

UPPER CHERRY CREEK WATER  
ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2024

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Board of Directors  
Upper Cherry Creek Water Association  
Douglas County, Colorado

## Independent Auditor's Report

### Opinions

We have audited the accompanying financial statements of the Upper Cherry Creek Water Association (the "District"), as of and for the year ended December 31, 2024, 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 Upper Cherry Creek Water Association as of December 31, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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 opinion.

### 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 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

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## 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 opinion on the basic financial statements is not affected by this missing information.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary 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 supplementary 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. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

The logo for Wipfli LLP is written in a black, cursive script font. The word "Wipfli" is in a larger, more stylized font, and "LLP" is in a smaller, simpler font to its right.

Wipfli LLP  
Denver, Colorado

December 15, 2025

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## BASIC FINANCIAL STATEMENTS

UPPER CHERRY CREEK WATER ASSOCIATION  
STATEMENT OF NET POSITION

December 31, 2024

(See Independent Auditor's Report)

ASSETS

Current Assets

Cash	\$	8,078
Prepaid Insurance		<u>368</u>
TOTAL ASSETS	\$	<u>8,446</u>

LIABILITIES

Current Liabilities

Accounts Payable	\$	23,732
Member Deposits		<u>18,845</u>
TOTAL LIABILITIES		<u>42,577</u>

NET POSITION (DEFICIT)

Unrestricted		<u>(34,131)</u>
TOTAL NET POSITION (DEFICIT)		<u>(34,131)</u>
Total Liabilities and Net Position (DEFICIT)	\$	<u>8,446</u>

(See notes to Financial Statements.)

UPPER CHERRY CREEK WATER ASSOCIATION

STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET  
POSITION

Year Ended December 31, 2024

(See Independent Auditor's Report)

OPERATING REVENUES	
Membership Dues	\$ 65,000
TOTAL OPERATING REVENUES	<u>65,000</u>
OPERATING EXPENSES	
Consulting	121,790
ACWWA Operation and Maintenance of Gaging Station	5,459
Weather Station CCSP	1,486
Insurance	735
Management Fees	8,422
Legal	82,122
Miscellaneous	244
TOTAL OPERATING EXPENSES	<u>220,258</u>
OPERATING INCOME (LOSS)	<u>(155,258)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	<u>432</u>
CHANGE IN NET POSITION (DEFICIT)	(154,826)
NET POSITION, Beginning	<u>120,695</u>
NET POSITION (DEFICIT), Ending	<u>\$ (34,131)</u>

(See notes to Financial Statements.)

UPPER CHERRY CREEK WATER ASSOCIATION

STATEMENT OF CASH

FLOWS

Year Ended December 31, 2024  
(See Independent Auditor's Report)

	2024
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Members	\$ 80,000
Cash Payments to Suppliers	(204,123)
Net Cash From Operating Activities	<u>(124,123)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Investment Activity	432
Net Cash From Investing Activities	<u>432</u>
Decrease in Cash	(123,691)
CASH, Beginning	131,769
CASH, Ending	<u><u>\$ 8,078</u></u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH FROM OPERATING ACTIVITIES	
Operating Income (Loss)	(155,258)
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities	
Changes in Assets and Liabilities	
Accounts Receivable	15,000
Accounts Payable	11,044
Prepaid Insurance	5,091
Net Cash From Operating Activities	<u><u>\$ (124,123)</u></u>

(See notes to Financial Statements.)

UPPER CHERRY CREEK WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

(See Independent Auditor's Report)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Upper Cherry Creek Water Association (the "Association"), was created by an Establishing Contract, pursuant to Section 18(2)(a) and 2(b) of Article XIV, Constitution of the State of Colorado, and to section 29-1-203 and sections 7-30-101 through 119 Colorado Revised Statutes, by and among the parties: City of Aurora (Aurora), Arapahoe County Water and Wastewater Authority (ACWWA), Cottonwood Water and Sanitation District (Cottonwood), Colorado Division of Parks & Outdoor Recreation (Parks), and East Cherry Creek Valley Water and Sanitation District (ECCV) collectively the "Members".

The Association was created to affect the development and promote the cost effective joint operation of collective water resources, systems and facilities and return flow credits pertaining to the individual members' wastewater treatment and disposal systems and facilities in whole or in part for the benefit of the Members and their inhabitants, and others. The joint interest of the Members is to operate their collective water rights impacting each Member's Cherry Creek water rights in a manner that optimizes each Members water rights while protecting others from injury. The Association has no employees and is governed by an elected five member Board of Directors.

Funding for the Association activities is provided through member contributions that are determined each year through the annual budget process.

The accounting policies of the Association conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The Association is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Association officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Association. The Association may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, the Association does not include additional organizations in its reporting entity.

UPPER CHERRY CREEK WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

(See Independent Auditor's Report)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The Association uses a proprietary fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Association uses a proprietary fund-type, an enterprise fund, to account for its activities of providing consulting and operations to Association members. The enterprise fund uses the economic resources measurement focus and the accrual basis of accounting for reporting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the Association's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The fund distinguishes operating revenues and expenses from non-operating revenues and expenses, and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

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

Assets, Liabilities and Net Position

Cash Equivalents and Investments - Cash equivalents include cash deposits and highly liquid investments with original maturities of three months or less when purchased. Investments are reported at fair value.

Net Position – Net position results from the accumulation of net earnings from operating income, non-operating revenues and expenses, and capital contributions and can be classified in the financial statements as follows:

UPPER CHERRY CREEK WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

(See Independent Auditor's Report)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

- Net Investment in Capital Assets – The investment in capital assets consists of capital assets, net of accumulated depreciation and related debt.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This classification includes the residual net position that does not meet the classification of “net investment in capital assets” or “restricted.”

Use of Estimates

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

Risk Management

The Association is exposed to various risk of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; and natural disasters. The Association maintains general liability and public officials' liability insurance through a commercial carrier for these risks of loss. The Members, individually, maintain property and workers' compensation coverages. Therefore, the Association has no exposure for these risks of loss.

UPPER CHERRY CREEK WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

(See Independent Auditor's Report)

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Association follows these procedures in establishing the budgetary data reflected in the financial statements:

- The budget is legally adopted by the Association. The budget is adopted on a non-GAAP budgetary basis. Capital outlay is budgeted as expenditures, and depreciation are not budgeted.
- The Association appropriates expenditures for the enterprise/operations fund and capital expenditures.
- Prior to October 15, management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1.
- The operating budget includes proposed expenditures and the means of financing them.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level. For the year ended December 31, 2024, actual expenditures exceeded budgeted. This may be a violation of state law.

Note 3: Cash

	A summary of cash at December 31, 2024 follows:	
	Cash Deposits	\$ 8,078
	Total	\$ 8,078

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2024, the Association had bank deposits totaling \$8,078 of which all were insured by FDIC.

UPPER CHERRY CREEK WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

(See Independent Auditor's Report)

NOTE 3: CASH (Continued)

Investments

The Association has not adopted a formal investment policy; however, the Association follows State statutes regarding investments. The Association generally limits its concentration of investments to Local Government Investment Pools, obligation of the United States and certain U.S. government agency securities, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the Association is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk 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.

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following.

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

The Association has no investments at December 31, 2024.

UPPER CHERRY CREEK WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

(See Independent Auditor's Report)

NOTE 4: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation.

Enterprises, defined as government-owned business 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 Association establishes a budget for its enterprise activity. The Association has made certain interpretations of the Amendment's language in order to determine compliance.

The Association's management believes all of its operations qualifies for the "enterprise" exclusion allowed by the Amendment. The Association believes it is in compliance with the requirements of the Amendment.

Supplemental Information  
(See Independent Auditors' Report)

UPPER CHERRY CREEK WATER ASSOCIATION  
BUDGETARY COMPARISON SCHEDULE

(Budgetary Basis)

Year Ended December 31, 2024

(See Independent Auditor's Report)

	ORIGINAL BUDGET AMOUNTS	AMENDED AND FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Membership Dues	65,000	65,000	65,000	-
Net Investment Income	4,800	400	432	32
TOTAL REVENUES	<u>69,800</u>	<u>65,400</u>	<u>65,432</u>	<u>32</u>
EXPENSES				
Consulting	26,900	122,000	121,790	210
ACWWA Operation and Maintenance of Gaging Station	7,500	-	5,459	(5,459)
Weather Station – CCSP	2,150	1,400	1,486	(86)
Water Rights Account (Aurora)	-	-	-	-
Monitoring Wells Data Collection	3,000	-	-	-
Insurance	1,600	1,100	735	365
Management Fees	7,900	8,000	7,972	28
Audit exemption	1,200	450	450	-
Legal	21,500	83,000	82,122	878
Miscellaneous	700	300	244	56
Contingency	5,000	-	-	-
TOTAL EXPENSES	<u>77,450</u>	<u>216,250</u>	<u>220,258</u>	<u>(4,008)</u>
NET CHANGE IN FUNDS AVAILABLE	(7,650)	(150,850)	(154,826)	3,976
FUNDS AVAILABLE – BEGINNING OF YEAR	<u>134,081</u>	<u>134,081</u>	<u>120,695</u>	<u>13,386</u>
FUNDS AVAILABLE – END OF YEAR	<u><u>126,431</u></u>	<u><u>(16,769)</u></u>	<u><u>(34,131)</u></u>	<u><u>17,362</u></u>

There were no reconciling items between the Budgetary Basis actual amounts to the Statement of Revenues, Expenses and Changes in Net Position.