issued in the original amount of \$41,885,000 with interest of 3.00% to 5.00%, consisting of serial bonds issued in the amount of \$31,195,000 due November 15 annually through 2032 and term bonds issued in the original amount of \$10,690,000 due November 15, 2035. The serial bonds maturing on and after November 15, 2026, are subject to redemption prior to maturity at the option of the District without premium.

The bonds were issued by the Enterprise, on behalf of the District, as authorized by the 2015 Joint Bond Resolution (Joint Resolution). The bonds were issued for the purpose of currently refunding and redeeming the 2005 Loan Agreement, of which \$45,280,000 was outstanding.

The Series 2015 Bonds are special limited revenue obligations of the Enterprise, on behalf of the District, and are payable solely from Net Revenue, on parity with the Outstanding Senior Bonds, including the Series 2002 Bonds (refunded by the Series 2009B Bonds), and any other Additional Parity Obligations. The District and the Enterprise covenant that rates and fees may not be lowered or reduced for so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2022, the District was in substantial compliance with its bond covenants.

Water Revenue Improvement Bonds, Series 2019A, dated October 31, 2019, were issued in the original amount of \$21,895,000 with interest of 2.25% to 5.00%, due November 15 annually through 2040, and with interest due May 15 and November 15, commencing May 15, 2020. The bonds maturing on and after November 15, 2030, are subject to redemption prior to maturity at the option of the District without premium.

The bonds were issued by the Enterprise, on behalf of the District, as authorized by the 2019 Joint Bond Resolution (Joint Resolution). The bonds were issued for the purpose of expanding the public infrastructure.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The Series 2019A Bonds are special limited revenue obligations of the Enterprise, on behalf of the District, and are payable solely from Net Revenue, on parity with the Outstanding Senior Bonds, and any other Additional Parity Obligations. The District and the Enterprise covenant that rates and fees may not be lowered or reduced for so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 125% of Net Revenues in excess of the annual debt service payment. During 2022, the District was in substantial compliance with its bond covenants.

Water Revenue Bonds, Series 2020, dated May 28, 2020, were issued in the original amount of \$22,745,000 with interest rates ranging from 2.0% to 5.0%, payable semiannually on May 15 and November 15 each year, commencing on November 15, 2020. The bonds consist of serial bonds due November 15 annually through 2040. The bonds maturing on and after November 15, 2030, are subject to redemption prior to maturity at the option of the District without redemption premium.

Proceeds from the sale of the bonds were used to (i) refund the Variable Rate Water Revenue Refunding Bonds, Series 2009A and the Taxable Water Revenue Bonds (Build America Bonds - Direct Payment), Series 2010B; and (ii) pay the costs of issuance of the bonds.

The bonds were issued by the District acting by and through its Water Activity Enterprise on parity with the Outstanding Senior Bonds and any other Additional Parity Obligations. The 2020 Bonds are payable solely from Net Revenue derived from the operation and use of the Water System.

So long as any 2020 Bonds are outstanding, the District and the Enterprise covenant to maintain all rates, fees, tolls and charges furnished by the Water System to generate Net Revenue in an amount equal to not less than 125% of the amount necessary to pay when due the principal of and interest on the Outstanding Senior Bonds coming due during such Fiscal Year.

Events of Default Relating to the 2015 Bonds, the 2019A Bonds, and the 2020 Bonds. The occurrence of any one or more of the following events shall constitute an Event of Default:

- (a) payment of principal on any of the Senior Bonds is not made when due and payable;
- (b) payment of interest on any of the Senior Bonds is not made when due and payable;
- (c) defaults in the punctual performance of the covenants contained in any Outstanding Senior Bonds;
- (d) a petition in bankruptcy is filed by or against the Enterprise or the District.

Acceleration of any of the Senior Bonds is not an available remedy for any default or Event of Default.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Lease Purchase Agreement, dated May 14, 2019, the District entered into a Lease Purchase Agreement (Lease) with Vectra Bank Colorado, a division of Zions Bancorporation (Lessor), to fund building expansion, shop building, furnishings, parking, storm drainage, and other miscellaneous items at the District's main office campus. The interest rate on the lease purchase is 3.12% for up to \$6,500,000. The term of the agreement is 15 years with no prepayment penalty. Annual principal payments begin November 1, 2019 through November 1, 2033; semiannual interest payments begin November 1, 2019 and, on each May 1 and November 1 thereafter until maturity.

The Lease is structured as a draw-down Lease. Draws can be made once per month, preferably, in a minimum amount of at least \$100,000, over the next three years. Interest accrues at the date of each draw.

As of December 31, 2022, the District had drawn \$6,500,000.

Events of Default Relating to the 2019 Lease. The occurrence of any one or more of the following events shall constitute an Event of Default:

- (a) failure to pay any Base Rentals or Additional Rentals when the same become due and payable;
- (b) failure to observe and perform any covenant, condition or agreement to be observed or performed for a period of 45 days after written notice of failure and requesting remedy;
- (c) failure to reinstate insurance within 10 business days after written notice of failure and requesting remedy;
- (d) any representation or warranty made by the District that proves to be untrue in any material respect or materially misleading; or
- (e) a petition in bankruptcy is filed by or against the District.

Upon an event of default, the Lessor may immediately take possession of the Leased Property with or without terminating the Lease.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The District's debt, excluding the Subordinate Water Revenue Exchange Bonds, Series 2004, and the 2007 Subordinate Lease Purchase Agreement will mature as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|----------------------|-----------------------|
| 2023 | \$ 4,303,870 | \$ 3,412,327 | \$ 7,716,197 |
| 2024 | 4,447,391 | 3,248,862 | 7,696,253 |
| 2025 | 4,661,817 | 3,035,186 | 7,697,003 |
| 2026 | 4,861,692 | 2,834,299 | 7,695,991 |
| 2027-2031 | 27,598,380 | 10,914,577 | 38,512,957 |
| 2032-2036 | 27,340,897 | 4,458,587 | 31,799,484 |
| 2037-2040 | 7,545,000 | 769,200 | 8,314,200 |
| Total Payments | <u>\$ 80,759,047</u> | <u>\$ 28,673,038</u> | <u>\$ 109,432,085</u> |

At December 31, 2022, the authorized unissued general obligation debt of the District from elections held in 1977 and 1981 totaled \$14,599,393. The District's ability to issue its remaining authorized debt may be limited by judicial interpretation as a result of Article X, Section 20 of the Constitution of the State of Colorado (see Note 11).

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2022 and 2021, the District had net investment in capital assets, calculated as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------|-----------------------|
| Net Investment in Capital Assets: | | |
| Capital Assets, Net | \$ 466,470,192 | \$ 469,785,855 |
| Unspent Bond Proceeds | 209,823 | 206,215 |
| Current Portion of Long-Term Obligations | (5,290,005) | (6,617,474) |
| Cost of Debt Refunding, Net | 497,021 | 582,980 |
| Noncurrent Portion of Long-Term Obligations | <u>(86,992,874)</u> | <u>(91,290,944)</u> |
| Net Investment in Capital Assets | <u>\$ 374,894,157</u> | <u>\$ 372,666,632</u> |

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 NET POSITION (CONTINUED)

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2022 and 2021, as follows:

| | 2022 | 2021 |
|-------------------------------|--------------|--------------|
| Restricted Net Position: | | |
| Debt Service | \$ 1,451,788 | \$ 153,070 |
| Capital Projects | 2,762,576 | 3,543,516 |
| Emergencies | 135,400 | 145,700 |
| Total Restricted Net Position | \$ 4,349,764 | \$ 3,842,286 |

The District's unrestricted net position as of December 31, 2022 and 2021 is \$57,847,434 and \$56,472,925, respectively.

NOTE 7 INTERGOVERNMENTAL AGREEMENTS

Sewage Treatment – City of Aurora

The District has contracted since 1976 with the City of Aurora (City) for all sewage treatment services and to pay the City a portion of the costs to increase the size of certain sewer mains in exchange for future rights to capacity in these mains. The District was charged sewage treatment cost by the City in the amount of \$7,412,890 for 2022 and \$6,803,220 for 2021 under the agreement.

The District has agreed to pay the City an amount equal to 15% of the sewer tap fee being charged by the City at a time a sewer tap is connected. The District paid \$70,783 in 2022 and \$162,166 in 2021 to the City for tap connections.

On March 25, 2011, the District amended the agreement (2011 Agreement) with the City in regard to the appropriate amount of charges to be levied on a monthly basis for the transportation of sanitary sewage from the District and the sum of money due to the City from the District for capital infrastructure investments by the City. The 2011 Agreement establishes the base rate to be \$3.44 per thousand gallons of sanitary sewage based on calculations set forth in the agreement, effective July 1, 2010.

The District agreed to pay the City \$369,312, which reflects the total monthly charges incurred and unpaid through September 30, 2010. Payment was made upon execution of the agreement.

In a memorandum dated August 1, 2012, (2012 Agreement), the District agreed to pay for their portion of additional capital infrastructure improvements as listed in the 2012 Agreement, in the amount of \$5,031,646. Payments were made in thirteen (13) quarterly installments of \$399,387 beginning with the third quarter of 2012, interest to accrue at an annual rate of 2.5%. The memorandum was paid in full in 2015.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 7 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Sewage Treatment – City of Aurora (Continued)

Future capital infrastructure improvements have been planned. The timing of the construction of these projects will be determined by future development and need for sewage capacity.

Water Storage – City of Aurora

On November 10, 1994, the District executed an agreement with the City of Aurora (City) that permits the District to place up to 3,500 acre feet of water in Aurora Reservoir and to exchange that water, less system and evaporative losses, for treated water from the Aurora system. The agreement expired in 2003; however, the District continues to replace water taken from the Aurora system. During 2022 and 2021, the District provided no water to the Aurora system.

On May 7, 2007, the District executed an agreement with the City in which the District will provide water primarily for irrigation use in the raw water systems at the Eagle Bend and Blackstone golf courses to satisfy the water taken from the Aurora system. This agreement shall be effective for 15 years after which the agreement will automatically renew annually. During 2022, no water was delivered to the golf courses.

On August 30, 2021, the District and the City entered into the 2021 Recognition of Satisfaction and Understanding of Settlement of Intergovernmental Water Delivery Agreements. The 2021 Agreement “trues-up” and settles the 55.57 acre-foot deficit of the raw water between the parties. The District paid the City \$71,163 in exchange for the undelivered raw water in 2021.

Intergovernmental Agreement – ACWWA

On December 15, 2009, the District entered into an intergovernmental agreement (IGA) with Arapahoe County Water and Wastewater Authority (ACWWA), Arapahoe County Water and Wastewater Public Improvement District (ACWWPID) and United Water and Sanitation District (United). The intent of the IGA is to provide ECCV and ACWWA an integrated system for the diversion, accretion, collection, storage, transmission and treatment of each party’s water rights.

ACWWA has acquired a capacity easement from ECCV for the purpose of providing water services to its customers. Additionally, ECCV was obligated to begin construction on the reverse osmosis plant (RO Plant) when ACWWA deposited \$7,320,000 and United has deposited \$14,000,000 into separate escrow accounts. Construction began in September 2010 and was completed in 2013.

The District constructed the RO Plant. The 10 mgd RO Plant was expected to cost \$25 million. In the event the construction costs exceed \$27.1 million, ECCV shall notify ACWWA, who will then agree on participating in additional funding or the downsizing of the RO Plant. Should ACWWA agree to additional funding, they will be entitled to an increase in capacity in the RO Plant by the same ratio of the additional funding. Should ACWWA not fund the additional cost, then ACWWA’s prorated capacity shall be calculated by dividing \$7.32 million by the total final cost by the ACWWA payment and multiplying the result by 10. The actual construction costs were \$29.9 million. The RO Plant was upgraded to reduce the total Dissolved Solids at an estimated cost of \$3.5 million.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 7 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Intergovernmental Agreement – ACWWA (Continued)

In consideration of \$7.32 million, ACWWA will hold a capacity easement for the treatment of 2.25 mgd of fixed capacity in the RO Plant. For the cost of these facilities, the first \$100,000 will be paid by the District and the next \$2.5 million will be paid by ACWWA. Once the costs of construction of the brine management and disposal facilities exceeds \$6 million, the entities using the RO Plant shall bear the cost of further brine management and disposal in the ratio of the water rights to be processed. The initial cost of the brine management and disposal facilities was approximately \$4 million.

The District conveyed to ACWWA a capacity easement for the use of 3.5 mgd fixed capacity in the existing Northern Pipeline at a cost of \$5,250,000. ACWWA had a fixed capacity of 1.75 mgd, resulting in a total of 5.25 mgd fixed capacity.

The District conveyed to ACWWA an easement for 2.25 mgd of fixed capacity in the Pump Station serving the Northern Pipeline at a cost of \$3.375 million. Additionally, ACWWA shall have an option to purchase an additional 3.0 mgd of fixed capacity at such time the capacity of the RO Plant is expanded based on a pro rata share of the expansion of the Pump Station.

Western Pipeline Sale

On October 21, 2014, the District sold its Western Pipeline and State Land Board Pipeline to the City and County of Denver acting by and through its Board of Water Commissioners (Denver Water), and the South Metro WISE Authority (WISE) for \$34,000,000. As a result, Denver Water owns 15% of the pipeline and WISE owns 85%. The District retained ownership of Reserved Capacity (8 MGD) of the Western Pipeline but does not hold or retain any interest in the physical assets, right-of-ways, licenses, or easements. The pipelines can be used as part of the system to deliver water received by WISE or used by Denver Water for the conveyance of water for use in its water delivery system. Concurrent with this sale these three parties also executed the Agreement Regarding Modifications to Shared Infrastructure (Modification Agreement) and the Agreement for the Operations of Shared Infrastructure (Operating Agreement).

Modification Agreement

The Modification Agreement was entered into on October 21, 2014 – see Western Pipeline Sale. This Agreement provides details relating to shared facilities that will be constructed to make the pipeline suitable for joint-use (Modifications). The District paid \$3,304,980 towards the Modifications. The modifications were completed in 2015.

Operating Agreement

The Operating Agreement was entered into on October 21, 2014 – see Western Pipeline Sale. This Agreement provides details relating to the joint ownership and use of certain facilities in order to provide water service to its customers and, in the case of WISE, providing water transmission and delivery for the benefit of its members. The three parties shall share operation, maintenance and capital costs related to the shared facilities as set forth in Section 6 of the Operating Agreement.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 7 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Operating Agreement (Continued)

It is anticipated that the parties will enter into further agreements regarding the maintenance of the infrastructure, management of water rights, and other matters, including an operation agreement between the District and United.

Letter Agreement

In furtherance of the Operating Agreement, the parties entered in the Quebec Street Water Treatment Plant Expansion Letter Agreement (Letter Agreement) on August 17, 2022 to design and install a third pressure vessel, including, but not limited to, all necessary installation and configuration of control valves, piping and metering components, electrical installation, programmable logic controller programming, and interface configuration (Project). The District will contract for the completion of the final design for the Project and purchase a third pressure filter to be provided to the contractor for the Project for installation. The District will oversee the completion of the Project installation and agrees to consult with WISE and Denver Water during the design and installation phases. The estimated cost of the Project is \$1.4 million. In the event the total costs of the Project exceed the estimated amount, the parties will coordinate to determine how to proceed. The parties agree to share total Project costs based on the cost sharing and maintenance responsibilities set forth in the Operating Agreement. The Project is expected to be completed by May 31, 2023. Upon final acceptance and completion of the Project, WISE will own and operate the Project as part of the Filter Plant in accordance with the Operating Agreement.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Water Supply Agreement

The District entered into a Water Supply Agreement with Farmers Reservoir and Irrigation Company (FRICO) and the United Water and Sanitation District (United) on December 18, 2003 and amended and restated on May 25, 2007, for the purpose of developing an integrated water supply project in the Beebe Draw Alluvium. The agreement anticipated a reverse osmosis treatment plant to be constructed, owned, and operated by the District. During 2003, the District purchased water and delivery rights to 3,000 acre feet of fully consumable water per year at a price of \$18,500,000 paid in cash to United and \$26,500,000 in the form of Subordinate Water Revenue Bonds, Series 2003, subsequently exchanged for the Subordinate Water Revenue Exchange Bonds, Series 2004 in the amount of \$26,793,000 (see Note 5), payable to United. The agreement entitles the District to purchase shares in FRICO's water supply system or additional South Platte Water supplies at an approximated price of \$9,700 per acre foot, which would provide the District between 2,960 and 3,221 acre feet of fully consumable water per year for a total of \$31,250,000. Additional projects contemplated by an agreement will divert water and return flows from the South Platte River and deliver it to the District's future treatment plant and will give the District a right of first purchase of yield in excess of 6,221 acre feet from additional tributary water rights from the South Platte River acquired by United.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreements with Denver Water Board

In prior years, the District participated with the Denver Water Board (Denver) and other participants in the Denver Metropolitan Water Development Agreement and the Platte and Colorado River Storage Project Participation Agreement. During 2000, the District settled any rights or obligations associated with these agreements. The District and Denver also entered into an intergovernmental agreement under which Denver agreed to provide to the District up to 771 acre feet of either potable or nonpotable water (Lease Water) annually, subject to payment of appropriate system development charges (SDCs) and water rates. Pursuant to the IGA, the District entered into a Nonpotable Water Lease Agreement with Denver on May 15, 2002, which provides for the delivery of nonpotable Lease Water to the District for calendar years 2002 through 2004. During 2002, the District paid \$4,009,200 in SDCs at the raw water rate. The agreement states that beginning in 2005, Denver will deliver only potable Lease Water to the District.

On October 19, 2005, the District entered into a Potable Water Lease Agreement with Denver whereby Denver will deliver to the District up to 771 acre feet of potable water per year, beginning on January 1, 2006. The District paid the differential between potable and nonpotable SDCs for 771 acre feet in 2006, a cost of \$3,893,550. The District received a credit against this payment of \$2,000,000 to compensate the District for the costs of constructing the facilities necessary to deliver potable water from Denver's system to the District's Northern Pipeline.

The District paid Denver a net amount of \$1,377,231 and \$1,203,188 in 2022 and 2021, respectively, for water service charges.

OAR Lease Agreement

In 1983, the District entered into an agreement with OAR, Inc. for water from the Arapahoe Aquifer under State Board of Land Commissioners (SBLC) land adjacent to the District. OAR, Inc. subsequently assigned this agreement to the Rangeview Metropolitan District (Rangeview). In November 1996, Rangeview and the District amended the amount to be paid under the agreement.

The 1996 agreement allows the District to purchase up to 4,000 acre feet of Arapahoe Aquifer Water at \$44 per acre foot on an arrangement for a total annual payment of up to \$176,000 through the term of the agreement. The District has taken delivery of less than 4,000 acre feet in 2022 and 2021. Additional capital expenditures for wells and pipelines are required to fully utilize the water rights. The District also agreed to waive any and all preemptive rights or rights of first refusal relating to any conveyance of water and water rights in excess of the right to purchase for use up to the 4,000 acre feet of water each year.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Water Purchase Agreement – Rangeview

On May 1, 2012, the District entered into an agreement with Rangeview Metropolitan District (Rangeview) to sell to Rangeview groundwater produced by the District's Lowry Range Water System (LRWS). This agreement allows Rangeview to operate and maintain the LRWS on behalf of the District with Rangeview paying all applicable costs. Rangeview shall pay the District a fixed monthly payment of \$4,667 per month through December 31, 2012, Agreements with Denver Water Board \$8,000 per month from January 1, 2013, through December 31, 2020, and \$3,000 per month from January 1, 2021, through April 26, 2032, for up to 300 acre feet of LRWS water per calendar year. In addition to the monthly fee, Rangeview shall pay \$0.14 per 1,000 gallons of metered LRWS water production. In the event Rangeview produces more than 300 acre feet during any calendar year, Rangeview shall pay \$0.54 per 1,000 gallons on the excess production.

The District has a contractual agreement with the City of Aurora to supply 260 acre feet of water to two Aurora golf courses. This agreement is subject to the prior agreement with the City of Aurora. Rangeview is responsible for adjusting the schedule of operations for the LRWS wells so that water is available for delivery at the request of the City of Aurora (see Note 7).

Pipeline Enlargement Agreement

The District entered into an agreement with the South Metro Water Supply Authority (SMWSA), effective in March 2005, as amended by the First Amendment to the ECCV-SMWSA Barr Lake Pipeline Engagement Agreement effective January 1, 2006, whereby SMWSA increased the size of the District's Barr Lake water pipeline to 48 inches and purchased the additional capacity. SMWSA deposited \$5,991,376 with the District for a preliminary capacity of six million gallons per day. SMWSA will ultimately pay its pro-rata portion of the entire cost of the pipeline plus 10%. The capacity owned by SMWSA will ultimately be determined by their contributions toward the total cost of the project. The District will own, operate, maintain, repair and replace the pipeline and charge the Authority a reasonable rate for its capacity that it uses by conveyance and/or delivery of water to, or acceptance of water from, the pipeline.

The Second Amendment to the ECCV-SMWSA Barr Lake Pipeline Engagement Agreement was effective March 30, 2020, whereby the SMWSA paid the final payment on or before June 30, 2020.

Construction Commitments

The District had unexpended construction related contract commitments of approximately \$3,154,066 and \$1,181,983 as of December 31, 2022 and 2021, respectively.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Master Tap Purchase Agreement

The District entered into a Master Tap Purchase Agreement with South Quincy Residential Developers, Inc. (the Owner or SQR) on February 15, 2006. The agreement calls for no less than 4,600 residential single family equivalent water taps to be supplied from District water systems and not less than 4,600 single family residential equivalent sanitary sewer taps to be served by the District. The Owner guarantees the purchase of not less than 100 of each type of tap with 50 of each type of tap to be sold on or before November 30, 2006, and 50 of each type of tap to be sold on or before November 30, 2007. The District received payment for 39 water and sewer taps on or before November 30, 2006. The balance of the November 30, 2006, obligation was received in February 2007. SQR purchased more than 50 water and 50 sewer taps on or before November 30, 2007. Water tap fees in 2007 were \$19,000, and the District may increase that fee no more than \$1,250 per year until January 1, 2014.

On February 25, 2011, the District entered into the First Amendment of the Master Tap Purchase Agreement with SQR (First Amendment). The First Amendment changes the timing of payments for the 12-inch equivalent costs. The amendment requires SQR to pay a share of the 12-inch equivalent costs as lots are conveyed, on a pro rata basis. The amendment establishes new irrigation rates which escalate starting January 1, 2011, through January 1, 2016. Commencing January 1, 2017, and thereafter, the irrigation rate shall be the same rate applied throughout the District.

On August 23, 2011, the District entered into the Second Amendment of the Master Tap Purchase Agreement with SQR (Second Amendment). Cherry Creek School District No. 5 (School) wishes to construct and install certain infrastructure within the District with an estimated total cost of \$852,335. The District agrees to fund the construction. The School agrees to pay the District certain fees according to the District's fee schedules in effect at the time of payment. A portion of these fees, as described in the Second Agreement, will be available for funding the construction. SQR agrees to fund the remaining balance of the construction costs through the guarantee of tap purchases. The District and SQR agree that \$8,000 of the purchase of each tap purchase for use in the Copperleaf project on or after the date of the Second Agreement shall be applied to the remaining balance of the construction costs. SQR agrees that a sufficient number of taps (or their equivalent) will be purchased in the Copperleaf project on or before thirty-six (36) months from the date of execution of this Second Amendment. The District and SQR also agree that 100% of all 12-inch equivalency payments, 100% of all drainage fee payments, and 20% of all irrigation taps purchased by SQR and/or builders, developers and others users subsequent to the date of this Second Agreement with respect to the Copperleaf project shall apply against and reduce SQR's tap purchase requirements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreement with Adams County

On April 2, 2007, the District entered into a first amendment to the August 3, 2005, Agreement with Adams County, Colorado, in which the County has requested that the District make available to the County potable water at the same rates as the District makes potable water available within the District. The District will be constructing a 12" water line (the Airport Waterline) to deliver water from the Denver Water Department's water line at Denver International Airport to the District's 48" pipeline. Under this amendment, the County can elect to tap into either the 48" pipeline or into the Airport Waterline, with written consent of the Denver Water Department. The County agrees to purchase a tap at the then current District rate, but not exceeding a 2" tap. The District is willing to lease approximately 50% of the annual capacity to South Adams County Water and Sanitation District (South Adams) for its use as set forth in paragraph 6 of the First Amendment to the August 3, 2005, Agreement. The District also offered to allow South Adams to expand the size of the Airport Waterline from 12" up to 24". South Adams determined that it did not want to increase the size of the Waterline.

Emergency Interconnect Agreement

On August 27, 2014, the District entered into Agreement with the City and County of Denver acting by the through its Board of Water Commissioners (Denver Water), in which Denver Water agrees to allow ECCV to make physical interconnections with Denver Water's water system to allow Denver Water's water to be delivered to the District on an emergency basis. The interconnection shall only be used in the event of an emergency, and if Denver Water is capable of providing water service. An emergency for the purposes of this Agreement is a main break, pump, motor, power, or other system failure which causes partial or total inability of the District's system to provide fire protection or municipal service.

The Agreement shall have a term of five years. At the end of five years, this Agreement shall automatically be extended for additional one-year periods unless terminated in writing at least 60 days prior to the automatic extension.

The District shall pay Denver Water for all water delivered through the emergency interconnection at Denver Water's then current treated water service rate for customers outside Denver Water's service area.

Water Storage Agreement

On September 23, 2022, the District entered into an agreement with United for 800 acre feet of storage capacity in the Holton Reservoir (Reservoir). The District is responsible for its pro rata share of costs related to the operation, utilities, monitoring, maintenance and repair of the portion of the Reservoir utilized by the District for storage in the Reservoir. The Agreement requires an annual payment of \$1 and expires on October 31, 2023.

Spot Water Lease Agreement

On September 23, 2022, the District entered into a spot water lease agreement with United. The District has the option to lease up to 200 acre fee of water from the 70 Ranch Reservoir at a rate of \$340 per acre foot on an as needed basis through March 31, 2024. The District shall pay United \$1,000 for costs related to the operation, utilities, monitoring, maintenance, and repair of the 70 Ranch Reservoir.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Employment Contracts

On April 28, 2022, the District entered into a three-year employment contract with the District Manager. The District's financial obligation under this contract is to pay salary totaling \$240,000 per year and a car allowance of \$300 per pay period.

NOTE 9 PENSION AND BENEFIT PLANS

The District has a general policy that employee benefits shall equal 30.85% of the employee's salary. These benefits include all employer costs related to the employee compensation such as health insurance, other related insurance programs that may be either mandatory or elected by the employee and the retirement programs described below. Should the benefits charged to the employee not equal the maximum, the employee may direct the District to have the difference deposited into the deferred compensation plan.

Defined Contribution Plan

The employees of the District participate in a money purchase pension plan and trust, which is a defined contribution plan which was established by the District and is maintained and administered by Voya. The current plan was amended effective October 1, 2020. At December 31, 2022, there were 112 plan members. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become plan members on their first day coinciding with or next following the date on which they have met all requirements for participation. Under this plan, an amount equal to 7% of the plan members' compensation is remitted to the Plan Administrator by the District. The District's contributions, plus earnings, become vested 100% upon entering the plan. There is no liability for benefits under the plan beyond the District's payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

The District contributed \$272,323 and \$276,608 for the years ended December 31, 2022 and 2021, respectively.

Deferred Compensation Plan

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Voya. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or death or unforeseen emergencies.

Postemployment Health Plan

Effective January 1, 2002, the District adopted a mandatory postemployment health plan. The District is required to contribute 2.0% of each eligible employee's annual salary into a defined contribution plan administered by Voya. Contributions vest with the employee immediately for qualified medical expenses at termination of employment and no additional contributions are required of the District at termination of employment. Employer contributions were \$87,573 for 2022 and \$79,486 for 2021, respectively.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 10 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 maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 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 a significant portion of its operations as well as those of the Enterprise qualify for this exclusion.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| DIRECT WATER EXPENSES | | |
| Communications | \$ 174,739 | \$ 149,953 |
| Customer Billing | 238,274 | 185,553 |
| Engineering and Plan Review | 1,952,706 | 2,072,457 |
| Insurance | 259,904 | 298,434 |
| Legal | 704,248 | 819,615 |
| Operating Expenses | 2,591,020 | 1,819,939 |
| Repairs and Maintenance | 7,909,223 | 6,799,952 |
| Testing | 141,659 | 131,375 |
| Utilities | 3,876,679 | 3,467,148 |
| Water Conservation Rebates | 33,065 | 20,107 |
| Water Lease Payment | 13,668 | 9,328 |
| Water Services | 1,377,232 | 1,203,188 |
| Total Direct Water Expenses | <u>\$ 19,272,417</u> | <u>\$ 16,977,049</u> |
| DIRECT SEWER EXPENSES | | |
| Aurora Tap Fees | \$ 70,783 | \$ 162,166 |
| Customer Billing | 80,604 | 61,851 |
| Engineering and Plan Review | 135,906 | 115,815 |
| Repairs and Maintenance | 1,003,032 | 727,455 |
| Sewage Treatment | 7,412,890 | 6,803,220 |
| Utilities | 166,618 | 174,106 |
| Total Direct Sewer Expenses | <u>\$ 8,869,833</u> | <u>\$ 8,044,613</u> |
| DIRECT STORM DRAINAGE EXPENSES | | |
| Engineering and Plan Review | \$ 326 | \$ 1,552 |
| Repairs and Maintenance | 78,947 | 61,874 |
| Total Direct Storm Drainage Expenses | <u>\$ 79,273</u> | <u>\$ 63,426</u> |
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Accounting and Audit | \$ 134,204 | \$ 114,007 |
| Communications | 79,105 | 63,954 |
| Directors' Fees | 8,100 | 8,000 |
| Election Costs | 2,089 | - |
| Insurance | 108,973 | 23,116 |
| Investment Expense/Bank Charges | 197,014 | 186,316 |
| Legal | 164,665 | 124,305 |
| Management | 48,316 | 48,832 |
| Miscellaneous/Contingency | 61,364 | 90,083 |
| Office Supplies | 723,757 | 630,569 |
| Public Information | 60,585 | 46,796 |
| Repairs and Maintenance | 197,295 | 152,659 |
| Salaries, Benefits, and Payroll Taxes | 1,480,486 | 1,305,272 |
| Travel, Training, and Meetings | 92,348 | 58,567 |
| Utilities | 30,676 | 26,398 |
| Total General and Administrative Expenses before Depreciation and Amortization | <u>3,388,977</u> | <u>2,878,874</u> |
| Depreciation and Amortization | 585,058 | 337,908 |
| Total General and Administrative Expenses | <u>\$ 3,974,035</u> | <u>\$ 3,216,782</u> |

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL FUNDS COMBINED
YEAR ENDED DECEMBER 31, 2022**

| | Original and Final Budget | Actual Amounts | Variance with Budget Positive (Negative) |
|---|---------------------------------|----------------------|---|
| REVENUES | | | |
| Water Service Fees | \$ 17,576,000 | \$ 19,431,740 | \$ 1,855,740 |
| Sustainable Water Assurance Fee | 6,800,000 | 7,175,302 | 375,302 |
| Sewer Service Fees | 10,383,000 | 10,597,302 | 214,302 |
| Administrative Fees | 1,800,000 | 1,902,571 | 102,571 |
| Connection and Inspection Charges | 76,500 | 29,400 | (47,100) |
| Construction Observation Fees | 81,000 | 50,400 | (30,600) |
| Penalties and Late Charges | 143,500 | 182,028 | 38,528 |
| Other Income | 5,000 | 124,350 | 119,350 |
| Miscellaneous Income | 6,000 | 14,076 | 8,076 |
| WISE Operations | 150,000 | 282,115 | 132,115 |
| Utility Refunds | - | 75,836 | 75,836 |
| Gain on Asset Disposal | - | 8,786 | 8,786 |
| Lease Income | 75,000 | 87,516 | 12,516 |
| Property Taxes | 3,747,358 | 3,738,230 | (9,128) |
| Specific Ownership Taxes | 200,000 | 238,470 | 38,470 |
| Net Investment Income | 11,000 | 539,930 | 528,930 |
| Water Tap Fees | 5,220,000 | 3,144,829 | (2,075,171) |
| Sewer Tap Fees | 639,000 | 540,472 | (98,528) |
| Storm Drainage Fees | 607,500 | 431,590 | (175,910) |
| Contributions of Capital Outlay | 7,228,364 | 1,438,161 | (5,790,203) |
| Total Revenues | <u>54,749,222</u> | <u>50,033,104</u> | <u>(4,716,118)</u> |
| EXPENDITURES | | | |
| Direct Water Expenses | 21,366,605 | 19,272,417 | 2,094,188 |
| Direct Sewer Expenses | 9,133,600 | 8,869,833 | 263,767 |
| Direct Storm Drainage Expenses | 71,500 | 79,273 | (7,773) |
| General and Administrative Expenses | 3,084,700 | 3,388,977 | (304,277) |
| County Treasurer's Fees | 55,000 | 56,137 | (1,137) |
| Capital Outlay | 21,223,114 | 8,125,500 | 13,097,614 |
| Debt Service | 11,251,615 | 9,688,274 | 1,563,341 |
| Total Expenditures | <u>66,186,134</u> | <u>49,480,411</u> | <u>16,705,723</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (11,436,912) | 552,693 | 11,989,605 |
| OTHER FINANCING SOURCES (USES) | | | |
| Abandonment of Assets | - | (30,070) | (30,070) |
| Lease Proceeds | 1,400,000 | 1,363,959 | (36,041) |
| Total Other Financing Sources (Uses) | <u>1,400,000</u> | <u>1,333,889</u> | <u>(66,111)</u> |
| NET CHANGE IN FUNDS AVAILABLE | (10,036,912) | 1,886,582 | 11,923,494 |
| Funds Available - Beginning of Year | <u>59,931,772</u> | <u>60,519,946</u> | <u>588,174</u> |
| FUNDS AVAILABLE - END OF YEAR | <u>\$ 49,894,860</u> | <u>\$ 62,406,528</u> | <u>\$ 12,511,668</u> |

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
DISTRICT ACTIVITY
YEAR ENDED DECEMBER 31, 2022**

| | Original and Final Budget | Actual Amounts | Variance with Budget Positive (Negative) |
|---|---------------------------------|---------------------|---|
| DISTRICT REVENUES | | | |
| Property Taxes | \$ 3,747,358 | \$ 3,738,230 | \$ (9,128) |
| Specific Ownership Taxes | 200,000 | 238,470 | 38,470 |
| Net Investment Income | 1,000 | 2,377 | 1,377 |
| Storm Drainage Tap Fees | 607,500 | 431,590 | (175,910) |
| Lease Income | 75,000 | 87,516 | 12,516 |
| Miscellaneous Income | 6,000 | 14,076 | 8,076 |
| Utility Refunds | - | 15,417 | 15,417 |
| Gain on Asset Disposal | - | 8,786 | 8,786 |
| Total District Revenues | <u>4,636,858</u> | <u>4,536,462</u> | <u>(100,396)</u> |
| DISTRICT EXPENDITURES | | | |
| Direct Storm Drainage Expenses | 71,500 | 79,273 | (7,773) |
| General and Administrative Expenses | 3,084,700 | 3,388,977 | (304,277) |
| County Treasurer's Fees | 55,000 | 56,137 | (1,137) |
| Capital Outlay | 650,000 | 224,570 | 425,430 |
| Debt Service | 481,197 | 482,917 | (1,720) |
| Total District Expenditures | <u>4,342,397</u> | <u>4,231,874</u> | <u>110,523</u> |
| EXCESS OF DISTRICT REVENUES OVER (UNDER) DISTRICT EXPENDITURES | 294,461 | 304,588 | 10,127 |
| OTHER FINANCING SOURCES (USES) | | | |
| Abandonment of Assets | - | (30,070) | (30,070) |
| Lease Proceeds | 1,400,000 | 1,363,959 | (36,041) |
| Total Other Financing Sources (Uses) | <u>1,400,000</u> | <u>1,333,889</u> | <u>(66,111)</u> |
| NET CHANGE IN FUNDS AVAILABLE | 1,694,461 | 1,638,477 | (55,984) |
| District Funds Available - Beginning of Year | <u>6,571,486</u> | <u>6,601,440</u> | <u>29,954</u> |
| DISTRICT FUNDS AVAILABLE - END OF YEAR | <u>\$ 8,265,947</u> | <u>\$ 8,239,917</u> | <u>\$ (26,030)</u> |

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER ENTERPRISE ACTIVITY
YEAR ENDED DECEMBER 31, 2022**

| | Original and Final Budget | Actual Amounts | Variance with Budget Positive (Negative) |
|---|---------------------------------|-----------------------------|---|
| WATER ENTERPRISE REVENUES | | | |
| Water Service Fees | \$ 17,576,000 | \$ 19,431,740 | \$ 1,855,740 |
| Sustainable Water Assurance Fee | 6,800,000 | 7,175,302 | 375,302 |
| Administrative Fees | 1,800,000 | 1,902,571 | 102,571 |
| Connection and Inspection Charges | 72,000 | 28,600 | (43,400) |
| Construction Observation Fees | 36,000 | 29,600 | (6,400) |
| Penalties and Late Charges | 143,500 | 182,028 | 38,528 |
| Other Income | 5,000 | 124,350 | 119,350 |
| Utility Refunds | - | 60,419 | 60,419 |
| Net Investment Income | 10,000 | 537,553 | 527,553 |
| Water Tap Fees | 5,220,000 | 3,144,829 | (2,075,171) |
| Contributions of Capital Outlay | 4,898,775 | 1,064,944 | (3,833,831) |
| WISE Operations | 150,000 | 282,115 | 132,115 |
| Total Water Enterprise Revenues | <u>36,711,275</u> | <u>33,964,051</u> | <u>(2,747,224)</u> |
| WATER ENTERPRISE EXPENDITURES | | | |
| Water Operations | 19,996,605 | 18,420,008 | 1,576,597 |
| Water Conservation Rebates | 60,000 | 33,065 | 26,935 |
| Water Meters Purchased | 1,310,000 | 819,344 | 490,656 |
| Capital Outlay | 17,699,275 | 6,817,583 | 10,881,692 |
| Debt Service | 10,770,418 | 9,205,357 | 1,565,061 |
| Total Water Enterprise Expenditures | <u>49,836,298</u> | <u>35,295,357</u> | <u>14,540,941</u> |
| NET CHANGE IN FUNDS AVAILABLE | (13,125,023) | (1,331,306) | 11,793,717 |
| Water Enterprise Funds Available - Beginning of Year | <u>39,016,465</u> | <u>39,304,971</u> | <u>288,506</u> |
| WATER ENTERPRISE FUNDS AVAILABLE - END OF YEAR | <u><u>\$ 25,891,442</u></u> | <u><u>\$ 37,973,665</u></u> | <u><u>\$ 12,082,223</u></u> |

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
SEWER ENTERPRISE ACTIVITY
YEAR ENDED DECEMBER 31, 2022**

| | Original and Final Budget | Actual Amounts | Variance with Budget Positive (Negative) |
|---|---------------------------------|-----------------------------|---|
| SEWER ENTERPRISE REVENUES | | | |
| Sewer Service Fees | \$ 10,383,000 | \$ 10,597,302 | \$ 214,302 |
| Connection and Inspection Charges | 4,500 | 800 | (3,700) |
| Construction Observation/Plan Review Fees | 45,000 | 20,800 | (24,200) |
| Contributions of Capital Outlay | 2,329,589 | 373,217 | (1,956,372) |
| Sewer Tap Fees | 639,000 | 540,472 | (98,528) |
| Total Sewer Enterprise Revenues | <u>13,401,089</u> | <u>11,532,591</u> | <u>(1,868,498)</u> |
| SEWER ENTERPRISE EXPENDITURES | | | |
| Sewer Operations | 8,983,600 | 8,799,050 | 184,550 |
| Aurora Tap Fees | 150,000 | 70,783 | 79,217 |
| Capital Outlay | 2,873,839 | 1,083,347 | 1,790,492 |
| Total Sewer Enterprise Expenditures | <u>12,007,439</u> | <u>9,953,180</u> | <u>2,054,259</u> |
| NET CHANGE IN FUNDS AVAILABLE | 1,393,650 | 1,579,411 | 185,761 |
| Sewer Enterprise Funds Available - Beginning of Year | <u>14,343,821</u> | <u>14,613,535</u> | <u>269,714</u> |
| SEWER ENTERPRISE FUNDS AVAILABLE - END OF YEAR | <u><u>\$ 15,737,471</u></u> | <u><u>\$ 16,192,946</u></u> | <u><u>\$ 455,475</u></u> |

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENTS OF
REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022**

| | Actual Amounts |
|---|-------------------|
| FUNDS AVAILABLE DEFINED AS FOLLOWS: | |
| Current Assets | \$ 67,427,683 |
| Restricted Current Assets | 4,349,764 |
| Less Current Liabilities | (9,923,915) |
| Less Current Liabilities Payable from Restricted Assets | (628,485) |
| Less Deferred Inflow of Resources | (4,108,524) |
| Plus Current Portion of Long-Term Obligations | 5,290,005 |
| Funds Available | \$ 62,406,528 |

**RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

| | |
|--|---------------|
| Revenues (Budgetary Basis) | \$ 50,033,104 |
| Total Revenues per Statement of Revenues, Expenses and Changes in Net Position | 50,033,104 |
| Expenditures (Budgetary Basis) | 49,480,411 |
| Depreciation and Amortization | 11,472,221 |
| Amortization of Debt Refunding Costs | 85,959 |
| Amortization of Debt Premium | (1,010,283) |
| Capital Outlay | (8,125,500) |
| Bond and Lease Principal Payments | (5,979,216) |
| Total Expenses per Statement of Revenues, Expenses, and Changes in Net Position | 45,923,592 |
| Change in Net Position per Statement of Revenues, Expenses, and Changes in Net Position | \$ 4,109,512 |

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2022**

| December 31, | \$41,885,000 Water Revenue Refunding Bonds - Series 2015 (A) Dated August 19, 2015 Interest Rate - 3.00%-5.00% Interest Payable May 15 and November 15 Principal Due November 15 | | \$21,895,000 Water Revenue Improvement Bonds - Series 2019 Dated October 31, 2019 Interest Rate - 2.25%-5.00% Interest Payable May 15 and November 15 Principal Due November 15 | |
|--------------|---|----------------------|--|---------------------|
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 1,800,000 | \$ 1,427,900 | \$ 770,000 | \$ 798,862 |
| 2024 | 1,890,000 | 1,337,900 | 805,000 | 760,362 |
| 2025 | 1,980,000 | 1,243,400 | 845,000 | 720,112 |
| 2026 | 2,080,000 | 1,144,400 | 865,000 | 701,100 |
| 2027 | 2,170,000 | 1,061,200 | 910,000 | 657,850 |
| 2028 | 2,250,000 | 974,400 | 930,000 | 635,100 |
| 2029 | 2,340,000 | 884,400 | 980,000 | 588,600 |
| 2030 | 2,420,000 | 808,350 | 1,020,000 | 549,400 |
| 2031 | 2,535,000 | 687,350 | 1,060,000 | 508,600 |
| 2032 | 2,660,000 | 560,600 | 1,100,000 | 466,200 |
| 2033 | 2,795,000 | 427,600 | 1,145,000 | 422,200 |
| 2034 | 2,910,000 | 315,800 | 1,190,000 | 376,400 |
| 2035 | 4,985,000 | 199,400 | 1,240,000 | 328,800 |
| 2036 | - | - | 1,290,000 | 279,200 |
| 2037 | - | - | 1,340,000 | 227,600 |
| 2038 | - | - | 1,395,000 | 174,000 |
| 2039 | - | - | 1,450,000 | 118,200 |
| 2040 | - | - | 1,505,000 | 60,200 |
| Total | <u>\$ 32,815,000</u> | <u>\$ 11,072,700</u> | <u>\$ 19,840,000</u> | <u>\$ 8,372,786</u> |

SUPPLEMENTAL INFORMATION

(A) Series 2015 bonds are subject to optional redemption, on November 15, 2026 without redemption premium.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2022**

| <u>December 31,</u> | \$22,745,000 Water Revenue Refunding Bonds Series 2020 Dated May 28, 2020 Interest Rate - 4.00%-5.00% Interest Payable May 15 and November 15 Principal Due November 15 | | Total Debt Service Requirements (B) |
|---------------------|--|--------------|---|
| | Principal | Interest | |
| 2023 | \$ 1,265,000 | \$ 1,009,600 | \$ 7,071,362 |
| 2024 | 1,290,000 | 984,300 | 7,067,562 |
| 2025 | 1,360,000 | 919,800 | 7,068,312 |
| 2026 | 1,425,000 | 851,800 | 7,067,300 |
| 2027 | 1,500,000 | 780,550 | 7,079,600 |
| 2028 | 1,575,000 | 705,550 | 7,070,050 |
| 2029 | 1,655,000 | 626,800 | 7,074,800 |
| 2030 | 1,735,000 | 544,050 | 7,076,800 |
| 2031 | 1,820,000 | 457,300 | 7,068,250 |
| 2032 | 1,910,000 | 366,300 | 7,063,100 |
| 2033 | 2,005,000 | 270,800 | 7,065,600 |
| 2034 | 2,085,000 | 190,600 | 7,067,800 |
| 2035 | 405,000 | 107,200 | 7,265,400 |
| 2036 | 420,000 | 91,000 | 2,080,200 |
| 2037 | 435,000 | 74,200 | 2,076,800 |
| 2038 | 455,000 | 56,800 | 2,080,800 |
| 2039 | 475,000 | 38,600 | 2,081,800 |
| 2040 | 490,000 | 19,600 | 2,074,800 |
| Total | \$ 22,305,000 | \$ 8,094,850 | \$ 102,500,336 |

SUPPLEMENTAL INFORMATION

(B) The actual amounts of principal and interest payments on the Subordinate Water Revenue Exchange Bonds, Series 2004, and the 2007 Subordinate Lease Purchase Agreement are payable from future water tap fee revenue and cannot be predicted with certainty. Therefore, the total debt service requirements do not include payments on the Series 2004 bonds or the 2007 Lease.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2022**

\$6,500,000 Lease Purchase Agreement
Dated May 14, 2019
Interest Rate - 3.12%
Interest Payable May 1 and November 1
Principal Due November 1

| <u>December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|---------------------|---------------------|---------------------|
| 2023 | \$ 468,870 | \$ 175,965 | \$ 644,835 |
| 2024 | 462,391 | 166,300 | 628,691 |
| 2025 | 476,817 | 151,874 | 628,691 |
| 2026 | 491,692 | 136,999 | 628,691 |
| 2027 | 507,034 | 121,657 | 628,691 |
| 2028 | 522,853 | 105,838 | 628,691 |
| 2029 | 539,167 | 89,524 | 628,691 |
| 2030 | 555,990 | 72,702 | 628,692 |
| 2031 | 573,336 | 55,356 | 628,692 |
| 2032 | 591,225 | 37,467 | 628,692 |
| 2033 | 609,672 | 19,020 | 628,692 |
| Total | <u>\$ 5,799,047</u> | <u>\$ 1,132,702</u> | <u>\$ 6,931,749</u> |

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2022**

| Year Ended December 31, | Prior Year Assessed Valuation for | | Mills Levied | | Total Property Taxes | | Percentage Collected to Levied |
|--|-----------------------------------|--------------|--------------|-----------|----------------------|--------------|--------------------------------------|
| | Current Year Property Tax Levy | | Parcel A | Parcel B | Levied | Collected | |
| | Parcel A | Parcel B | | | | | |
| 2016 | \$ 580,478,037 | \$ 4,286,658 | 4.220 | 3.170 | \$ 2,463,206 | \$ 2,462,932 | 99.99 % |
| 2017 | 589,599,153 | 4,292,020 | 4.266 | (A) 3.257 | 2,529,209 | 2,527,651 | 99.94 |
| 2018 | 659,501,932 | 4,393,785 | 3.956 | (B) 3.257 | 2,623,300 | 2,617,041 | 99.76 |
| 2019 | 668,163,427 | 4,376,271 | 4.644 | (C) 3.639 | 3,118,876 | 3,107,511 | 99.64 |
| 2020 | 783,030,336 | 4,736,095 | 4.075 | (D) 3.420 | 3,207,047 | 3,191,832 | 99.53 |
| 2021 | 791,668,448 | 4,707,632 | 4.337 | (E) 3.639 | 3,450,597 | 3,448,509 | 99.94 |
| 2022 | 834,735,085 | 5,004,621 | 4.468 | (F) 3.549 | 3,747,358 | 3,738,230 | 99.76 |
| Estimated for the Year Ending December 31, 2023 | \$ 837,926,294 | \$ 4,882,543 | 4.882 | (G) 3.639 | \$ 4,108,524 | | |

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy if delinquent taxes are collected.

NOTES:

In Parcel A, the mills are levied for water and sewer operations and debt service. No mills were levied for debt service for collection years 2004 and beyond.

In Parcel B, the mills are levied for water operations and debt service. No mills were levied for debt service for collection years 2004 and beyond.

(A) Includes temporary reduction of 0.702 mills in Parcel A and 0.382 mills in Parcel B to effect refund of revenue received during 2016 in excess of TABOR limits.

(B) Includes temporary reduction of 1.012 mills in Parcel A and 0.382 mills in Parcel B to effect refund of revenue received during 2017 in excess of TABOR limits.

(C) Includes temporary reduction of 0.324 mills in Parcel A and 0.000 mills in Parcel B to effect refund of revenue received during 2018 in excess of TABOR limits.

(D) Includes temporary reduction of 0.893 mills in Parcel A and 0.219 mills in Parcel B to effect refund of revenue received during 2019 in excess of TABOR limits.

(E) Includes temporary reduction of 0.631 mills in Parcel A and 0.000 mills in Parcel B to effect refund of revenue received during 2020 in excess of TABOR limits.

(F) Includes temporary reduction of 0.500 mills in Parcel A and 0.090 mills in Parcel B to effect refund of revenue received during 2021 in excess of TABOR limits.

(G) Includes temporary reduction of 0.086 mills in Parcel A and 0.000 mills in Parcel B to effect refund of revenue received during 2022 in excess of TABOR limits.

**CONTINUING DISCLOSURE
ANNUAL FINANCIAL INFORMATION**

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
YEAR ENDED DECEMBER 31, 2022**

**Enterprise Water System Revenues Bond Coverage
Senior Bonds and Loan Agreement**

| | |
|---|-----------------------------|
| Net Water Revenues (1) | <u><u>\$ 12,604,388</u></u> |
| Maximum Annual Debt Service Senior Bonds | <u><u>\$ 7,265,400</u></u> |
| Debt Coverage Ratio | <u><u>1.73</u></u> |
| Adjusted Net Water Revenues Less Water Tap Fees | <u><u>\$ 9,459,559</u></u> |
| Debt Coverage Ratio of Adjusted Net Water Revenues Less Water Tap Fees | <u><u>1.30</u></u> |

(1) From the table on the following page.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
YEAR ENDED DECEMBER 31, 2022**

Enterprise Water System Revenues

| | Original and Final Budget | Actual |
|--|---------------------------------|---------------|
| Water System Revenues | | |
| Water Operating Revenues: | | |
| Water Service Fees | \$ 17,701,000 | \$ 19,696,699 |
| Administration Fees | 1,800,000 | 1,902,571 |
| New Service Fees | 25,000 | 17,156 |
| Late Charges | 140,000 | 162,928 |
| Total Water Operating Revenues | 19,666,000 | 21,779,354 |
| Less Water Operations Expenses: | | |
| Customer Billing | 160,000 | 238,274 |
| Engineering | 1,227,000 | 1,197,921 |
| General Administration - Allocated (1) | 1,784,418 | 2,030,342 |
| Insurance | 380,000 | 259,904 |
| Salaries | 4,599,000 | 4,528,810 |
| Legal | 1,050,000 | 704,248 |
| OAR Water Lease - Water Purchase | 5,000 | 13,668 |
| Other Operating Expenses | 3,790,050 | 2,805,030 |
| Plan Reviews | 50,000 | 115,984 |
| Repairs and Maintenance | 2,013,280 | 2,011,108 |
| Testing | 179,400 | 141,659 |
| Utilities and Communications | 4,165,980 | 4,051,419 |
| Water Conservation Rebates | 60,000 | 33,065 |
| Water Services - Denver Water Purchases | 1,300,000 | 1,377,231 |
| Total Water Operations Expenses | 20,764,128 | 19,508,663 |
| Net Water Operating Revenues | (1,098,128) | 2,270,691 |
| Other Water System Revenues: | | |
| Water Tap Fees | 5,220,000 | 3,144,829 |
| Water Connection and Inspection Fees | 72,000 | 28,600 |
| Sustainable Water Assurance Fee | 6,800,000 | 7,175,302 |
| Investment Income (Allocated to Water) | 10,000 | 537,553 |
| Other Revenues | 5,000 | 65,190 |
| Penalties/Fines | 3,500 | 19,100 |
| Plan Review/Construction Observation Fees - Water | 36,000 | 29,600 |
| Total Other Water System Revenues | 12,146,500 | 11,000,174 |
| Less: Cost of Meters | (50,000) | (666,477) |
| Net Other Water System Revenues | 12,096,500 | 10,333,697 |
| Net Water Revenues | \$ 10,998,372 | \$ 12,604,388 |

(1) General administration is allocated to Water Services based on the percentage of water operating revenue divided by the total of water and sewer operating revenue and the property and specific ownership taxes times the total applicable administrative expenses.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
YEAR ENDED DECEMBER 31, 2022**

Water Enterprise Operational Data

| Year | Water Tap Connections Single Family Equivalents | | Water Consumption in Thousands of Gallons | | | | | |
|--------------------------------------|--|-------------|--|------------|---------|---------|---------|-----------|
| | During Year | End of Year | Residential | Commercial | Parks | Schools | ACWWA | Total |
| 2013 | 158 | 19,880 | 1,887,395 | 188,745 | 278,312 | 84,570 | 194,335 | 2,633,357 |
| 2014 | 178 | 20,058 | 1,859,916 | 102,233 | 251,024 | 79,041 | 297,398 | 2,589,612 |
| 2015 | 209 | 20,267 | 1,921,514 | 112,760 | 268,665 | 94,370 | 439,127 | 2,836,436 |
| 2016 | 264 | 20,531 | 2,131,900 | 121,219 | 328,381 | 77,168 | 424,309 | 3,082,977 |
| 2017 | 197 | 20,728 | 2,057,366 | 132,361 | 303,605 | 87,245 | 307,540 | 2,888,117 |
| 2018 | 269 | 20,997 | 2,167,040 | 117,563 | 313,238 | 97,995 | 457,520 | 3,153,356 |
| 2019 | 287 | 21,284 | 2,051,381 | 147,841 | 300,932 | 90,427 | 438,944 | 3,029,525 |
| 2020 | 504 | 21,788 | 2,451,087 | 89,468 | 387,732 | 92,426 | 434,235 | 3,454,948 |
| 2021 | 273 | 22,061 | 2,247,870 | 91,992 | 338,848 | 85,235 | 496,698 | 3,260,643 |
| 2022 | 356 | 22,417 | 2,283,902 | 108,232 | 383,749 | 98,129 | 604,247 | 3,478,259 |
| 2022 Percentage of Total Consumption | | | 66% | 3% | 11% | 3% | 17% | 100% |

| Year | Water Wells Connected and On Line Well Field | | | | |
|------------|--|------|---------|----------|-------|
| | In District | SBLC | Western | Northern | Total |
| 2013 | 64 | 0 | 16 | 12 | 92 |
| 2014 | 64 | 0 | 16 | 12 | 92 |
| 2015 | 64 | 0 | 16 | 12 | 92 |
| 2016 | 64 | 0 | 16 | 12 | 92 |
| 2017 | 64 | 0 | 16 | 12 | 92 |
| 2018 | 64 | 0 | 16 | 12 | 92 |
| 2019 | 64 | 0 | 16 | 12 | 92 |
| 2020 | 64 | 0 | 16 | 12 | 92 |
| 2021 | 64 | 0 | 16 | 12 | 92 |
| 2022 | 64 | 0 | 16 | 12 | 92 |
| In process | 0 | 0 | 0 | 0 | 0 |

SBLC is the well field contiguous to the District on the State Board of Land Commissioners (OAR Lease). These wells have been leased to and are being operated by Purcycle. Western is the well field in the Willows Water District and connected by the Western Water Line and Project.

| Year | Water Service Fees - Residential | | | | | | |
|------|----------------------------------|--|------------------|-------------------|-------------------|---------------|--|
| | Admin Fee | Per Thousand Gallons Consumption per Month | | | | | Sustainable Water Assurance Fee ^(A) |
| | | 0 - 5,000 | 6,000 to 20,000* | 21,000 to 30,000* | 31,000 to 40,000* | 41,000 and up | |
| 2013 | \$ 5.00 | \$ 3.10 | \$ 5.20 | \$ 8.50 | \$ 10.50 | \$ 12.50 | \$ 25.00 |
| 2014 | \$ 5.50 | \$ 3.20 | \$ 5.40 | \$ 8.50 | \$ 10.50 | \$ 12.50 | \$ 25.00 |
| 2015 | \$ 6.00 | \$ 3.35 | \$ 5.45 | \$ 8.50 | \$ 10.75 | \$ 12.50 | \$ 25.00 |
| 2016 | \$ 6.00 | \$ 3.60 | \$ 5.55 | \$ 8.50 | \$ 11.00 | \$ 12.50 | \$ 25.00 |
| 2017 | \$ 6.00 | \$ 3.60 | \$ 5.55 | \$ 8.50 | \$ 11.00 | \$ 12.50 | \$ 25.00 |
| 2018 | \$ 6.00 | \$ 4.10 | \$ 5.85 | \$ 8.70 | \$ 11.50 | \$ 12.50 | \$ 25.00 |
| 2019 | \$ 6.50 | \$ 4.25 | \$ 6.10 | \$ 9.00 | \$ 12.00 | \$ 12.50 | \$ 25.00 |
| 2020 | \$ 7.00 | \$ 4.40 | \$ 6.30 | \$ 9.35 | \$ 12.50 | \$ 12.50 | \$ 25.00 |
| 2021 | \$ 7.00 | \$ 4.40 | \$ 6.30 | \$ 9.35 | \$ 12.50 | \$ 12.50 | \$ 25.00 |
| 2022 | \$ 7.00 | \$ 4.50 | \$ 6.55 | \$ 9.60 | \$ 12.75 | \$ 12.75 | \$ 25.00 |
| 2023 | \$ 7.00 | \$ 4.60 | \$ 6.80 | \$ 9.90 | \$ 13.05 | n/a | \$ 25.00 |

Water rates for residential one acre and over, commercial, schools, and irrigation for parks are separately priced based on separate consumption levels.

* - Effective January 1, 2023, usage adjusted to 6,000 to 18,000; 19,000 - 28,000; 29,000 and up.

| Year | Water Tap Fees | | | | | | | Water Tap Revenue | Number of Tap Fees Collected |
|------|------------------------|--------------------------------------|----------------------------|----------------|----------------|----------|---------------|-------------------|------------------------------|
| | Single Family Detached | Multi-Family per Unit ^(B) | Irrigation per Square Foot | | | | | | |
| | | | Turf | Low Water Turf | Native Grasses | Non-Turf | | | |
| 2013 | \$ 26,500.00 | \$ 13,250.00 | \$ 1.20 | \$ 0.95 | \$ 0.24 | \$ 0.42 | \$ 4,198,116 | 149 | |
| 2014 | \$ 26,500.00 | \$ 13,250.00 | \$ 1.20 | \$ 0.95 | \$ 0.24 | \$ 0.42 | \$ 5,306,780 | 212 | |
| 2015 | \$ 26,500.00 | \$ 13,250.00 | \$ 1.20 | \$ 0.95 | \$ 0.24 | \$ 0.42 | \$ 7,196,478 | 276 | |
| 2016 | \$ 26,500.00 | \$ 13,250.00 | \$ 1.25 | \$ 0.99 | \$ 0.25 | \$ 0.44 | \$ 6,805,630 | 259 | |
| 2017 | \$ 26,500.00 | \$ 13,250.00 | \$ 1.25 | \$ 0.99 | \$ 0.25 | \$ 0.44 | \$ 5,663,307 | 268 | |
| 2018 | \$ 27,250.00 | \$ 13,625.00 | \$ 1.25 | \$ 0.99 | \$ 0.25 | \$ 0.44 | \$ 6,497,035 | 231 | |
| 2019 | \$ 28,000.00 | \$ 14,000.00 | \$ 1.30 | \$ 1.03 | \$ 0.26 | \$ 0.46 | \$ 12,337,623 | 664 | |
| 2020 | \$ 28,000.00 | \$ 9,000.00 | \$ 1.30 | \$ 1.03 | \$ 0.26 | \$ 0.46 | \$ 6,863,873 | 288 | |
| 2021 | \$ 28,000.00 | \$ 9,000.00 | \$ 1.30 | \$ 1.03 | \$ 0.26 | \$ 0.46 | \$ 8,293,232 | 307 | |
| 2022 | \$ 29,000.00 | \$ 9,320.00 | \$ 1.35 | \$ 1.07 | \$ 0.27 | \$ 0.48 | \$ 3,144,829 | 205 | |
| 2023 | \$ 29,000.00 | \$ 9,320.00 | \$ 1.35 | \$ 1.07 | \$ 0.27 | \$ 0.48 | | | |

Note: (A) Formally known as the Northern Project Construction Fund.

(B) In 2020, the Multi-Family water tap fee was decreased for indoor water and the irrigation rate will apply to the outdoor water.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
YEAR ENDED DECEMBER 31, 2022**

**BUDGET TO ACTUAL (NON-GAAP) COMPARISON OF RESULTS OF OPERATIONS
WATER ENTERPRISE**

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Budget Positive (Negative)</u> |
|--|--|----------------------|---|
| SERVICE REVENUES (EXPENDITURES) | | | |
| Rate Related Customer Service Fees | \$ 19,376,000 | \$ 21,334,311 | \$ 1,958,311 |
| Operating Expenditures | <u>(19,996,605)</u> | <u>(18,420,008)</u> | <u>1,576,597</u> |
| Net Service Revenues Over Expenditures | (620,605) | 2,914,303 | 3,534,908 |
| CAPITAL RELATED REVENUES (EXPENDITURES) | | | |
| Water Tap Fees | 5,220,000 | 3,144,829 | (2,075,171) |
| Sustainable Water Assurance Fee | 6,800,000 | 7,175,302 | 375,302 |
| Other Revenue | 308,500 | 1,186,465 | 877,965 |
| Other Capital Related Revenue | 5,006,775 | 1,123,144 | (3,883,631) |
| Water Conservation Rebates | (60,000) | (33,065) | 26,935 |
| Water Meters Purchased | (1,310,000) | (819,344) | 490,656 |
| Capital Outlay | <u>(17,699,275)</u> | <u>(6,817,583)</u> | <u>10,881,692</u> |
| Net Capital Related Revenues Over (Under) Expenditures | (1,734,000) | 4,959,748 | 6,693,748 |
| DEBT SERVICE | <u>(10,770,418)</u> | <u>(9,205,357)</u> | <u>1,565,061</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (13,125,023) | (1,331,306) | 11,793,717 |
| Water Enterprise Funds Available - Beginning of Year (Restated) | <u>39,016,465</u> | <u>39,304,971</u> | <u>288,506</u> |
| WATER ENTERPRISE FUNDS AVAILABLE - END OF YEAR | <u>\$ 25,891,442</u> | <u>\$ 37,973,665</u> | <u>\$ 12,082,223</u> |

NOTE: This schedule is reflective of data on the Schedule of Revenues, Expenditures and Funds Available - Budget and Actual (Budgetary Basis) on page 38, but is presented in a manner that is consistent with the schedule presented in the original offering document.