Cherry Creek Valley
Water and Sanitation District

Annual Financial Report

December 31, 2025 and 2024

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Independent Auditors' Report

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

Opinions

We have audited the accompanying financial statements of the business-type activities of Cherry Creek Valley Water and Sanitation District (the "District") as of and for the years ended December 31, 2025 and 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 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, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Required Supplementary Information

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

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 sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information as listed in table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado
June 25, 2026

Management's Discussion and Analysis

This discussion and analysis (MD&A) of Cherry Creek Valley Water and Sanitation District's financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2025 and 2024. The MD&A should be read in conjunction with the District's financial statements.

Management has adopted the provisions of the Governmental Accounting Standards Board Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and other related statements as required for the years ended December 31, 2025 and 2024.

Financial Highlights

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

- Service fee revenue increased 2% during 2025 and decreased 29% during 2024.
- Investment income increased by 132% during 2025 and increased by 55% during 2024.
  Investments are recorded at fair market value and include unrealized gains and losses. Therefore, investment income in any given year reflects both actual and unrealized gains and losses. The District normally holds all investments to maturity.

Overview of the Financial Statements

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

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

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

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

Financial Summary and Analysis

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

NET POSITION

December 31,	2025	2024
ASSETS		
Current Assets	$ 42,947,190	$ 39,936,905
Capital Assets	25,930,610	25,153,958
Total Assets	68,877,800	65,090,863
LIABILITIES		
Current Liabilities	768,928	149,449
Long-term Liabilities	49,154	42,023
Total Liabilities	818,082	191,472
NET POSITION		
Investments in capital assets	25,930,610	25,153,958
Unrestricted	42,129,108	39,745,433
Total Net Position	$ 68,059,718	$ 64,899,391

A large portion of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Overall the District's total net position increased by $3,160,327 during 2025 and increased by $2,365,877 during 2024.

Capital assets increased as of December 31, 2025, by $776,652. The increase was due largely to water equipment additions in the year.

Total money market and investment accounts increased $3,917,390 during 2025 as a result of both realized and unrealized gains and losses and system development fees collected.

An increase of $619,479 in current liabilities as of December 31, 2025 consisted primarily of an increase in accounts payable during the year.

Long-term liabilities consist of the accrual for compensated absences which increased during 2025.

CHANGES IN NET POSITION

	2025	2024
REVENUES		
OPERATING REVENUE		
Water sales	$ 6,249,115	$ 6,120,038
Sewer sales	3,634,658	3,571,618
Total Operating Revenue	9,883,773	9,691,656
NONOPERATING REVENUES		
Net investment income	1,752,790	753,928
Other	58,759	97,546
Total Nonoperating Revenue	1,811,549	851,474
Total Revenue	11,695,322	10,543,130
EXPENSES		
OPERATING		
Water	5,990,386	5,736,800
Sewer	2,123,441	2,460,837
Total Operating Expenses	8,113,827	8,197,637
GENERAL AND ADMINISTRATIVE EXPENSES	952,824	872,106
Total Operating and General and Administrative Expenses	9,066,651	9,069,743
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,628,671	1,473,387
CAPITAL CONTRIBUTIONS	531,656	892,490
CHANGES IN NET POSITION	3,160,327	2,365,877
NET POSITION - BEGINNING OF YEAR	64,899,391	62,533,514
NET POSITION - END OF YEAR	$ 68,059,718	$ 64,899,391

Water and sanitation service fees increased 2% for 2025 due to an increase in water and sewer rates, and increased 29% during 2024 due an increase in water rates.

Operating expenses for water and sanitation operations experienced a decrease of $83,810 during 2025 and an increase of $1,053,573 during 2024. The 2025 decrease was due to a decrease in sewage treatment fees and sewer maintenance costs. The 2024 increase was due primarily to the increase in water rates.

General and administrative expenses increased by $80,718 in 2025 due primarily to increases in wages, engineering, consulting, office and miscellaneous expenses. General and administrative expenses increased in 2024 by $13,168 due primarily to increased wages, payroll tax and fringe benefits, office expense, and miscellaneous expenses.

Budgetary Highlights

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

Revenues were lower than budgeted mainly due to fewer system development fees collected than budgeted.

Capital expenditures were $1,966,884 less than budget compared with $2,082,860 less than budget in the prior year.

	December 31, 2024	Net Changes	December 31, 2025
Capital assets			
Land and easements	$ 1,470,761	$ -	$ 1,470,761
Buildings	2,341,808	11,423	2,353,231
Water Rights	698,300	-	698,300
Construction in progress	2,109,989	(278,279)	1,831,710
Water lines	18,079,703	-	18,079,703
Purchased capacity - water	1,887,400	-	1,887,400
Water wells and pump station	891,566	-	891,566
Sewer lines	8,733,943	295,416	9,029,359
Office equipment	224,544	8,937	233,481
Trucks and equipment	525,707	1,733,150	2,258,857
Total Capital Assets	36,963,721	1,770,647	38,734,368
Accumulated depreciation	(11,809,763)	(993,995)	(12,803,758)
Total Capital Assets - Net	$ 25,153,958	$ 776,652	$ 25,930,610

Budgetary Highlights (continued)

	December 31, 2023	Net Changes	December 31, 2024
Capital assets			
Land and easements	$ 1,470,761	$ -	$ 1,470,761
Buildings	2,305,470	36,338	2,341,808
Water Rights	698,300	-	698,300
Construction in progress	915,676	1,194,313	2,109,989
Water lines	17,912,855	166,848	18,079,703
Purchased capacity - water	1,887,400	-	1,887,400
Water wells and pump station	891,566	-	891,566
Sewer lines	8,497,268	236,675	8,733,943
Office equipment	202,991	21,553	224,544
Trucks and equipment	514,216	11,491	525,707
Total Capital Assets	35,296,503	1,667,218	36,963,721
Accumulated depreciation	(10,929,114)	(880,649)	(11,809,763)
Total Capital Assets - Net	$ 24,367,389	$ 786,569	$ 25,153,958

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

Requests for Information

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

Lisa Glenn, District Manager
Cherry Creek Valley Water and Sanitation District
2325 S Wabash St
Denver, CO 80231

Basic Financial Statements

Cherry Creek Valley Water and Sanitation District
Statements of Net Position
December 31, 2025 and 2024

Assets	2025	2024
Current Assets		
Cash in bank/on hand	$ 577,111	$ 1,616,053
Cash held at broker	3,433,067	1,004,842
Investments	3,740,522	9,505,057
Investments - Designated	33,804,800	26,551,100
Accrued interest receivable	374,335	348,934
Accounts receivable - Service fees	855,198	744,383
Prepaid expenses	79,597	78,444
Inventory	82,560	88,092
Total Current Assets	42,947,190	39,936,905
Capital Assets		
Capital assets, not being depreciated	4,000,771	4,279,050
Capital assets, being depreciated		
(net of accumulated depreciation)	21,929,839	20,874,908
Total Capital Assets	25,930,610	25,153,958
Total Assets	$ 68,877,800	$ 65,090,863
Liabilities		
Current Liabilities		
Accounts payable	$ 732,376	$ 93,473
Deposits for line construction	36,552	55,976
Total Current Liabilities	768,928	149,449
Long-Term Liabilities		
Compensated absences	49,154	42,023
Total Long-Term Liabilities	49,154	42,023
Total Liabilities	818,082	191,472
Net Position		
Investment in capital assets	25,930,610	25,153,958
Unrestricted	42,129,108	39,745,433
Total Net Position	68,059,718	64,899,391
Total Liabilities and Net Position	$ 68,877,800	$ 65,090,863

The accompanying notes are an integral part of these financial statements.

Cherry Creek Valley Water and Sanitation District
Statements of Revenues, Expenses and Changes in Net Position
December 31, 2025 and 2024

	2025	2024
Water Operations		
Revenues		
Service fees	$ 6,188,646	$ 5,792,325
Penalties	33,608	167,901
Parts sales	26,861	159,812
	6,249,115	6,120,038
Direct water expenses		
Water purchased	4,560,522	4,473,587
Maintenance	309,551	271,686
Wages, payroll tax and fringe benefits	307,584	248,601
Utilities	56,374	49,320
Miscellaneous	-	41
Depreciation	756,355	693,565
	5,990,386	5,736,800
Gross Income from Water Operations	258,729	383,238
Sewer Operations		
Revenues		
Service fees	3,627,158	3,564,118
Swimming pool fees	7,500	7,500
	3,634,658	3,571,618
Direct sewer expenses		
Sewage treatment fees	1,598,766	1,844,002
Maintenance	79,450	212,582
Wages, payroll tax and fringe benefits	178,899	145,082
Depreciation	266,326	259,171
	2,123,441	2,460,837
Gross Income from Sewer Operations	1,511,217	1,110,781
Gross Income from Operations	1,769,946	1,494,019
General and Administrative Expenses	952,824	872,106
Net Income from Operations	817,122	621,913
Nonoperating Revenues		
Net investment earnings	1,752,790	753,928
Miscellaneous revenue	44,276	43,860
Gain on sale of property and equipment	14,483	53,686
Total Nonoperating Revenues	1,811,549	851,474
Income Before Capital Contributions	2,628,671	1,473,387
Capital Contributions		
Water		
System development fees	212,000	344,000
Sewer		
System development fees	24,240	548,490
Contributed lines	295,416	-
Total Capital Contributions	531,656	892,490
Change in Net Position	3,160,327	2,365,877
Net Position - Beginning of Year	64,899,391	62,533,514
Net Position - End of Year	$ 68,059,718	$ 64,899,391

The accompanying notes are an integral part of these financial statements.

Cherry Creek Valley Water and Sanitation District
Statements of Cash Flows
December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Cash received from customers	$ 9,804,179	$ 9,668,540
Cash payments to suppliers for goods and services	(6,957,509)	(7,768,683)
Cash payments to employees for services	(809,067)	(830,734)
Net Cash from Operating Activities	2,037,603	1,069,123
Cash Flows from Noncapital Financing Activities		
Miscellaneous	7,473	43,860
Net Cash from Noncapital Financing Activities	7,473	43,860
Cash Flows from Capital and Related Financing Activities		
Metro Water Recovery sewage tap fees received	218,670	1,025,616
Metro Water Recovery sewage tap fees paid	(218,670)	(1,025,616)
Contributed capital - system development fees	236,240	892,490
Construction deposits returned (disbursed)	(15,427)	19,301
Acquisition of property, plant and equipment	(1,170,318)	(1,751,845)
Sale of property, plant and equipment	24,203	53,686
Net Cash from Capital and Related Financing Activities	(925,302)	(786,368)
Cash Flows from Investing Activities		
Net investment earnings (loss)	(21,835)	1,453,988
Investments matured/sold	9,685,300	16,550,812
Investments purchased	(9,393,956)	(17,572,404)
Net Cash from Investing Activities	269,509	432,396
Net Change in Cash and Cash Equivalents	1,389,283	759,011
Cash and Cash Equivalents - Beginning of Year	2,620,895	1,861,884
Cash and Cash Equivalents - End of Year	$ 4,010,178	$ 2,620,895
Reconciliation of operating income to net cash from operating activities		
Income from operations	$ 817,122	$ 621,913
Adjustments to reconcile income from operations to net cash from operating activities:		
Depreciation	1,037,994	965,271
Effects of changes in operating assets and liabilities:		
Receivables	(110,815)	(23,119)
Inventory	5,532	(27,077)
Prepaid expenses	(1,153)	(5,167)
Accrued liabilities	7,131	15,579
Accounts payable	281,792	(478,277)
Net cash from operating activities	$ 2,037,603	$ 1,069,123
Noncash Capital and Investing Activities		
Contribution of water and sewer lines	295,416	-
Change in fair value of investments	(215,033)	695,829
	$ 80,383	$ 695,829

The accompanying notes are an integral part of these financial statements.

1. Definition of Reporting Entity

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

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

Operating Revenues and Expenses

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

Budgets

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

Adoption of New Accounting Pronouncements

In 2024 the District implemented GASB Statement No. 101, Compensated Absences. GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. In addition to the value of unused vacation time owed to employees upon separation of employment, the District now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The implementation of GASB Statement No. 101 did not have a material impact on the financial statements for 2025 and 2024.

Cash and Cash Equivalents

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

2. Summary of Significant Accounting Policies (continued)

Designated Investments

As of December 31, 2025 and 2024, the District has designated a portion of its investments to be used for future projects as follows:

	2025	2024
Current Water Replacements	$ 1,032,500	$ 687,000
Current Sewer Replacements	2,265,000	1,521,000
Future Water Replacements	17,632,200	14,433,500
Future Sewer Replacements	12,675,100	9,709,600
Self Insurance	200,000	200,000
	$ 33,804,800	$ 26,551,100

These amounts are not legally restricted and may be re-designated or used for other purposes upon approval of the District's Board of Directors.

Inventory

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

Capital Assets

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

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

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

2. Summary of Significant Accounting Policies (continued)

Water Rights

The cost of water rights includes acquisition cost, legal and engineering costs, related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed. None were capitalized in 2025 or 2024.

Accrual for Compensated Absences

The District has a policy which allows employees to accumulate vacation and sick leave benefits, up to certain maximum hours. The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over in subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability includes salary-related benefits, where applicable.

System Development Fees and Contributed Assets

System development fees are recorded as capital contributions when received. Assets contributed to the District by developers are also recorded as capital contributions to the system at fair market value when received.

3. Cash, Cash Equivalents and Investments

Cash Deposits

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

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

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

3. Cash, Cash Equivalents and Investments (continued)

At December 31, 2025 and 2024, the District's cash deposits had a bank balance and a carrying balance as follows:

	2025		2024	
	Carrying Balance	Bank Balance	Carrying Balance	Bank Balance
Cash on hand	$ -	$ -	$ 200	$ 200
Cash in bank	577,111	549,841	1,615,853	2,800,656
Cash held at broker	3,433,067	3,433,067	1,004,842	1,004,842
	$ 4,010,178	$ 3,982,908	$ 2,620,895	$ 3,805,698

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

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

	2025	2024
Insured deposits	$ 250,000	$ 250,000
Category 1 deposits	-	200
Category 2 deposits	3,732,908	3,555,498
Total cash and equivalents	$ 3,982,908	$ 3,805,698

Investments

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

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

3. Cash, Cash Equivalents and Investments (continued)

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

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

Fair Value Measurements - The District's investments are recorded at fair value based on quoted market prices. For investments, the District categorize fair value measurements 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 (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date; Level 2 inputs are significant other than quoted prices included within Level 1 that are observable for the asset of liability, either directly or indirectly; Level 3 inputs are significant unobservable inputs for an asset or a liability.

As of December 31, the District's investments subject to fair value measurement are as follows:

Investments Type	Value as of December 31, 2025	Level 1	Level 2	Level 3
Debt Securities				
U.S. Treasury Obligations	$ 6,239,016	$ 6,239,016	$ -	$ -
Municipal Bonds and Notes	31,306,306	-	31,306,306	-
Total Investments Measured at Fair Value	$ 37,545,322	$ 6,239,016	$ 31,306,306	$ -

Investments Type	Value as of December 31, 2024	Level 1	Level 2	Level 3
Debt Securities				
U.S. Treasury Obligations	$ 6,259,044	$ 6,259,044	$ -	$ -
Municipal Bonds and Notes	29,797,113	-	29,797,113	-
Total Investments Measured at Fair Value	$ 36,056,157	$ 6,259,044	$ 29,797,113	$ -

3. Cash, Cash Equivalents and Investments (continued)

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

Credit Risk - The District's investment policy limits its investments to those authorized by law, as stated above. The District's municipal bonds at December 31, 2025 and 2024, are rated primarily from A to AAA by Standard & Poor's, Moody's , and Fitch.

The following table categorizes interest rate risk and concentration of credit risk for the District:

Investment Category	S&P Rating	Market Value	Maturity Less Than 1 Year	Maturity More Than 1 Year	Concentration of Credit Risk
Municipal Bonds and Notes	A-AAA	$ 31,306,306	$ 2,769,761	$ 28,536,545	92.60%
US Treasury Bonds and Notes	AA+	6,239,016	3,957,253	2,281,763	7.40%
Total		$ 37,545,322	$ 6,727,014	$ 30,818,308	100.00%

Concentration of Credit Risk - The District's investment policy indicates and intention to diversify investments in the portfolio to reduce risk from excessive concentration in specific investments, individual banks and financial institutions or maturities. State statutes do not limit the amount the District may invest in one issuer. At December 31, 2025 and 2024, 17% of the District's investments are in U.S. Treasury Obligations. At December 31, 2025 and 2024, no single issuer of municipal bonds represented more than 2.74% and 2.45%, respectively, of the District's total investment portfolio.

Cash deposits and investments are reflected on the December 31, 2025 and 2024 statements of net position as follows:

	2025	2024
Cash in bank/on hand	$ 577,111	$ 1,616,053
Cash held at broker	3,433,067	1,004,842
Investments	3,740,522	9,505,057
Investments - Designated	33,804,800	26,551,100
	$ 41,555,500	$ 38,677,052

The District designated $33,804,800 in investments at December 31, 2025 and $26,551,100 at December 31, 2024 for future capital needs. Designated investments can be released at the board's discretion.

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

4. Capital Assets

An analysis of the changes in net capital assets for the years ended December 31, 2025 and 2024 follows:

	Balance December 31, 2024	Additions	Transfers/ Retirements	Balance December 31, 2025
Capital assets, not being depreciated:				
Land and easements	$ 1,470,761	$ -	$ -	$ 1,470,761
Water rights	698,300	-	-	698,300
Construction in progress	2,109,989	1,442,838	(1,721,117)	1,831,710
Total capital assets, not being depreciated	4,279,050	1,442,838	(1,721,117)	4,000,771
Capital assets, being depreciated:				
Water lines	18,079,703	-	-	18,079,703
Purchased capacity - Water	1,887,400	-	-	1,887,400
Water wells and pump stations	891,566	-	-	891,566
Sewer lines	8,733,943	295,416	-	9,029,359
Office Equipment	224,544	19,019	(10,082)	233,481
Building	2,341,808	11,423	-	2,353,231
Trucks and equipment	525,707	1,767,067	(33,917)	2,258,857
Total capital assets, being depreciated	32,684,671	2,092,925	(43,999)	34,733,597
Less accumulated depreciation for:				
Water lines	(6,242,378)	(508,143)	-	(6,750,521)
Purchased capacity - Water	(1,144,236)	(47,185)	-	(1,191,421)
Water wells and pump stations	(646,775)	(16,147)	-	(662,922)
Sewer lines	(2,539,409)	(266,326)	-	(2,805,735)
Office Equipment	(169,356)	(15,313)	10,082	(174,587)
Building	(764,548)	(50,205)	-	(814,753)
Trucks and equipment	(303,061)	(134,675)	33,917	(403,819)
	(11,809,763)	(1,037,994)	43,999	(12,803,758)
Total capital assets, being depreciated, net	20,874,908	1,054,931	-	21,929,839
Capital assets, net	$ 25,153,958	$ 2,497,769	$ (1,721,117)	$ 25,930,610

4. Capital Assets (continued)

	Balance December 31, 2023	Additions	Transfers/ Retirements	Balance December 31, 2024
Capital assets, not being depreciated:				
Land and easements	$ 1,470,761	$ -	$ -	$ 1,470,761
Water rights	698,300	-	-	698,300
Construction in progress	915,676	1,465,579	(271,266)	2,109,989
Total capital assets, not being depreciated	3,084,737	1,465,579	(271,266)	4,279,050
Capital assets, being depreciated:				
Water lines	17,912,855	166,848	-	18,079,703
Purchased capacity - Water	1,887,400	-	-	1,887,400
Water wells and pump stations	891,566	-	-	891,566
Sewer lines	8,497,268	236,675	-	8,733,943
Office Equipment	202,991	35,678	(14,125)	224,544
Building	2,305,470	36,338	-	2,341,808
Trucks and equipment	514,216	91,297	(79,806)	525,707
Total capital assets, being depreciated	32,211,766	566,836	(93,931)	32,684,671
Less accumulated depreciation for:				
Water lines	(5,734,800)	(507,578)		(6,242,378)
Purchased capacity - Water	(1,097,051)	(47,185)		(1,144,236)
Water wells and pump stations	(629,735)	(17,040)		(646,775)
Sewer lines	(2,280,238)	(259,171)		(2,539,409)
Office Equipment	(170,947)	(12,535)	14,126	(169,356)
Building	(715,716)	(48,832)	-	(764,548)
Trucks and equipment	(300,627)	(72,930)	70,496	(303,061)
	(10,929,114)	(965,271)	84,622	(11,809,763)
Total capital assets, being depreciated, net	21,282,652	(398,435)	(9,309)	20,874,908
Capital assets, net	$ 24,367,389	$ 1,067,144	$ (280,575)	$ 25,153,958

4. Capital Assets (continued)

Depreciation expense for the years ended December 31, 2025 and 2024 was charged to the following operations:

	2025	2024
Water operations	$ 756,355	$ 693,565
Sewer operations	266,326	259,171
General and administrative	15,313	12,535
	$ 1,037,994	$ 965,271

5. Long-Term Liabilities

The District reports a liability for compensated absences related to employee leave that is attributable to services already rendered and that is more likely than not to be paid through paid time off or upon termination of employment. Changes in the District's accrued compensated absences for the years ended December 31, 2025 and 2024 are as follows:

	Balance December 31, 2024	Net Increase	Balance December 31, 2025
Compensated absences	$ 42,023	$ 7,131	$ 49,154

	Balance December 31, 2023	Net Increase	Balance December 31, 2024
Compensated absences	$ 26,444	$ 15,579	$ 42,023

6. Intergovernmental Agreements

Water Service Contract

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

6. Intergovernmental Agreements (continued)

Participation Agreement

During 1998, the District entered into a participation agreement to purchase capacity in the Denver Water Board's conduit 89 (the portion lying to the west of Yosemite St) for $1,887,400. The portion of conduit 89 lying to the west of Yosemite Street will continue to be owned and maintained by the Denver Water Board. The capacity is being amortized over 40 years using the straight-line method.

Sewage Treatment Contract

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

The composition of the charges for 2025 and 2024 are as follows:

	2025	2024
Estimate for current year	$ 1,732,017	$ 1,684,477
Preliminary adjustment of preceding year estimate	(69,615)	75,834
Adjustment of second preceding year estimate to actual funding	(65,898)	81,549
Total annual charges	$ 1,596,504	$ 1,841,860

The 2026 sewage treatment estimate is $2,204,627.

7. Simplified Employee Pension Plan

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

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

7. Simplified Employee Pension Plan (continued)

The District made a $59,942 contribution to the plan during 2025 which was 20% of the covered payroll of $299,711. The District's contribution in 2024 was $66,310 which was 20% of the covered payroll of $331,552.

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

8. Risk Management

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2025 and 2024. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

9. Commitments and Contingencies

Water License and Easement Agreement

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

9. Commitments and Contingencies (continued)

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

Tax, Spending and Debt Limitations

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

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

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

10. Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. Base on this evaluation, no subsequent events have occurred that require recognition or disclosure in the accompanying financial statements.

11. Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net position, changes in net position, or cash flows. The purpose of these reclassifications was to improve consistency and comparability between periods and to align the financial statement presentation with current year classifications and reporting practices.

Supplementary Information

Cherry Creek Valley Water and Sanitation District
Schedule of General and Administrative Expenses
December 31, 2025 and 2024

	2025	2024
Wages, payroll tax and fringe benefits	$ 491,331	$ 452,598
Director's fees	6,600	7,100
Legal	26,138	35,883
Accounting and audit	14,000	22,252
Engineering	33,888	26,011
Consultant	35,286	-
Telephone and postage	31,333	31,657
Office expense	49,943	39,157
Truck and equipment expense	16,169	17,162
Insurance	76,633	76,490
Miscellaneous	156,190	151,261
Depreciation	15,313	12,535
	$ 952,824	$ 872,106

Cherry Creek Valley Water and Sanitation District
Schedule of Revenues, Expenditures and Changes in Funds Available - Budget and Actual (Budgetary Basis)
December 31, 2025

	Budget Amounts	Actual amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Water services fees	$ 6,458,200	$ 6,188,646	$ (269,554)
Sewer service fees	3,635,000	3,627,158	(7,842)
Swimming pool permits	7,500	7,500	-
Net investment earnings	1,500,000	1,752,790	252,790
Penalties	51,200	33,608	(17,592)
Parts sales	48,800	26,861	(21,939)
Miscellaneous	50,500	44,276	(6,224)
Water system development fees	757,000	212,000	(545,000)
Sewer system development fees	222,000	24,240	(197,760)
Contributed lines	-	295,416	295,416
Metro Water Recovery sewage tap surcharge	874,700	218,670	(656,030)
Proceeds from sale of equipment	-	14,483	14,483
Total Revenue	13,604,900	12,445,648	(1,159,252)
Expenditures (Page 20)	12,953,322	10,061,973	2,891,349
Excess Revenue Over(Under) Expenditures	651,578	2,383,675	1,732,097
Funds Available - Beginning of Year	39,830,329	39,745,433	(84,896)
Funds Available - End of Year	$ 40,481,907	$ 42,129,108	$ 1,647,201

Funds available at December 31, 2025 is computed as follows:

Current assets	$ 42,947,190
Current liabilities	(768,928)
Accrued compensated absences	(49,154)
Total Funds Available	$ 42,129,108

Though the District considers itself exempt from TABOR as an "enterprise" as defined in Article X, Section 20 of the Constitution, it is noted that the District considers the entire balance of funds available as of December 31, 2025, to be reserved.

Cherry Creek Valley Water and Sanitation District
Schedule of Expenditures - Budget and Actual
(Budgetary Basis)
December 31, 2025

	Budget Amounts	Actual amounts	Variance with Final Budget - Positive (Negative)
Operating			
Water			
Water purchased	$ 4,693,950	$ 4,560,522	$ 133,428
Maintenance	426,000	309,551	116,449
Wages, payroll tax and fringe benefits	266,600	307,584	(40,984)
Utilities	53,700	56,374	(2,674)
Miscellaneous	50	-	50
Sewer			
Sewage treatment fees	1,598,700	1,598,766	(66)
Maintenance	271,300	79,450	191,850
Wages, payroll tax and fringe benefits	177,800	178,899	(1,099)
Total operating	7,488,100	7,091,146	396,954

(continued)

Cherry Creek Valley Water and Sanitation District
Schedule of Expenditures - Budget and Actual
(Budgetary Basis)
December 31, 2025
(continued)

	Budget Amounts	Actual amounts	Variance with Final Budget - Positive (Negative)
General and Administrative			
Wages, payroll tax and fringe benefits	$ 601,000	$ 491,331	$ 109,669
Director's fees	8,200	6,600	1,600
Legal	58,200	26,138	32,062
Accounting and audit	13,622	14,000	(378)
Engineering	81,300	33,888	47,412
Consultant	46,000	35,286	10,714
Telephone and audit	36,400	31,333	5,067
Office expense	44,000	49,943	(5,943)
Truck and equipment expense	26,300	16,169	10,131
Insurance	80,600	76,633	3,967
Miscellaneous	169,400	156,190	13,210
	1,165,022	937,511	227,511
Capital Outlay			
Metro Water Recovery sewage tap surcharge	874,700	218,670	656,030
Property and equipment	3,125,500	1,814,646	1,310,854
Total capital outlay	4,000,200	2,033,316	1,966,884
Other Expenditures			
Contingency	300,000	-	300,000
Total other expenditures	300,000	-	300,000
Total Expenditures (Page 18)	$ 12,953,322	$ 10,061,973	$ 2,891,349

Cherry Creek Valley Water and Sanitation District
Reconciliation of Budgetary Basis (Actual)
of Statement of Revenues, Expenses and Changes in Net Position
December 31, 2025

Revenue (budgetary basis)	$ 12,445,648
Total revenue per statement of revenues, expenses and changes in net position	12,445,648
Expenditures (budgetary basis)	10,061,973
Depreciation	1,037,994
Capital outlay	(1,814,646)
Total expenses per statement of revenues, expenses and changes in net position	9,285,321
Change in net position per statement of revenues, expenses and changes in net position	$ 3,160,327