



CHEROKEE METROPOLITAN DISTRICT

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION With Independent Auditors' Report

YEAR ENDED DECEMBER 31, 2020

BOARD OF DIRECTORS

President Steve Hasbrouck
Vice President Walt Herrley
Secretary Dennis Daniels
Treasurer Larry Keleher
Director Rene Sintas

Amy Lathen – General Manager

CHEROKEE METROPOLITAN DISTRICT

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cherokee Metropolitan District
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Cherokee Metropolitan District, (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 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 supplemental 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.

Report on Other Supplemental 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 supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 37 through 39 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stockman Kast Ryan + Co. LLP

September 21, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHEROKEE METROPOLITAN DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) is presented to provide an overview of the financial activities and conditions for the fiscal year ended on December 31, 2020. The MD&A contains information currently known to management as of the date of the auditor's report. The MD&A should be read in conjunction with the District's financial statements that accompany this report.

FINANCIAL HIGHLIGHTS

- Total Assets equaled: \$172,415,108 for 2020.
- Cash, Cash Equivalents and Investments as of December 31, 2020 were \$67,148,237.
- Total Liabilities, as of December 31, 2020, equaled \$69,069,788.
- Net Position, as of December 31, 2020, totaled \$103,345,320.
- Governmental change in Net Position from 2019 to 2020 totaled \$60,313.
- Business-type change in Net Position from 2019 to 2020 totaled \$9,005,901.

FINANCIAL STATEMENTS

The financial statements consist of three parts - management discussion and analysis, the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two are government-wide statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplemental information that further explains and supports the information in the financial statements.

Government-wide Statements — The government-wide statements consist of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. The District's net position, the difference between assets and liabilities, is one way to measure the District's financial status, or financial position. Over time increases or decreases in the District's net position is one indicator whether its financial health is improving or deteriorating.

Fund Financial Statements — The fund financial statements provide more detailed information about the District's funds, focusing on its most significant funds, not the District as a whole. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds — The activity of the District's General fund is reported as a governmental fund, which focuses on how money flows into and out of the General fund. This fund is reported using the modified accrual accounting method, which measures cash and all of the other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs.

Proprietary (Enterprise) Funds — The activity of the District Enterprise funds is to report the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's Enterprise fund is the same as the business-type activities reported in the governmental-wide statements but provides more detailed and additional information, such as cash flows.

District Specific — The Cherokee Metropolitan District utilizes two separate financial categories of activities; one for the general district functions and one for the enterprise, or business-type functions. Each of these, in turn, is segregated into operational and capital functions. Together, these comprise the overall government-wide statements. The Governmental, or general, category covers the public functions involving: street lighting and parks. The Proprietary, or Business-type, category involves the public provision of water, wastewater, reuse water, related administration, and golf course functions. The Governmental functions are funded by fees and conservation trust funds. The Proprietary functions are funded by water and sewer user charges, tap fees, golf fees, and, similarly, bond financing when required for capital projects.

FINANCIAL POSITION & RESULTS FROM OPERATIONS

NET POSITION:

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSET						
Other	\$ 482,430	\$ 70,768,039	\$ 71,250,469	\$ 412,401	\$ 18,938,510	\$ 19,350,911
Capital	<u>499,874</u>	<u>100,664,765</u>	<u>101,164,639</u>	<u>512,759</u>	<u>100,226,303</u>	<u>100,739,062</u>
Total assets	<u>\$ 982,304</u>	<u>\$ 171,432,804</u>	<u>\$ 172,415,108</u>	<u>\$ 925,160</u>	<u>\$ 119,164,813</u>	<u>\$ 120,089,973</u>

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
LIABILITIES						
Current	\$ 11,682	\$ 3,201,526	\$ 3,213,208	\$ 14,851	\$ 2,840,007	\$ 2,854,858
Long-term		65,856,580	65,856,580		22,956,009	22,956,009
Total liabilities	<u>\$ 11,682</u>	<u>\$ 69,058,106</u>	<u>\$ 69,069,788</u>	<u>\$ 14,851</u>	<u>\$ 25,796,016</u>	<u>\$ 25,810,867</u>
NET POSITION						
Net investment in capital assets	\$ 499,874	\$ 33,410,560	\$ 33,910,434	\$ 512,759	\$ 75,916,496	\$ 76,429,255
Restricted position	281,232	48,672,185	48,953,417	148,039	3,364,190	3,512,229
Unrestricted position	189,516	20,291,953	20,481,469	249,511	14,088,111	14,337,622
Total net position	<u>\$ 970,622</u>	<u>\$ 102,374,698</u>	<u>\$ 103,345,320</u>	<u>\$ 910,309</u>	<u>\$ 93,368,797</u>	<u>\$ 94,279,106</u>

Condensed Statements of Activities for the years ended December 31, 2020 and 2019

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Charges for service	\$ 316,737	\$ 15,499,227	\$ 15,815,964	\$ 311,915	\$ 13,881,555	\$ 14,193,470
Operating grants and contributions	127,519		127,519	137,748		137,748
Capital grants and contributions		3,077,928	3,077,928		3,731,822	3,731,822
Investment earnings	2,035	121,820	123,855	2,539	217,912	220,451
Other revenues	-	2,738,794	2,738,794	17	438,447	438,464
Total revenues	<u>446,291</u>	<u>21,437,769</u>	<u>21,884,060</u>	<u>452,219</u>	<u>18,269,736</u>	<u>18,721,955</u>
FUNCTIONAL						
Street lights	122,517		122,517	121,840		121,840
Parks	263,461		263,461	235,239		235,239
Water and wastewater		11,317,178	11,317,178		10,836,863	10,836,863
Golf course		1,114,690	1,114,690		1,098,479	1,098,479
Total expenditures	<u>385,978</u>	<u>12,431,868</u>	<u>12,817,846</u>	<u>357,079</u>	<u>11,935,342</u>	<u>12,292,421</u>
Change in net position	<u>60,313</u>	<u>9,005,901</u>	<u>9,066,214</u>	<u>357,079</u>	<u>6,334,394</u>	<u>6,429,534</u>
Net position beginning of year	<u>910,309</u>	<u>93,368,797</u>	<u>94,279,106</u>	<u>815,169</u>	<u>87,034,403</u>	<u>87,849,572</u>
Net position end of year	<u>\$ 970,622</u>	<u>\$ 102,374,698</u>	<u>\$ 103,345,320</u>	<u>\$ 910,309</u>	<u>\$ 93,368,797</u>	<u>\$ 94,279,106</u>

Both Governmental and Business-type Activities exhibited a positive change in net position primarily attributable to monitoring expenditures in conjunction with increasing revenue.

ANALYSIS OF POSITION

The overall financial position of the District increased during 2020, due to continued monitoring of operating expenditures and increasing revenue due to growth, a favorable arbitration settlement in the Water and Wastewater Enterprise Fund and increased player activity at the District's Golf Course.

Capital assets for both Governmental and Business-type Activities increased as the District continues to make improvements to its parks, golf course and water and wastewater infrastructure. In 2020, the District initiated the Engineering design phase for the TDS Reduction Project that will assist the District in meeting the State mandate to reduce the TDS (Totally Dissolved Solids) level in the District's wastewater outflow.

CAPITAL ASSETS:

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Water and Wastewater fund and Golf course	\$	\$ 135,214,741	\$ 135,214,741	\$	\$ 132,107,536	\$ 132,107,536
Street light and park improvements	1,087,633		1,087,633	1,035,204		1,035,204
Accumulated depreciation	(587,759)	(33,984,976)	(34,572,735)	(522,445)	(31,316,233)	(31,838,678)
Impairment		(565,000)	(565,000)		(565,000)	(565,000)
Total capital assets, net	<u>\$ 499,874</u>	<u>\$ 100,664,765</u>	<u>\$ 101,164,639</u>	<u>\$ 512,759</u>	<u>\$ 100,226,303</u>	<u>\$ 100,739,062</u>

The long-term liabilities increased during 2020 by nearly \$43,000,000 in the Water and Wastewater Enterprise fund due to the District issuing revenue bonds to pay for the construction of the TDS Reduction project.

LONG-TERM DEBT:

	2020			2019		
	Governmental Activities	Proprietary Activities	Total	Governmental Activities	Proprietary Activities	Total
Bonds payable	\$	\$ 59,507,584	\$ 59,507,584	\$	\$ 15,690,685	\$ 15,690,685
Notes payable		7,746,621	7,746,621	\$	8,619,122	8,619,122
Total debt	<u>\$ -</u>	<u>\$ 67,254,205</u>	<u>\$ 67,254,205</u>	<u>\$ -</u>	<u>\$ 24,309,807</u>	<u>\$ 24,309,807</u>

FUTURE TRENDS AND ECONOMIC FACTORS

Cherokee Metropolitan District's financial position continued at steady pace in 2020. Residential building continued despite the pandemic. The District's Golf Course welcomed many newcomers to the game as social outlets became limited during the pandemic and golf courses offered a rare entertainment option during a restrictive time.

The District will commence construction of a Reverse Osmosis Plant in 2021. Water return flow quality limits imposed by the State of Colorado has made it necessary for the District to construct this multi-million dollar facility to remedy the situation. The District issued bonds in 2020 to fund the construction of the Plant that will enable the District to meet the State-mandated order. In addition, the District continues to look to purchase new and renewable water resources. This will help secure resources necessary for future growth and to improve return flow qualities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Cherokee Metropolitan District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Amy Lathen, General Manager, at (719) 597-5080.

BASIC FINANCIAL STATEMENTS

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 18,208,220	\$ 18,208,220
Cash and cash equivalents, restricted	267,832	48,672,185	48,940,017
Total cash and cash equivalents	<u>267,832</u>	<u>66,880,405</u>	<u>67,148,237</u>
Accounts receivable	589	3,788,569	3,789,158
Inventories	-	58,207	58,207
Prepaid expenses	2,715	252,152	254,867
Due (to) from other funds	211,294	(211,294)	-
Capital assets, net of accumulated depreciation	499,874	100,664,765	101,164,639
Total assets	<u>982,304</u>	<u>171,432,804</u>	<u>172,415,108</u>
LIABILITIES			
Accounts payable	11,682	740,364	752,046
Accrued expenses	-	246,892	246,892
Accrued interest	-	626,603	626,603
Customer deposits	-	190,042	190,042
Long-term liabilities			
Due within one year	-	1,397,625	1,397,625
Due in more than one year	-	65,856,580	65,856,580
Total liabilities	<u>11,682</u>	<u>69,058,106</u>	<u>69,069,788</u>
NET POSITION			
Net investment in capital assets	499,874	33,410,560	33,910,434
Restricted	281,232	48,672,185	48,953,417
Unrestricted	189,516	20,291,953	20,481,469
Total net position	<u>\$ 970,622</u>	<u>\$ 102,374,698</u>	<u>\$ 103,345,320</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Lighting	\$ 122,517	\$ 138,230	\$ -	\$ -	\$ 15,713	\$ -	\$ 15,713
Parks	263,461	178,507	127,519	-	42,565	-	42,565
General government	385,978	316,737	127,519	-	58,278	-	58,278
Business-type activities:							
Water and Wastewater Fund	11,317,178	14,157,239	-	3,077,928	-	5,917,989	5,917,989
Golf Course Fund	1,114,690	1,341,988	-	-	-	227,298	227,298
Total	\$ 12,431,868	\$ 15,499,227	\$ -	\$ 3,077,928	\$ -	\$ 6,145,287	\$ 6,145,287
General revenue:							
Investment earnings					2,035	121,820	123,855
Interest - Arbitration settlement					-	130,763	130,763
TDS Costs reimbursements					-	1,854,499	1,854,499
Grant revenue					-	76,619	76,619
Other revenue					-	676,913	676,913
Total general revenue					2,035	2,860,614	2,862,649
Change in net position				60,313		9,005,901	9,066,214
Net position - Beginning				910,309		93,368,797	94,279,106
Net position - Ending				\$ 970,622	\$ 102,374,698	\$ 103,345,320	\$ 103,345,320

These financial statements should be read only in connection with the accompanying notes to financial statements.

**CHEROKEE METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020**

	<u>General Fund</u>	<u>Parks Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Restricted cash and cash equivalents	\$ -	\$ 267,832	\$ 267,832
Prepaid expense	-	2,715	2,715
Accounts receivable, other	-	589	589
Due from other funds	192,406	18,888	211,294
Total assets	<u>\$ 192,406</u>	<u>\$ 290,024</u>	<u>\$ 482,430</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 10,476	\$ 1,206	\$ 11,682
Due to other funds	-	-	-
Total liabilities	<u>10,476</u>	<u>1,206</u>	<u>11,682</u>
FUND BALANCE			
Restricted	13,400	267,832	281,232
Unassigned	168,530	20,986	189,516
Total fund balance	<u>181,930</u>	<u>288,818</u>	<u>470,748</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 192,406</u>	<u>\$ 290,024</u>	<u>\$ 482,430</u>

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position:

Total fund balance, governmental funds	\$ 470,748
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	<u>499,874</u>
Net position of governmental activities	<u>\$ 970,622</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
Year Ended December 31, 2020**

	<u>General Fund</u>	<u>Parks Fund</u>	<u>Total Governmental Funds</u>
REVENUE			
Fees	\$ 138,230	\$ 178,507	\$ 316,737
Conservation Trust funds	-	127,519	127,519
Interest/miscellaneous income	-	2,035	2,035
Total revenues	<u>138,230</u>	<u>308,061</u>	<u>446,291</u>
EXPENDITURES			
Lighting	122,517	-	122,517
Parks, landscape and open space	-	250,576	250,576
Total expenditures	<u>122,517</u>	<u>250,576</u>	<u>373,093</u>
NET CHANGE IN FUND BALANCE	15,713	57,485	73,198
FUND BALANCE - BEGINNING OF YEAR	<u>166,217</u>	<u>231,333</u>	<u>397,550</u>
FUND BALANCE - END OF YEAR	<u>\$ 181,930</u>	<u>\$ 288,818</u>	<u>\$ 470,748</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CHEROKEE METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	\$ <u>73,198</u>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays for the period.	<u>(12,885)</u>
Change in net position - Governmental activities	\$ <u><u>60,313</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

ASSETS	Water and Wastewater Fund	Golf Course Fund	Total
Current assets			
Cash and cash equivalents	\$ 17,446,950	\$ 761,270	\$ 18,208,220
Accounts receivable	3,785,621	2,948	3,788,569
Inventories	-	58,207	58,207
Prepaid expenses	239,137	13,015	252,152
Total current assets	<u>21,471,708</u>	<u>835,440</u>	<u>22,307,148</u>
Non-current assets			
Restricted cash and cash equivalents	48,672,185	-	48,672,185
Capital assets, net of depreciation	<u>98,570,140</u>	<u>2,094,625</u>	<u>100,664,765</u>
Total non-current assets	<u>147,242,325</u>	<u>2,094,625</u>	<u>149,336,950</u>
TOTAL ASSETS	<u><u>\$ 168,714,033</u></u>	<u><u>\$ 2,930,065</u></u>	<u><u>\$ 171,644,098</u></u>
 LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	\$ 730,212	\$ 10,152	\$ 740,364
Accrued expenses	245,848	1,044	246,892
Accrued interest	626,603	-	626,603
Due to other funds	(321,260)	532,554	211,294
Customer deposits	190,042	-	190,042
Notes payable - current portion	897,625	-	897,625
Bonds payable - current portion	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total current liabilities	<u>2,869,070</u>	<u>543,750</u>	<u>3,412,820</u>
Non-current liabilities			
Notes payable	6,848,996	-	6,848,996
Bonds payable	<u>59,007,584</u>	<u>-</u>	<u>59,007,584</u>
Total non-current liabilities	<u>65,856,580</u>	<u>-</u>	<u>65,856,580</u>
Total liabilities	<u>68,725,650</u>	<u>543,750</u>	<u>69,269,400</u>
 NET POSITION			
Net investment in capital assets	31,315,935	2,094,625	33,410,560
Restricted	48,672,185	-	48,672,185
Unrestricted	<u>20,000,263</u>	<u>291,690</u>	<u>20,291,953</u>
Total net position	<u>99,988,383</u>	<u>2,386,315</u>	<u>102,374,698</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 168,714,033</u></u>	<u><u>\$ 2,930,065</u></u>	<u><u>\$ 171,644,098</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2020

	Water and Wastewater Fund	Golf Course Fund	Total
OPERATING REVENUE			
Water sales	\$ 8,207,443	\$ -	\$ 8,207,443
Sewer services	5,312,014	-	5,312,014
TDS Surcharge	637,782	-	637,782
Golf revenues	-	1,069,446	1,069,446
Resale	-	272,542	272,542
Total operating revenue	<u>14,157,239</u>	<u>1,341,988</u>	<u>15,499,227</u>
OPERATING EXPENSES			
Water system	2,816,514	-	2,816,514
Wastewater system	1,736,317	-	1,736,317
Support services	738,624	-	738,624
Golf course operations	-	811,079	811,079
General and administrative	1,412,740	226,777	1,639,517
Depreciation	2,591,909	76,834	2,668,743
Total operating expenses	<u>9,296,104</u>	<u>1,114,690</u>	<u>10,410,794</u>
OPERATING INCOME	<u>4,861,135</u>	<u>227,298</u>	<u>5,088,433</u>
NONOPERATING REVENUE AND (EXPENSES)			
Tap fees	3,077,928	-	3,077,928
Interest income	121,820	-	121,820
Miscellaneous income	666,549	10,364	676,913
TDS Costs reimbursements	1,854,499	-	1,854,499
Interest - Arbitration settlement	130,763	-	130,763
TDS Arbitration - Legal costs	(567,976)	-	(567,976)
Grant revenue	76,619	-	76,619
Interest expense	(1,025,576)	-	(1,025,576)
Bond issuance costs	(427,522)	-	(427,522)
Total nonoperating revenue, net	<u>3,907,104</u>	<u>10,364</u>	<u>3,917,468</u>
CHANGE IN NET POSITION	<u>8,768,239</u>	<u>237,662</u>	<u>9,005,901</u>
NET POSITION - BEGINNING OF YEAR	<u>91,220,144</u>	<u>2,148,653</u>	<u>93,368,797</u>
NET POSITION - END OF YEAR	<u>\$ 99,988,383</u>	<u>\$ 2,386,315</u>	<u>\$ 102,374,698</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2020

	Water and Wastewater Fund	Golf Course Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 12,144,792	\$ 1,339,040
Cash payments to suppliers for goods and services	(4,414,296)	(557,271)
Cash payments to employees for services	(2,456,328)	(476,268)
Net cash provided by operating activities	5,274,168	305,501
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue	76,619	-
Change in due from other funds	(431,357)	369,851
Net cash provided by (used in) noncapital financing activities	(354,738)	369,851
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions - tap fees	3,077,928	-
Miscellaneous income	666,549	10,364
Purchase of capital assets	(3,079,285)	(27,920)
Principal paid on debt	(1,353,798)	-
Bond proceeds	38,755,000	-
Bond premium	5,633,522	-
TDS cost reimbursements	1,854,499	-
TDS Arbitration - Legal costs	(567,976)	-
Interest - Arbitration settlement	130,763	-
Bond issuance costs	(427,522)	-
Interest paid on debt	(836,293)	-
Net cash provided by (used in) capital and related financing activities	43,853,387	(17,556)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	121,820	-
Net cash provided by investing activities	121,820	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,894,637	657,796
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	17,224,498	103,474
CASH AND CASH EQUIVALENTS - END OF YEAR	66,119,135	761,270
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 4,861,135	\$ 227,298
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,591,909	76,834
Effects of changes in operating assets and liabilities:		
Accounts receivable	(2,032,838)	(2,948)
Prepaid expense	(196,455)	(10,804)
Accounts payable	17,722	7,970
Accrued expenses	10,195	87
Inventories	-	7,064
Customer deposits	22,500	-
Net cash provided by operating activities	\$ 5,274,168	\$ 305,501

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original & Final</u>	<u>Actual</u>	
REVENUE			
Fees	\$ 136,000	\$ 138,230	\$ 2,230
Total Revenue	<u>136,000</u>	<u>138,230</u>	<u>2,230</u>
EXPENDITURES			
Lighting	124,000	122,517	1,483
Total Expenditures	<u>124,000</u>	<u>122,517</u>	<u>1,483</u>
NET CHANGE IN FUND BALANCE	12,000	15,713	3,713
FUND BALANCE - BEGINNING OF YEAR	<u>164,050</u>	<u>166,217</u>	<u>2,167</u>
FUND BALANCE - END OF YEAR	<u>\$ 176,050</u>	<u>\$ 181,930</u>	<u>\$ 5,880</u>

These financial statements should be read only in connection with the
accompanying notes to financial statements.

**CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PARKS FUND
For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original & Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
REVENUE			
Fees	\$ 174,000	\$ 178,507	\$ 4,507
Conservation Trust funds	140,000	127,519	(12,481)
Interest/miscellaneous income	1,500	2,035	535
Total Revenues	<u>315,500</u>	<u>308,061</u>	<u>(7,439)</u>
EXPENDITURES			
Parks, landscape and open space	252,321	198,147	54,174
Capital outlay	50,000	52,429	(2,429)
Total Expenditures	<u>302,321</u>	<u>250,576</u>	<u>51,745</u>
NET CHANGE IN FUND BALANCE	<u>13,179</u>	<u>57,485</u>	<u>44,306</u>
FUND BALANCE - BEGINNING OF YEAR	<u>164,437</u>	<u>231,333</u>	<u>66,896</u>
FUND BALANCE - END OF YEAR	<u>\$ 177,616</u>	<u>\$ 288,818</u>	<u>\$ 111,202</u>

These financial statements should be read only in connection with the
accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and organization - Cherokee Metropolitan District (District) is a political subdivision of the State of Colorado. The District converted from Cherokee Water and Sanitation District on May 11, 1992. On May 11, 1992, Cimarron Hills Street Improvement District merged into Cherokee Metropolitan District. The District provides water and wastewater services and parks to residents of the District.

The District financial statements are prepared in accordance with the U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). A summary of the significant accounting policies used in the preparation of those financial statements follows.

Reporting entity - The District has no component units for which either discrete or blended presentation is required. The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

Government-wide and fund financial statements

Government-wide financial statements - The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities are financed to a significant extent by fees and charges.

The statement of activity demonstrates the degree to which direct expenses of a given function

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financial sources.

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Those revenues susceptible to accrual are interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Parks Fund - The Parks Fund is accounted for as a special revenue fund. It is used to account for monies received by the District for the purpose of making necessary repairs and improvements to the District's parks.

The District reports the following major proprietary funds:

Water and Wastewater Enterprise Fund - The Water and Wastewater Enterprise Fund is used for activities of providing and processing water and wastewater.

Golf Course Enterprise Fund - The Golf Course Enterprise Fund is used to account for the operations of the golf course.

CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

An Enterprise Fund is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has two enterprise funds - the Water and Wastewater Fund and the Golf Course Fund. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as the program revenue include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for service. Operating expenses for enterprise funds include 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.

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

Deposits and investments - Cash and cash equivalents include cash on hand and in the bank, money market funds are short-term investments with original maturities of three months or less from the date of acquisition, including restricted cash and investments. Investments are stated at fair value.

Receivables - All receivables are reported to their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible.

CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Inventories and prepaid items - Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Due to and from other funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. In the fund financial statements, these receivables and payables are classified as “due from other funds” or “due to other funds”. In the government-wide financial statements, all internal balances have been substantially eliminated.

Restricted cash and investments - The use of certain cash investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is restricted by third party agreements.

Capital assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g. street lights, signs and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

If proprietary fund assets are constructed, interest is capitalized on the assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Buildings, improvements, vehicles, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

Street Lights	5-10 years
Park Improvements	10 years
Improvements	5-40 years
Buildings	40 years
Equipment	5-20 years
Transmission	5-50 years
Water Rights	50 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and change in net position.

Deferred outflows and inflows of resources - Deferred outflow and inflow of resources are a consumption or acquisition of net assets that is applicable to a future reporting period. The District does not have any of these items.

Compensated absences - Employees earn 80 hours of sick leave per year. Employees hired before January 1, 2015 may accumulate up to 960 hours. Upon retirement or voluntary termination, an employee is paid for 50% of any hours in excess of 480 hours at the employee's current salary rate. Employees hired after January 1, 2015 may accumulate 80 hours of sick leave and are not paid for sick leave upon retirement or termination of service.

Employees earn vacation time in varying amounts based upon length of service. Employees are paid for unused vacation time upon termination.

The District has recorded a liability for compensated absences in the proprietary funds.

Long-term liabilities - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as

CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable premium or discount. Issue costs are reported as expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund balance classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

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.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Assigned - This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The District typically uses *Restricted* fund balances first, followed by *Committed* resources, then *Assigned* resources as appropriate opportunities arise, but reserves the right to selectively spend *Unassigned* resources first to defer the use of these other classified funds.

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

Budget information - The District follows these procedures in establishing the budgetary data reflected in the financial statements:

A. In the fall, the District Manager 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.

B. Public hearings are conducted by the District to obtain taxpayer comments.

C. Prior to December 15, the budget is legally approved.

D. Any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

E. Formal budgetary integration is employed as a management control device during the year for the governmental and proprietary funds.

F. The budget for the General and Parks Fund is adopted on a basis consistent with GAAP.

G. The budget for the Water and Wastewater and Gold Course Enterprise Funds is prepared on a basis of accounting other than GAAP, which is normal for proprietary funds. The primary differences are that bond proceeds are treated as a budget source, and capital expenditure and principal payments are treated as a budget use.

H. Budgeted amounts are as originally adopted or amended.

I. All annual appropriations lapse at the end of the year.

There were no supplementary appropriations in 2020.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District's deposits and investments consist of the following at December 31, 2020:

	Cash and cash equivalents	Restricted cash and cash equivalents	Total
Deposits	\$ 6,183,148	\$ 190,042	\$ 6,373,190
ColoTrust	12,025,072	48,749,975	60,775,047
Total	<u>\$ 18,208,220</u>	<u>\$ 48,940,017</u>	<u>\$ 67,148,237</u>

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Reconciliation of cash and cash equivalents and investments to the government-wide financial statements at December 31, 2020, is:

	<u>Cash and cash equivalents</u>	<u>Restricted cash and cash equivalents</u>	<u>Total</u>
Governmental activities	\$ -	\$ 267,832	\$ 267,832
Business-type activities	18,208,220	48,672,185	66,880,405
Total	<u>\$ 18,208,220</u>	<u>\$ 48,940,017</u>	<u>\$ 67,148,237</u>

Cash equivalents - 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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the 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, 2020, the carrying amount of the District's deposits was \$6,373,190 and the bank balances were \$6,398,575. Of the bank balances, \$250,000 was covered by federal depository insurance and \$6,148,575 falls under the provisions of the PDPA, which is collateralized in single institution pools.

The District is authorized by Colorado statutes to invest in the following:

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

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS- continued

Fair Value Measurements – The District categorizes its 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 and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level 3) as follows:

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted market prices.

Level 3: Valuation derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Investments measured at NAV:

COLOTRUST	
Total investments measured at NAV	<u>\$60,775,047</u>

Investments Measured at NAV:

Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. A twelve-member Board of Trustees, elected by the fund participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards and policies. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes. COLOTRUST reports all investments as level 2 investments while the District's investment in COLOTRUST is reported at NAV. The District has no unfunded commitments or redemption restrictions on their investment in COLOTRUST. The separate audited financial statements of COLOTRUST are available on their website at www.colotruster.com.

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS- Continued

Credit risk - State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of December 31, 2020, all of the District's investments were invested in COLOTRUST. COLOTRUST has a credit quality rating of "AAAm", as determined by Standard & Poor Global Ratings.

Interest rate risk - State law limits investments with a maximum maturity date of no more than five years from the date of purchase. The District does not have an investment policy that would further limit its investment choices.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2020, consisted of the following:

User fees	\$ 1,473,419
IGA	2,073,387
Other	242,352
Total	<u>\$ 3,789,158</u>

NOTE 4 - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds - Inter-fund receivable and payables are created in conjunction with the District's pooled cash, and are paid back within a reasonable time. As of December 31, 2020, inter-fund receivables and payables were as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	\$ 192,406	\$ -
Parks Fund	18,888	-
Golf Course Fund	321,260	-
Water and Wastewater Fund	-	532,554
Total	<u>\$ 532,554</u>	<u>\$ 532,554</u>

CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Balance at December 31, 2019</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2020</u>
Governmental activities:				
Capital assets, being depreciated:				
Street lights	\$ 55,960	\$ -	\$ -	\$ 55,960
Park improvements and equipment	979,244	52,429	-	1,031,673
Total capital assets being depreciated	<u>1,035,204</u>	<u>52,429</u>	<u>-</u>	<u>1,087,633</u>
Less accumulated depreciation for:				
Street lights	(55,960)	-	-	(55,960)
Park improvements and equipment	(466,485)	(65,314)	-	(531,799)
Total accumulated depreciation	<u>(522,445)</u>	<u>(65,314)</u>	<u>-</u>	<u>(587,759)</u>
Total capital assets, net	<u>\$ 512,759</u>	<u>\$ (12,885)</u>	<u>\$ -</u>	<u>\$ 499,874</u>

Business-type capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Balance at December 31, 2019</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2020</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,218,728	\$ -	\$ -	\$ 2,218,728
Water rights	39,985,305	-	-	39,985,305
CIP - TDS	175,957	2,007,158	-	2,183,115
Capital assets, being depreciated:				
Land improvements	1,020,020	-	-	1,020,020
Buildings	23,958,430	1,586	-	23,960,016
Equipment	11,480,640	434,630	-	11,915,270
Transmission	53,268,456	663,831	-	53,932,287
Total capital assets being depreciated	<u>132,107,536</u>	<u>3,107,205</u>	<u>-</u>	<u>135,214,741</u>
Less accumulated depreciation	(31,316,233)	(2,668,743)	-	(33,984,976)
Less: allowance for impaired assets	(565,000)	-	-	(565,000)
Total business-type activities capital assets, net	<u>\$ 100,226,303</u>	<u>\$ 438,462</u>	<u>\$ -</u>	<u>\$ 100,664,765</u>

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS - continued

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities	
Parks	\$ 65,314
Total depreciation expense - governmental activities	<u>\$ 65,314</u>
Business-type activities	
Water and wastewater	\$ 2,591,909
Golf course	<u>76,834</u>
Total depreciation expense - business-type activities	<u>\$ 2,668,743</u>

As of December 31, 2020, an allowance of \$565,000 relating to challenged water rights remains unchanged in the current year. See (NOTE 12) relating to the District's contingencies relating to water litigation.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at December 31, 2020, consisted of the following:

Accounts payable - trade	\$ 633,582
Accounts payable - retainage	<u>118,464</u>
	<u>\$ 752,046</u>

NOTE 7 - LONG-TERM LIABILITIES

Colorado Water Resources and Power Development Authority loans

On November 8, 2006, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) for \$15,249,690 collateralized by pledge of net revenues from the Water and Wastewater Fund (revenues after deducting operation and maintenance expenses).

The 2006 loan is payable semiannually, with principal and interest payments of \$381,209 to \$526,461, including interest at 3.5% with the final payment due August 1, 2027. CWRPDA

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM LIABILITIES - continued

restructured the loan in May 2016 which reduced the District's debt service costs over the remainder of the term of the loan.

On May 13, 2016 CWRPDA refinanced the bonds that support the 2006 loan that they have issued to the District. As a result of this refinancing CWRPDA has agreed to provide interest credits which reduce the effective interest rate to approximately 3.0% on future payments on the 2006 note. No other payment terms were changed. The present value of this savings is \$745,046. The future minimum payments as noted below have been adjusted for the new interest payments.

On September 11, 2012, the District entered into a loan agreement with the CWRPDA for \$2,000,000, collateralized by a pledge of net revenues from the Water and Wastewater Fund (revenues after deducting operation and maintenance expenses). The 2012 loan requires principal and interest payments of \$22,500 to \$76,528, including interest at 2.0%. The loan is scheduled to mature August 1, 2033.

Annual debt service requirements to maturity for the loans are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 897,625	\$ 235,947
2022	916,125	212,806
2023	940,047	192,428
2024	958,645	168,352
2025	998,777	133,246
2026 - 2030	2,600,435	120,217
2031 - 2033	443,513	15,652
Total	<u>\$ 7,755,167</u>	<u>\$ 1,078,648</u>

Revenue bonds – The District issued Series 2012 revenue bonds (\$9,415,000 original issue) to provide funds for the purchase of water rights, well field development, water treatment and water conveyance infrastructure. The bond principal and interest are payable from the District's net pledged revenue, which includes all revenues of the water and wastewater system less operation and maintenance expenses. The bonds have an interest rate varying annually from two to four

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM LIABILITIES - continued

percent, interest payable semi-annually on February 1 and August 1 of each year.

Principal is payable annually on August 1, and mature no later than December 31, 2037. The District sought a level aggregate annual debt service level that takes into account prior financing with the CWRPDA (detailed above), both financing for wastewater infrastructure.

The District issued Series 2013 revenue bonds (\$9,660,000 original issue) to provide funds for the purchase of water rights, well field development, water treatment and water conveyance infrastructure. The bond principal and interest are payable from the District's net pledged revenue, which includes all water and wastewater system less operation and maintenance expenses. The bonds have an interest rate varying annually from two to four percent, interest payable semi-annually, principal payable annually on August 1 of each year and mature no later than December 31, 2033. The District sought a level aggregate annual debt service level that takes into account prior financing with the CWRPDA (detailed above), both financing for wastewater infrastructure.

The bonds are subject to redemption prior to maturity at the option of the District and are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption dates are August 1 of each year.

Annual debt service requirements to maturity for the Series 2012 and Series 2013 bonds are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 500,000	\$ 569,351
2022	535,000	553,150
2023	565,000	535,338
2024	600,000	516,675
2025	615,000	498,976
2026 - 2030	6,230,000	2,044,524
2031 - 2033	5,630,000	478,100
Total	<u>\$ 14,675,000</u>	<u>\$ 5,196,114</u>

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM LIABILITIES – continued

On October 22, 2020, the District issued Series 2020 revenue bonds in the amount of \$38,755,000 to provide funds for the construction of a reverse osmosis wastewater treatment plant to meet the TDS (Totally Dissolved Solids) level mandated by the State of Colorado. The bond principal and interest are payable from the District’s net pledged revenue, which includes all revenue of the water and wastewater system less operation and maintenance expenses. The bonds have an interest rate of four percent, interest payable semi-annually on February 1 and August 1 of each year. Principal is payable annually on August 1, and mature no later than December 31, 2050.

The bonds are subject to redemption prior to maturity at the option of the District and are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption dates are August 1 of each year.

Annual debt service requirements to maturity for the Series 2020 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ -	\$ 1,201,405
2022	-	1,550,200
2023	-	1,550,200
2024	-	1,550,200
2025	-	1,550,200
2026 - 2030	-	7,751,000
2031 - 2035	3,335,000	7,685,600
2036 - 2040	9,585,000	6,347,200
2041 - 2045	11,650,000	4,271,400
2046 - 2050	14,185,000	1,746,600
Total	<u>\$ 38,755,000</u>	<u>\$ 35,204,005</u>

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM LIABILITIES – continued

Changes in long-term liabilities

	Balance at December 31, 2019	Additions	Deductions	Balance at December 31, 2020	Amounts Due Within One Year
Business-Type Activities:					
2006 note payable	\$ 6,768,089	\$ -	\$ 757,382	\$ 6,010,707	\$ 778,868
2006 note issuance discount	(9,844)	-	(1,298)	(8,546)	-
2012 note payable	1,860,877	-	116,417	1,744,460	118,757
Total notes payable	<u>8,619,122</u>	<u>-</u>	<u>872,501</u>	<u>7,746,621</u>	<u>897,625</u>
2012 revenue bonds payable	\$ 7,205,000	\$ -	\$ 175,000	\$ 7,030,000	\$ 190,000
2013 revenue bonds payable	7,950,000	-	305,000	7,645,000	310,000
2020 revenue bonds payable	-	38,755,000	-	38,755,000	-
Bond issuance premium - 2020 bonds	-	5,633,522	35,992	5,597,530	-
Bond issuance premium	535,685	-	55,631	480,054	-
Total revenue bonds payable	<u>15,690,685</u>	<u>44,388,522</u>	<u>571,623</u>	<u>59,507,584</u>	<u>500,000</u>
Total - Business-type activities long-term liabilities	<u>\$ 24,309,807</u>	<u>\$ 44,388,522</u>	<u>\$ 1,444,124</u>	<u>\$ 67,254,205</u>	<u>\$ 1,397,625</u>

NOTE 8 - NET POSITION

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

Net investment in capital assets, net of related debt consists of capital assets net of accumulated depreciation reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2020, the District had invested in capital assets, net of related debt as follows:

Net investment in capital assets	
Capital assets, net of depreciation	\$101,164,639
Less: related debt	<u>(67,254,205)</u>
Total net investment in capital assets	<u>\$ 33,910,434</u>

Restricted net position is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - NET POSITION - continued

constitutional provisions or enabling legislation. As of December 31, 2020, the District had restricted net position as follows:

Restricted for:	
Capital projects, bond reserve, etc.	\$ 48,482,143
Parks	267,832
Customer deposits	190,042
TABOR	13,400
Total restricted net assets	<u>\$ 48,953,417</u>

NOTE 9 - PENSION

The District provides pension benefits through a 457b retirement plan. All full-time employees participate in the Plan. Employees are vested immediately. The District contributes 8% of an employee's wages to the Plan. The employee can choose to contribute but is not required to do so. Contributions for 2020 totaled \$207,105.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three fiscal years. Further, the District practices water supply planning and short term contracting to ensure adequate supplies for the community.

NOTE 11 - INTERGOVERNMENTAL AGREEMENTS (IGA)

The District has entered into several agreements with other governmental entities to provide water and wastewater treatment. These agreements stipulate various means to obtain, trade or provide water and wastewater services. These agreements are a normal part of the operations of the District and management believes that these agreements do not constitute significant long-term commitments of the District which would require additional disclosures. Specific information concerning the summaries of certain intergovernmental agreements can be obtained from the District.

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Litigation - The District is involved in several pending or threatened lawsuits, the most significant of which are described below. The District and its legal counsel estimate that the potential claims against the District not covered by insurance or accrued for, resulting in such litigation, would not materially affect the financial statements of the District.

Environmental Violations. The District is operating under a Compliance on Consent (CoC) order issued by the Colorado Department of Public Health and Environment (CDPHE) regarding the amount of Total Dissolved Solids (TDS) contained in treated effluent leaving the District's Water Reclamation Facility (WRF) and being reintroduced into the groundwater in the Upper Black Squirrel Creek Basin. Based on this order Cherokee must comply with the State's TDS limits no later than September 2022. Cherokee's Board of Directors approved a plan to comply with the CoC and is evaluating certain technologies to construct the required infrastructure to comply with the CoC by the State imposed deadline.

The estimated cost of the needed infrastructure and associated construction is approximately \$40 million, which will require the District to obtain long-term financing to complete this project and operate the facilities.

NOTE 13 - AMENDMENT TO COLORADO CONSTITUTION

In November 1992, the voters of Colorado approved the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X, of the Colorado Constitution. In general, TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR generally applies to the State and all local governments, including the District.

Fiscal year spending and revenue limits are determined based on prior year spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District

has made certain interpretations of the amendment's language in order to determine its compliance. The District does not receive any mill levy revenue and is therefore not subject to the limitations of TABOR.

**CHEROKEE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - SUBSEQUENT EVENTS

ARBITRATION – MERIDIAN SERVICE METROPOLITAN DISTRICT

On April 26, 2021, an arbitration judge ruled that Meridian Service Metropolitan District (“Meridian”) is responsible for 45.8% of the cost of the reverse osmosis plant that the District is building to lower its TDS level as mandated by the State of Colorado. In addition, Meridian is responsible for 45.8% of the TDS-related costs that the District has occurred since 2015.

SUPPLEMENTAL INFORMATION

CHEROKEE METROPOLITAN DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
NET POSITION (NON-GAAP BUDGETARY BASIS)
WATER AND WASTEWATER ENTERPRISE FUND
For the Year Ended December 31, 2020

	Budgeted		Variance with Final Budget - Favorable (Unfavorable)
	Amounts		
	Original-Final	Actual	
REVENUE			
Water sales	\$ 7,581,000	\$ 8,207,443	\$ 626,443
Sewer services	5,245,000	5,312,014	67,014
Water and wastewater tap fees	1,794,000	3,077,928	1,283,928
Grant revenue	-	76,619	76,619
Interest income	165,000	115,041	(49,959)
Miscellaneous income	288,150	666,549	378,399
Total Revenues	<u>15,073,150</u>	<u>17,455,594</u>	<u>2,382,444</u>
EXPENSES			
Water system			
Purchased water	20,000	23,327	(3,327)
Pumping	1,014,500	913,393	101,107
Treatment	258,011	287,437	(29,426)
Transmission and distribution	1,377,832	1,095,877	281,955
Employee benefits and training	623,506	496,480	127,026
Total Water system	<u>3,293,849</u>	<u>2,816,514</u>	<u>477,335</u>
Wastewater system			
Treatment	1,777,533	1,231,226	546,307
Collection	705,000	505,091	199,909
Total Wastewater system	<u>2,482,533</u>	<u>1,736,317</u>	<u>746,216</u>
Support Services			
Engineering and Pretreatment	346,569	315,946	30,623
Safety and technical services	292,586	270,492	22,094
Employee benefits and training	197,290	152,186	45,104
Total Support Services	<u>836,445</u>	<u>738,624</u>	<u>97,821</u>
Other			
General and administrative	1,738,547	1,412,740	325,807
Capital expenditures	5,184,240	1,072,127	4,112,113
Debt principal payments	1,353,798	1,353,798	-
Interest and bond fees	838,294	731,426	106,868
Total Other	<u>9,114,879</u>	<u>4,570,091</u>	<u>4,544,788</u>
Total Expenses	<u>15,727,706</u>	<u>9,861,546</u>	<u>5,866,160</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES			
	<u>(654,557)</u>	<u>7,594,048</u>	<u>8,248,604</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	40,700,000	38,755,000	(1,945,000)
Bond premium	-	5,633,522	5,633,522
TDS Surcharge	500,000	637,782	137,782
Interest earned on bond proceeds	500,000	6,779	493,221
TDS Costs reimbursements	-	1,854,499	1,854,499
Interest - Arbitration settlement	-	130,763	130,763
Debt service - 2020 Bond issue	(1,300,000)	(294,150)	1,005,850
Bond issuance costs	(700,000)	(427,522)	272,478
TDS Project/Restricted bond proceeds	(40,000,000)	(2,007,158)	37,992,842
TDS Arbitration - Legal costs	(220,000)	(567,976)	(347,976)
Total other financing sources	<u>(520,000)</u>	<u>43,721,539</u>	<u>44,734,760</u>
EXCESS OF REVENUE OVER EXPENSES			
	<u>(1,174,557)</u>	<u>51,315,587</u>	<u>52,983,364</u>
GAAP Adjustments			
Capital expenditures		3,079,285	
Principal payments on bonds		1,353,798	
Issuance of new debt		(38,755,000)	
Bond premium on new debt		(5,633,522)	
Depreciation		(2,591,909)	
Total GAAP Adjustments		<u>(42,546,448)</u>	
Change in net position		<u>\$ 8,768,239</u>	

**CHEROKEE METROPOLITAN DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
NET POSITION (NON-GAAP BUDGETARY BASIS)
GOLF COURSE ENTERPRISE FUND
For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original & Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
REVENUE			
Golf revenue	\$ 841,000	\$ 1,069,446	\$ 228,446
Resale	237,000	272,542	35,542
Miscellaneous	-	10,364	10,364
Total Revenue	<u>1,078,000</u>	<u>1,352,352</u>	<u>274,352</u>
EXPENDITURES			
Operating expense	631,822	637,492	(5,670)
Resale expense	152,500	173,587	(21,087)
General and administrative	229,431	226,777	2,654
Capital expenditures	58,500	27,920	30,580
Total Expenses	<u>1,072,253</u>	<u>1,065,776</u>	<u>6,477</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES			
	<u>5,747</u>	<u>\$ 286,576</u>	<u>\$ 280,829</u>
GAAP Adjustments			
Capital expenditures		27,920	
Depreciation		<u>(76,834)</u>	
Change in net position		<u>\$ 237,662</u>	

**CHEROKEE METROPOLITAN DISTRICT
DEBT SERVICE COVERAGE AND RESERVE REQUIREMENTS
Year Ended December 31, 2020**

Revenue	
Water sales	\$ 8,207,443
Sewer charges	5,312,014
Tap fees	3,077,928
TDS Surcharge	637,782
Interest income	121,820
Miscellaneous income	<u>666,549</u>
 TOTAL REVENUES	 <u>18,023,536</u>
 Operating Expenses	 9,296,104
Less: depreciation	<u>(2,591,909)</u>
 NET EXPENSES	 <u>6,704,195</u>
 NET REVENUES (PLEDGED PROPERTY)	 <u>\$ 11,319,341</u>
 Maximum debt service requirement	 <u>\$ 3,404,328</u>
 DEBT SERVICE COVERAGE FACTOR	 <u>332.50%</u>