

**Cherry Creek Project Water Authority**

Years Ended December 31, 2022 and 2021  
with  
Independent Auditor's Report

# Cherry Creek Project Water Authority

Years Ended December 31, 2022 and 2021  
(See Independent Auditor's Report)

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Board of Directors  
Cherry Creek Project Water Authority  
Englewood, Colorado

## Independent Auditor's Report

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Cherry Creek Project Water Authority (the "Authority"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority'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 governmental activities and each major fund of Cherry Creek Project Water Authority as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year 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 Authority 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 (GAAP), 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 Authority'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.

## 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 Authority'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 Authority'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.

## Other Matters

### Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wipfli LLP*

Wipfli LLP  
Lakewood, Colorado

September 28, 2023

## Cherry Creek Project Water Authority

### Statements of Net Position – Proprietary Fund December 31, 2022 and 2021 (See Independent Auditor’s Report)

#### Assets

|                                   | 2022          | 2021          |
|-----------------------------------|---------------|---------------|
| Current assets:                   |               |               |
| Cash and investments              | \$ 7,371,086  | \$ 2,981,151  |
| Cash and investments - restricted | -             | 1,540,648     |
| Accounts receivable               | 196,706       | 36,789        |
| Total current assets              | 7,567,792     | 4,558,588     |
| Capital assets:                   |               |               |
| Construction in progress          | 9,468,285     | 2,659,230     |
| Other - engineering studies       | 356,491       | 356,491       |
| Pipelines                         | 149,681       | 149,681       |
| Real estate                       | 921,076       | 921,076       |
| Water rights                      | 14,443,987    | 14,443,987    |
| Water wells                       | 1,047,958     | 1,047,958     |
|                                   | 26,387,478    | 19,578,423    |
| Less accumulated depreciation     | 658,213       | 614,930       |
| Net capital assets                | 25,729,265    | 18,963,493    |
| Total assets                      | \$ 33,297,057 | \$ 23,522,081 |

#### Liabilities and Net Position

|                                    |               |               |
|------------------------------------|---------------|---------------|
| Current liabilities:               |               |               |
| Accounts payable                   | \$ 1,794,663  | \$ 42,950     |
| Retainage payable                  | 358,138       | 45,742        |
| Current and total liabilities      | 2,152,801     | 88,692        |
| Net position:                      |               |               |
| Net investment in capital assets   | 25,729,265    | 18,963,493    |
| Restricted                         | -             | 1,540,648     |
| Unrestricted                       | 5,414,991     | 2,929,248     |
| Total net position                 | 31,144,256    | 23,433,389    |
| Total liabilities and net position | \$ 33,297,057 | \$ 23,522,081 |

(See Notes to Financial Statements)

## Cherry Creek Project Water Authority

### Statements of Revenues, Expenses, and Change in Net Position – Proprietary Fund Years Ended December 31, 2022 and 2021 (See Independent Auditor's Report)

|                                    | 2022          | 2021          |
|------------------------------------|---------------|---------------|
| Operating revenues:                |               |               |
| General assessments                | \$ 243,500    | \$ 206,501    |
| Capital assessments                | 8,463,330     | 4,006,989     |
| Water sales                        | 93,848        | 88,483        |
| Walker grant funding               | 716,591       | -             |
| Farming income                     | 15,151        | -             |
| Miscellaneous income               | 1,927         | -             |
|                                    | 9,534,347     | 4,301,973     |
| <br>Total operating revenues       | <br>9,534,347 | <br>4,301,973 |
| Operating expenses:                |               |               |
| Accounting                         | 20,009        | 10,190        |
| Audit                              | 5,300         | 4,545         |
| Bank fees                          | 40            | -             |
| Engineering                        | 4,464         | 4,959         |
| Depreciation                       | 43,283        | 43,283        |
| Insurance                          | -             | 3,576         |
| Legal                              | 31,768        | 61,279        |
| Legal - water                      | 43,341        | 56,875        |
| Management services                | 31,058        | 29,229        |
| Membership dues                    | 1,238         | -             |
| General and administrative         | 745           | 303           |
| Operations                         | 19,955        | 19,530        |
| Repairs and maintenance            | 2,104         | 3,841         |
| Augmentation plan accounting       | 12,418        | 18,281        |
| Utilities                          | 67,182        | 30,874        |
|                                    | 282,905       | 286,765       |
| <br>Total operating expenses       | <br>282,905   | <br>286,765   |
| Income (loss) from operations      | 9,251,442     | 4,015,208     |
| Non-operating revenues:            |               |               |
| Interest and miscellaneous income  | 4,891         | 207           |
|                                    | 4,891         | 207           |
| Income (loss) before special items | 9,256,333     | 4,015,415     |
| Special items:                     |               |               |
| Distribution to members            | (1,545,466)   | -             |
|                                    | (1,545,466)   | -             |
| Change in net position             | 7,710,867     | 4,015,415     |
| Net position - beginning of year   | 23,433,389    | 19,417,974    |
| Net position - end of year         | \$ 31,144,256 | \$ 23,433,389 |

(See Notes to Financial Statements)

**Cherry Creek Project Water Authority**

Statements of Cash Flows – Proprietary Fund  
 Years Ended December 31, 2022 and 2021  
 (See Independent Auditor's Report)

|   | 2022         | 2021         |
|---|--------------|--------------|
| Cash flows from operating activities:   |              |              |
| Cash receipts   | \$ 9,374,430 | \$ 4,383,788 |
| Cash paid to suppliers  | 110,700      | (386,571)    |
| Net cash provided by operating activities                                       | 9,485,130    | 3,997,217    |
| Cash flows used by capital and related financing activities:                    |              |              |
| Capital acquisitions  | (5,095,268)  | (1,168,370)  |
| Distributions to members  | (1,545,466)  | -            |
| Net cash used by capital and related financing activities                       | (6,640,734)  | (1,168,370)  |
| Cash flows from investing activities:   |              |              |
| Interest and miscellaneous income and net cash provided by investing activities | 4,891        | 207          |
| Net decrease in cash and investments  | 2,849,287    | 2,829,054    |
| Cash and investments, beginning   | 4,521,799    | 1,692,745    |
| Cash and investments, ending  | \$ 7,371,086 | \$ 4,521,799 |

(continued)  
 (See Notes to Financial Statements)

## Cherry Creek Project Water Authority

### Statements of Cash Flows – Proprietary Fund (continued) Years Ended December 31, 2022 and 2021 (See Independent Auditor's Report)

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| Reconciliation of operating income to net cash provided by operating activities:        |                     |                     |
| Operating income  | \$ 9,251,442        | \$ 4,015,208        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |                     |
| Depreciation  | 43,283              | 43,283              |
| Change in operating assets and liabilities:   |                     |                     |
| Accounts receivable   | (159,917)           | 81,815              |
| Accounts payable and retainage payable  | 350,322             | (143,675)           |
| Prepaid insurance   | <u>-</u>            | <u>586</u>          |
| Net cash provided by operating activities   | <u>\$ 9,485,130</u> | <u>\$ 3,997,217</u> |
| Non-cash capital and related financing activities:                                      |                     |                     |
| Capital acquisitions in accounts payable  | <u>\$ 1,713,787</u> | <u>\$ -</u>         |

(See Notes to Financial Statements)

## Cherry Creek Project Water Authority

Notes to Financial Statements  
Years Ended December 31, 2022 and 2021  
(See Independent Auditor's Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies

#### Nature of operations

The Cherry Creek Project Water Authority (the "Authority") is a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. The Authority was established in October 2005 to participate in the purchase of water rights and associated assets, and the development of additional capital infrastructure including water storage, wells, and other components necessary to develop and deliver the water.

The members of the Authority include Inverness Water and Sanitation District, the Town of Castle Rock, Denver Southeast Suburban Water and Sanitation District and Cottonwood Water and Sanitation District (collectively, the "Members"), all political subdivisions of the State of Colorado. The Authority is managed by a Board of Directors appointed by the Members of the Authority. Voting on Authority matters shall be based upon each Members' percentage of ownership of the water usage, which is initially based upon their contributions and subject to periodic changes based upon the formation agreement of the Authority.

The Authority has no employees and all operation and administrative functions are provided under contract with an outside party.

#### Definition of reporting entity

The Authority 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 Authority's governing body, ability to impose its will on the organization, a potential for the Authority to provide specific financial benefits or burdens and fiscal dependency.

As required by accounting principles generally accepted in the United States of America, ("GAAP"), these financial statements present the activities of the Authority, which is legally separate and financially independent of other state and local governments. The Authority has no component units as defined by GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

The Authority is not financially accountable for any other organization.

## Cherry Creek Project Water Authority

Notes to Financial Statements  
Years Ended December 31, 2022 and 2021  
(See Independent Auditor's Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

The accounting policies of the Authority conform to GAAP as applicable to governmental units accounted for as a proprietary enterprise fund. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Basis of Presentation

The government-wide financial statements (i.e. the Statements of Net Position and the Statements of Revenues, Expenses and Change in Net Position) report information on all of the non-fiduciary activities of the Authority. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statements of Net Position report all financial and capital resources of the Authority. The difference between the assets and liabilities of the Authority is reported as net position.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority'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 property and equipment are shown as increases in assets.

The Authority reports the following major proprietary fund:

Water Project Enterprise Fund: The Water Project Enterprise Fund accounts for operations related to the acquisition and development of water rights. The intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. The principal operating revenues are assessments to other authorities and special authorities to cover related expenses. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

## Cherry Creek Project Water Authority

Notes to Financial Statements  
Years Ended December 31, 2022 and 2021  
(See Independent Auditor's Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Budgets

In accordance with the State Budget Law, the Authority's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The Authority'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, publication, and public hearing requirements.

#### Cash Equivalents

For purposes of the statement of cash flows, the Authority considers cash deposits, certificates of deposit, and highly liquid investments (including restricted and designated investments) with a maturity of three months or less when purchased, to be cash equivalents.

#### Accounts Receivable

Accounts receivable are shown net of allowance for uncollectibles. Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible.

#### Fair Value of Financial Instruments

The Authority's financial instruments include cash and investments, accounts receivable and accounts payable. The Authority estimates that the fair value of all financial instruments at December 31, 2022 and 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

#### Deposits and Investments

The Authority's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the Authority are reported at fair value.

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

## Cherry Creek Project Water Authority

Notes to Financial Statements  
Years Ended December 31, 2022 and 2021  
(See Independent Auditor's Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Debt Authorization

As of December 31, 2022 and 2021, the Authority had no authorized but unissued indebtedness.

#### Capital Assets

Capital assets, which include water rights, wells, and other related items are reported in the Water Project Enterprise Fund in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

|                |          |
|----------------|----------|
| Water wells    | 50 years |
| Pipelines      | 30 years |
| Modeling tools | 20 years |
| Master plan    | 10 years |

The Authority has initiated and is under construction of expanding the Walker Reservoir. These costs are currently classified as construction in progress as seen in Note 3. The project is anticipated to be completed by June 2024, with total estimated costs of approximately \$18,600,000. As of December 31, 2022, the District has incurred \$9,468,285 of costs related to the project.

## Cherry Creek Project Water Authority

Notes to Financial Statements  
Years Ended December 31, 2022 and 2021  
(See Independent Auditor's Report)

### 2. 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 investments             | \$ 7,371,086        | \$ 2,981,151        |
| Cash and investment - restricted | -                   | 1,540,648           |
|                                  | <u>\$ 7,371,086</u> | <u>\$ 4,521,799</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 | \$ 7,365,719        | \$ 2,975,857        |
| Investments - COLOTRUST              | 5,367               | 1,545,942           |
|                                      | <u>\$ 7,371,086</u> | <u>\$ 4,521,799</u> |

#### 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.

As of December 31, 2022, the Authority's cash deposits had a bank balance and carrying balance of \$7,414,755 and \$7,365,719, respectively. As of December 31, 2021, the Authority's cash deposits had a bank balance and carrying balance of \$2,991,638 and \$2,975,857, respectively.

#### Investments

The Authority has not adopted a formal investment policy; however, the Authority follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

## Cherry Creek Project Water Authority

Notes to Financial Statements  
Years Ended December 31, 2022 and 2021  
(See Independent Auditor's Report)

### 2. Cash and Investments (continued)

#### Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The Authority's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

#### Interest Rate Risk

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

As of December 31, 2022 and 2021, the Authority had the following investment:

#### COLOTRUST

The Authority invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or 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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. 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. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a 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 is rated AAAM by Standard & Poor's. 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, and there is no redemption notice period. As of December 31, 2022 and 2021, the Authority had \$5,367, and \$1,545,942 invested in COLOTRUST, respectively.

#### Custodial and Concentration of Credit Risk

None of the Authority's investments are subject to custodial or concentration of credit risk.

## Cherry Creek Project Water Authority

### Notes to Financial Statements Years Ended December 31, 2022 and 2021 (See Independent Auditor's Report)

### 3. Capital Assets

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

| Business Type Activities                   | Balance<br>December 31,<br>2021 | Additions           | Deletions   | Balance<br>December 31,<br>2022 |
|--|---------------------------------|---------------------|-------------|---------------------------------|
| Capital assets not being depreciated:      |                                 |                     |             |                                 |
| Water rights                               | \$ 14,443,987                   | \$ -                | \$ -        | \$ 14,443,987                   |
| Real estate                                | 921,076                         | -                   | -           | 921,076                         |
| Construction in progress                   | 2,659,230                       | 6,809,055           | -           | 9,468,285                       |
| Total capital assets not being depreciated | <u>18,024,293</u>               | <u>6,809,055</u>    | <u>-</u>    | <u>24,833,348</u>               |
| Capital assets being depreciated:          |                                 |                     |             |                                 |
| Water wells                                | 1,047,958                       | -                   | -           | 1,047,958                       |
| Pipelines                                  | 149,681                         | -                   | -           | 149,681                         |
| Modeling                                   | 140,380                         | -                   | -           | 140,380                         |
| Master plan                                | 216,111                         | -                   | -           | 216,111                         |
| Total capital assets being depreciated     | <u>1,554,130</u>                | <u>-</u>            | <u>-</u>    | <u>1,554,130</u>                |
| Less:                                      |                                 |                     |             |                                 |
| Accumulated depreciation                   | <u>614,930</u>                  | <u>43,283</u>       | <u>-</u>    | <u>658,213</u>                  |
| Net capital assets being depreciated       | <u>939,200</u>                  | <u>(43,283)</u>     | <u>-</u>    | <u>895,917</u>                  |
| Business type assets, net                  | <u>\$ 18,963,493</u>            | <u>\$ 6,765,772</u> | <u>\$ -</u> | <u>\$ 25,729,265</u>            |

## Cherry Creek Project Water Authority

### Notes to Financial Statements Years Ended December 31, 2022 and 2021 (See Independent Auditor's Report)

#### 3. Capital Assets (continued)

| Business Type Activities                   | Balance<br>December 31,<br>2020 | Additions           | Deletions   | Balance<br>December 31,<br>2021 |
|--|---------------------------------|---------------------|-------------|---------------------------------|
| Capital assets not being depreciated:      |                                 |                     |             |                                 |
| Water rights                               | \$ 14,443,987                   | \$ -                | \$ -        | \$ 14,443,987                   |
| Real estate                                | 921,076                         | -                   | -           | 921,076                         |
| Construction in progress                   | 1,490,860                       | 1,168,370           | -           | 2,659,230                       |
| Total capital assets not being depreciated | <u>16,855,923</u>               | <u>1,168,370</u>    | <u>-</u>    | <u>18,024,293</u>               |
| Capital assets being depreciated:          |                                 |                     |             |                                 |
| Water wells                                | 1,047,958                       | -                   | -           | 1,047,958                       |
| Pipelines                                  | 149,681                         | -                   | -           | 149,681                         |
| Modeling                                   | 140,380                         | -                   | -           | 140,380                         |
| Master plan                                | 216,111                         | -                   | -           | 216,111                         |
| Total capital assets being depreciated     | <u>1,554,130</u>                | <u>-</u>            | <u>-</u>    | <u>1,554,130</u>                |
| Less:                                      |                                 |                     |             |                                 |
| Accumulated depreciation                   | <u>571,647</u>                  | <u>43,283</u>       | <u>-</u>    | <u>614,930</u>                  |
| Net capital assets being depreciated       | <u>982,483</u>                  | <u>(43,283)</u>     | <u>-</u>    | <u>939,200</u>                  |
| Business type assets, net                  | <u>\$ 17,838,406</u>            | <u>\$ 1,125,087</u> | <u>\$ -</u> | <u>\$ 18,963,493</u>            |

Depreciation expense was approximately \$43,300 for both years ended December 31, 2022 and 2021.

## Cherry Creek Project Water Authority

Notes to Financial Statements  
Years Ended December 31, 2022 and 2021  
(See Independent Auditor's Report)

### 4. Net Position

The Authority 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 any outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets. The Authority's net investment in capital assets as of December 31, 2022 and 2021 totaled \$25,729,265, and \$18,963,493, respectively.

Restricted net position consists of assets 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 Authority had a restricted net position of \$0, and \$1,540,648 as of December 31, 2022 and 2021, respectively. The restricted net position is related to funds due from one of the Members of the Authority from the sale of certain assets of the Authority in 2018, as discussed in Note 5.

The Authority's unrestricted net position as of December 31, 2022 and 2021 was \$5,414,991, and \$2,929,248, respectively.

### 5. Authority Agreements

#### Water Project Agreement

The Members entered into a Water Project Agreement and Authority formation agreement on October 14, 2005. This agreement outlines the purpose of the Authority and details the phases of the project in order to complete the development of the 2,000 acre-foot water yield. The agreement also includes the process to complete the purchase of the Cherry Creek Project capital assets from the Western Water Company. The Members agreed to make contributions in order to complete this purchase with initial contributions of \$14,000,000 made by the Members. The agreement states that voting rights and annual cost sharing will be based upon the percentage ownership in the water usage, which is initially determined based upon the initial contributions. This formation agreement was amended in 2008 to update member ownership percentages and to clarify other terms.

During 2022 and 2021, the Members were assessed \$243,500, and \$206,501, respectively, to cover the Authority's operating expenditures and were assessed \$8,463,330, and \$4,006,989, respectively, for capital improvements.

## Cherry Creek Project Water Authority

Notes to Financial Statements  
Years Ended December 31, 2022 and 2021  
(See Independent Auditor's Report)

### 5. Authority Agreements (continued)

#### Asset Purchase Agreement

The Authority entered into an asset purchase agreement with Western Water Company ("Seller") on October 14, 2005. This agreement resulted from the successful bid placed by the Authority at a bankruptcy auction for the Seller's "Cherry Creek Project" assets. The purchased assets include water rights, land, water wells, storage rights and other related assets. The Authority also assumed some related lease liabilities. The Authority paid \$14,000,000 for these assets and closed the purchase on November 17, 2005.

#### Land Purchase and Sale Agreement

On March 30, 2015, the Authority entered into a Purchase and Sale agreement with Meritage Homes of Colorado, subsequently amended on June 29, 2016 and September 1, 2016. The Authority agreed to sell a fee simple interest in approximately 90 acres of real estate for the purchase price of \$7,250,000. The sale closed in June 2018 with the receipt of approximately \$7,249,100, net of fees, by the Authority. A gain of approximately \$5,926,500 was recognized on the sale. In December 2019, the Authority approved a distribution of approximately \$5,948,700 to the Members for their respective allotment of the sale proceeds and related interest earned. In August 2022, the Authority approved a distribution of approximately \$1,545,466 to the remaining Member for their respective allotment of the sale proceeds and related interest earned.

### 6. 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.

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.

## **Cherry Creek Project Water Authority**

Notes to Financial Statements  
Years Ended December 31, 2022 and 2021  
(See Independent Auditor's Report)

### **6. Tax, Spending, and Debt Limitations (continued)**

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 Authority'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 and qualification as an Enterprise will require judicial interpretation.

### **7. Risk Management**

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

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

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

Supplemental Information  
(See Independent Auditor's Report)

## Cherry Creek Project Water Authority

### Schedule of Revenues, Expenses and Change in Fund Balance – Budget and Actual (Budgetary Basis) – Water Project Enterprise Fund Year Ended December 31, 2022 (See Independent Auditor’s Report)

|  | Original and<br>Final Budget | Actual       | Variance<br>Positive<br>(Negative) |
|--|------------------------------|--------------|------------------------------------|
| <b>Revenues:</b>                               |                              |              |                                    |
| General assessments                            | \$ 243,500                   | \$ 243,500   | \$ -                               |
| Capital assessments                            | 11,765,511                   | 8,463,330    | (3,302,181)                        |
| Water sales                                    | 75,000                       | 93,848       | 18,848                             |
| Farming income                                 | 5,000                        | 15,151       | 10,151                             |
| Interest and miscellaneous income              | 500                          | 6,818        | 6,318                              |
| Walker grant funding                           | 500,000                      | 716,591      | 216,591                            |
| Total revenues                                 | 12,589,511                   | 9,539,238    | (3,050,273)                        |
| <b>Expenses:</b>                               |                              |              |                                    |
| Accounting                                     | 20,000                       | 20,009       | (9)                                |
| Audit  | 5,000                        | 5,300        | (300)                              |
| Augmentation plan accounting                   | 12,000                       | 12,418       | (418)                              |
| Bank fees                                      | -                            | 40           | (40)                               |
| Capital expenditures                           | 14,042,500                   | 6,809,055    | 7,233,445                          |
| Engineering                                    | 5,000                        | 4,464        | 536                                |
| General and administrative                     | 1,000                        | 745          | 255                                |
| Insurance                                      | 4,500                        | -            | 4,500                              |
| Legal  | 50,000                       | 31,768       | 18,232                             |
| Legal - water                                  | 50,000                       | 43,341       | 6,659                              |
| Management                                     | 60,000                       | 31,058       | 28,942                             |
| Membership dues                                | 1,000                        | 1,238        | (238)                              |
| Member distributions                           | -                            | 1,545,466    | (1,545,466)                        |
| Operations                                     | 20,000                       | 19,955       | 45                                 |
| Repairs and maintenance                        | 20,000                       | 2,104        | 17,896                             |
| Utilities                                      | 75,000                       | 67,182       | 7,818                              |
| Total expenses                                 | 14,366,000                   | 8,594,143    | 5,771,857                          |
| Excess of expenses over revenues               |                              | 945,095      |                                    |
| Beginning funds available                      |                              | 4,469,896    |                                    |
| Ending funds available                         |                              | \$ 5,414,991 |                                    |
| <b>Funds available are defined as follows:</b> |                              |              |                                    |
| Current assets                                 |                              | \$ 7,567,792 |                                    |
| Less current liabilities                       |                              | (2,152,801)  |                                    |
|  |                              | \$ 5,414,991 |                                    |

## Cherry Creek Project Water Authority

Reconciliation of Revenues and Expenses (Budgetary Basis)  
To Statement of Revenues, Expenses, and Change in Net Position  
Year Ended December 31, 2022  
(See Independent Auditor's Report)

|   |                     |
|---|---------------------|
| Revenue (Budgetary Basis)   | \$ 9,539,238        |
| Total Revenue per Statements of Revenues, Expenses and<br>Change in Net Position          | \$ 9,539,238        |
| Expenses (Budgetary Basis)  | \$ 8,594,143        |
| Capital expenditures  | (6,809,055)         |
| Depreciation  | <u>43,283</u>       |
| Total Expenses per Statement of Revenues, Expenses and<br>Change in Net Position          | <u>1,828,371</u>    |
| Change in Net Position per Statement of Revenues,<br>Expenses, and Change in Net Position | <u>\$ 7,710,867</u> |