

**DENVER SOUTHEAST SUBURBAN
WATER AND SANITATION DISTRICT
Douglas County, Colorado**

**FINANCIAL STATEMENTS
December 31, 2016 and 2015**



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Independent Auditor's Report

Board of Directors
Denver Southeast Suburban Water and Sanitation District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Denver Southeast Suburban Water and Sanitation District for the years ended December 31, 2016 and 2015, and the related notes to the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Denver Southeast Suburban Water and Sanitation District as of December 31, 2016 and 2015, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The management's discussion and analysis information on pages III through IX is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information as well as the continuing disclosure as listed in the Table of Contents has not been audited and accordingly, we express no opinion on it.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
June 19, 2017

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Denver Southeast Suburban Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

District Operations

The composition of District staff fluctuated a bit in 2016. Two long-time staff members retired in the fall of 2016. One position was filled and one position was closed and will not be refilled. The FTE count at the end of 2016 seventeen full time employees and one part-time employee. The Board of Directors approved an additional FTE for 2017 to begin building an in-house maintenance crew. The District continued growing in 2016 and sold a total of 56 water and sewer taps to new homes. That is a 12% decrease from the number of taps sold in 2015 (80).

The District was successful in getting a new augmentation plan decreed through the Water Court. This allows the District significant flexibility in water supply operations and give the District the ability to use and reuse its non-tributary ground water and incoming WISE supplies.

The total precipitation and pattern of precipitation in 2016 was a typical Colorado year, similar to 2015, characterized by a wet spring, average summer and a hot, dry fall. Total precipitation experienced in the District in 2016 was only 12.8 inches, 7.3 inches less than 2015 and 4.3 inches less than the annual average.

Customers' water usage in 2016 exceed demand from 2015 in 10 out of the 12 month. By the end of 2016, due to the high temperatures and lack of precipitation, total gallons pumped (year-to-date) surpassed the 2015 pumping by 121 million gallons. Total water pumped in 2016 was 13.9% higher than water pumped in 2015.

The District executed a Tap Pre-purchase Agreement in 2014 that locked in guaranteed tap fee revenue for three years. The District received its second payment of \$993,210 (the equivalent of 30 taps at the 2014 rate) in September 2014. The final tap deposit was expected in September 2016 however, the development had sold out all of its remaining taps in spring 2016. No final tap deposit was required and the terms of the agreement are complete with no reimbursement due to the developer by the District.

The District favorably settled a long standing dispute related to the drilling and development of Well A-16. The parties to the dispute executed a new construction contract to re-drill and equip a new Well A-16. That well is expected to be supplying Arapahoe aquifer water to the District by summer 2017.

Through a low interest loan from the Colorado Water Resources and Power Development Authority, the District began construction of a new pump station to replace the original Pump Station #1 (47 years old). The new facility is scheduled to be complete summer of 2017. The construction cost fluctuation (construction costs dipped in 2015) allowed the District to include some other needed Capital Projects into the scope of the original loan. As part of the WISE project, the District will be converting its disinfection system from free chlorine to chloramines. The design and construction of the facilities necessary to make that conversion are being funded by the 2015 CWRPDA loan and the project is expected to cost close to \$4 million. Also being funded by the loan will be the replacement of aging potable water pipelines throughout the District.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The District continued to work on long-term regional water supply projects through its membership in the Cherry Creek Project Water Authority and the South Metro WISE Authority. The South Metro WISE Authority made significant progress on the water delivery project completing construction on core infrastructure including a two million gallon water storage tank, a green-sand filtration water treatment plant and several pipeline turnouts that will be the points of connection for the members to receive WISE water. The District is one of five WISE project members cooperating on the construction of the Ridgegate Pipeline, which is the first component of local infrastructure needed to bring WISE water from the core infrastructure into the District's service area. This pipeline, along with other components of local infrastructure are planned to be complete in 2017. WISE water will be available to all WISE participants June 2017.

The Cherry Creek Project Water Authority is monitoring a purchase agreement with Meritage Homes to purchase property owned by the Authority. Meritage Homes is still in the planning and entitlement efforts with the Town of Parker to develop the property. The closing was expected at the end of 2016 but has been pushed due to schedule expansion in the review process with the Town of Parker. Closing on the property is now expected in 2017. Meritage will pay the Authority for the property and the Authority will distribute the proceeds to the members.

Other capital projects included the continued maintenance of the water distribution system to replace valves, curb stops, fire hydrants, air-vac valves and meter pits. The District continued its maintenance program on the sewer collection system to decrease infiltration and prolong the life of its assets.

Financial Highlights

- Net position increased \$2,421,483 while revenues increased 1.51% and expenses increased 11.28%.
- The net operating profit of \$397,150 was an increase of \$266,727 from last year. Excluding depreciation, the net operating income was \$3,532,456.
- Operating revenues increased 10.86% from the prior year.
- Operating expenses exclusive of depreciation decreased 1.53% from the prior year.
- Customers on line for water service at year end increased by 86 single-family residential equivalent units to 4,358 at year end.
- Funds available (current assets plus other assets less current liabilities exclusive of the current portion of long-term obligations) increased \$2,228,592 to \$9,236,795 at December 31, 2016.

Overview of the Financial Statements

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference being reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information that reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows reports the District's cash flows from operating, noncapital financing, capital and investing activities.

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

The supplemental information contained in this report provides a schedule of revenues, expenses and change in net position, budget and actual information, and debt service requirements.

The continuing disclosure annual financial information is information required by the Series 2002A and 2005A bond covenants, including mill levy, assessed valuation and property tax information, annual operating data, historical actual and budget financial statements, statistical information within the area and debt coverage information.

The District's net position increased \$2,421,483 in 2016. Current assets increased \$2,420,930 and capital assets increased \$3,589,655.

Statement of Net Position

	December 31,		
	2016	2015	2014
Current assets	\$ 10,835,987	\$ 8,415,057	\$ 10,604,138
Other assets	315,231	1,518,057	1,676,182
Capital assets	99,199,184	95,609,529	91,443,728
Total assets	<u>110,350,402</u>	<u>105,542,643</u>	<u>103,724,048</u>
Current liabilities	3,608,611	2,911,132	3,250,375
Long-term liabilities	17,094,526	15,405,729	16,319,471
Total liabilities	<u>20,703,137</u>	<u>18,316,861</u>	<u>19,569,846</u>
Net position invested in capital assets	80,410,470	78,549,825	74,086,594
Restricted net position	3,296,055	3,290,603	3,322,006
Unrestricted net position	5,940,740	5,385,354	6,745,602
Total net position	<u>\$ 89,647,265</u>	<u>\$ 87,225,782</u>	<u>\$ 84,154,202</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Review of Change in Net Position

	December 31,		
	2016	2015	2014
Revenues			
Operating revenue			
Water services	\$ 5,582,882	\$ 4,968,957	\$ 4,621,132
Sewer services	2,237,631	2,085,750	1,971,562
Total operating revenue	<u>7,820,513</u>	<u>7,054,707</u>	<u>6,592,694</u>
Nonoperating revenue			
Investment income	23,925	14,188	13,859
Other	194,529	200,652	218,373
Contributions			
Tap fees, net of cost recovery payments	1,905,526	2,859,025	1,326,751
Inclusion fees	-	-	25,307
Contributed facilities	-	-	1,691,249
Other	410,334	72,431	78,286
Total other revenue	<u>2,534,314</u>	<u>3,146,296</u>	<u>3,353,825</u>
Total revenue	<u>10,354,827</u>	<u>10,201,003</u>	<u>9,946,519</u>
Expenses			
Operating expenses			
Water	2,080,589	1,988,424	1,866,105
Sewer	856,914	924,753	900,852
	<u>2,937,503</u>	<u>2,913,177</u>	<u>2,766,957</u>
General and administrative	1,350,554	1,310,217	1,159,648
Depreciation	3,135,306	2,700,890	2,582,588
Total operating expenses	<u>7,423,363</u>	<u>6,924,284</u>	<u>6,509,193</u>
Nonoperating expenses	509,981	205,139	596,039
Total expenses	<u>7,933,344</u>	<u>7,129,423</u>	<u>7,105,232</u>
Change in net position	2,421,483	3,071,580	2,841,287
Net position - Beginning	<u>87,225,782</u>	<u>84,154,202</u>	<u>81,312,915</u>
Net position - Ending	<u>\$ 89,647,265</u>	<u>\$ 87,225,782</u>	<u>\$ 84,154,202</u>

Operating revenue increased by \$765,806. Revenue from the sale of tap fees, net of cost recovery payments decreased \$953,499. Additionally, water services increased \$613,925 primarily due to the increase in water sales and irrigation fees in 2016.

Total operating expenses increased \$499,079 in 2016.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and nonoperating revenue and contributions. This budgetary accounting is required by State statutes. Additionally, the budget includes the separation of the enterprise and general government activities within the District.

Actual revenue of the District was below the budgeted revenue by \$6,912,558 due to the \$12,880,000 loan being budgeted for 2016 when actual loan proceeds came in at \$3,382,985. Without this variance, actual revenue was above budgeted revenue by \$2,584,457 primarily as a result of more water and sewer user charges and tap fees than originally anticipated, and additional payments received from Canyons related to the second amendment.

Total actual expenditures of the District were less than the appropriation by \$9,821,488, which includes a positive variance of \$9,116,152 for capital expenditures.

Capital Assets Activity

The activity related to capital assets is as follows:

	<u>December 31, 2015</u>	<u>Net Changes</u>	<u>December 31, 2016</u>
Land and easements	\$ 827,262	\$ -	\$ 827,262
Construction in process	10,916,544	(4,803,677)	6,112,867
Water system			
Water rights	11,849,384	327,698	12,177,082
Water facilities	54,887,523	11,085,548	65,973,071
Bingham Lake and Dam	542,502	-	542,502
Sewer system			
Sewer facilities	34,056,945	84,556	34,141,501
Wastewater treatment plant	13,784,285	14,794	13,799,079
Buildings	1,813,702	-	1,813,702
Equipment and vehicles	1,159,770	16,042	1,175,812
Total capital assets	<u>129,837,917</u>	<u>6,724,961</u>	<u>136,562,878</u>
Accumulated depreciation	<u>(34,228,388)</u>	<u>(3,135,306)</u>	<u>(37,363,694)</u>
Net capital assets	<u>\$ 95,609,529</u>	<u>\$ 3,589,655</u>	<u>\$ 99,199,184</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The 2016 activity relating to capital assets reflects costs incurred by the District relating to the construction of water wells, sewer lines, replacement of equipment at the wastewater treatment plant, and capitalization of net interest expense on water projects.

Additional information on the District's capital assets can be found in Note 5 of this report.

	December 31, 2014	Net Changes	December 31, 2015
Land and easements	\$ 827,262	\$ -	\$ 827,262
Construction in process	9,783,806	1,132,738	10,916,544
Water system			
Water rights	11,492,515	356,869	11,849,384
Water facilities	49,721,676	5,165,847	54,887,523
Bingham Lake and Dam	542,502	-	542,502
Sewer system			
Sewer facilities	34,016,133	40,812	34,056,945
Wastewater treatment plant	13,694,675	89,610	13,784,285
Buildings	1,813,702	-	1,813,702
Equipment and vehicles	1,099,211	60,559	1,159,770
Total capital assets	<u>122,991,482</u>	<u>6,846,435</u>	<u>129,837,917</u>
Accumulated depreciation	<u>(31,547,754)</u>	<u>(2,680,634)</u>	<u>(34,228,388)</u>
Net capital assets	<u>\$ 91,443,728</u>	<u>\$ 4,165,801</u>	<u>\$ 95,609,529</u>
	December 31, 2013	Net Changes	December 31, 2014
Land and easements	\$ 827,262	\$ -	\$ 827,262
Construction in process	5,671,736	4,112,070	9,783,806
Water system			
Water rights	11,368,522	123,993	11,492,515
Water facilities	47,437,476	2,284,200	49,721,676
Bingham Lake and Dam	542,502	-	542,502
Sewer system			
Sewer facilities	34,016,133	-	34,016,133
Wastewater treatment plant	13,016,479	678,196	13,694,675
Buildings	1,805,597	8,105	1,813,702
Equipment and vehicles	1,086,082	13,129	1,099,211
Total capital assets	<u>115,771,789</u>	<u>7,219,693</u>	<u>122,991,482</u>
Accumulated depreciation	<u>(28,984,317)</u>	<u>(2,563,437)</u>	<u>(31,547,754)</u>
Net capital assets	<u>\$ 86,787,472</u>	<u>\$ 4,656,256</u>	<u>\$ 91,443,728</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-Term Debt

All scheduled payments of principal and interest on the District's outstanding debt were paid as required during 2016.

Additional detail on the District's debt is in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

For 2017, the District has budgeted revenue from water and sewer charges of \$7,284,200, which is \$149,200 higher compared with 2016 budgeted figures. The District has also budgeted \$685,000 of water project fees that are intended to help fund the construction of future water improvement projects. \$9,500,000 of loan proceeds has been budgeted to fund planned capital outlay in 2017. 2017 operating expenses are budgeted at \$3,624,650, which is \$39,750 higher compared with 2016 budget amounts.

The majority of the District's debt is in the form of revenue notes. The revenues pledged to pay this debt include fees for service (water and sewer bills) and fees charged for new development (tap fees). To the extent that one of the revenue sources is less than projected, then revenue from other sources is required to make the debt service payments.

Request for Information

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

Denver Southeast Suburban Water and Sanitation District
5242 Old Schoolhouse Road
Parker, Colorado 80134
<http://pinerywater.com>

BASIC FINANCIAL STATEMENTS

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,415,551	\$ 3,945,164
Cash and cash equivalents - Restricted	3,296,055	3,290,603
Certificates of deposits	502,780	499,125
Accounts receivable	588,083	512,072
Current maturities of notes receivable	-	156,724
Prepaid expenses	33,518	11,369
Total current assets	10,835,987	8,415,057
OTHER ASSETS		
Notes receivable - Capacity fee agreements	-	1,518,057
Unutilized taps service charge receivable	315,231	-
Total other assets	315,231	1,518,057
CAPITAL ASSETS - NET	99,199,184	95,609,529
TOTAL ASSETS	\$ 110,350,402	\$105,542,643
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts and retainage payable	\$ 1,607,006	\$ 945,900
Accrued payroll	50,586	50,163
Interest payable	256,831	261,094
Current maturities of long-term obligations	1,694,188	1,653,975
Total current liabilities	3,608,611	2,911,132
LONG-TERM OBLIGATIONS	17,094,526	15,405,729
NET POSITION		
Net investment in capital assets	80,410,470	78,549,825
Restricted	3,296,055	3,290,603
Unrestricted	5,940,740	5,385,354
Total net position	89,647,265	87,225,782
TOTAL LIABILITIES AND NET POSITION	\$ 110,350,402	\$105,542,643

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended December 31, 2016 and 2015

	2016	2015
WATER OPERATIONS		
Revenues	\$ 5,582,882	\$ 4,968,957
Direct water expenses	2,080,589	1,988,424
Depreciation - Water	2,070,092	1,594,603
Gross profit from water operations	1,432,201	1,385,930
SEWER OPERATIONS		
Revenues	2,237,631	2,085,750
Direct sewer expenses	856,914	924,753
Depreciation - Sewer	935,568	934,963
Gross income from sewer operations	445,149	226,034
Total gross income from operations	1,877,350	1,611,964
GENERAL AND ADMINISTRATIVE EXPENSES		
General and administrative	1,350,554	1,310,217
Depreciation	129,646	171,324
INCOME FROM OPERATIONS	397,150	130,423
NONOPERATING REVENUES	218,454	214,840
NONOPERATING EXPENSES	509,981	205,139
INCOME BEFORE CONTRIBUTIONS	105,623	140,124
CAPITAL CONTRIBUTIONS	2,315,860	2,931,456
CHANGE IN NET POSITION	2,421,483	3,071,580
TOTAL NET POSITION - BEGINNING OF YEAR	87,225,782	84,154,202
TOTAL NET POSITION - END OF YEAR	\$ 89,647,265	\$ 87,225,782

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 7,731,422	\$ 6,899,211
Payments to suppliers	(2,525,260)	(2,454,269)
Payments to employees and related expenses	(1,614,794)	(1,518,182)
Other (payments)	40,247	27,291
Net cash provided by operating activities	3,631,615	2,954,051
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ready to serve fees	61,616	70,083
Other income	132,913	119,979
Net cash provided by noncapital financing activities	194,529	190,062
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of assets	-	10,590
Net proceeds from Forestar prepaid taps	-	(695,247)
Loan proceeds	3,382,985	686,945
Contributions in aid of construction		
Tap fees	2,024,730	2,920,293
Receipts from notes receivable	1,743,058	225,000
Acquisition of property, plant and equipment	(6,352,788)	(7,562,367)
Interest and paying agent fees	(528,717)	(97,383)
Debt principal reduction	(1,639,502)	(969,055)
Net cash (required) by capital and related financing activities	(1,370,234)	(5,481,224)

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015
(Continued)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment income received	19,929	13,113
Net cash provided by investing activities	19,929	13,113
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 2,475,839	 (2,323,998)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 7,235,767	 9,559,765
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ 9,711,606	 \$ 7,235,767
 Reconciliation of operating (loss) to net cash provided (required) by operating activities		
Income (loss) from operations	\$ 397,150	\$ 130,423
Adjustments to reconcile (loss) from operations to net cash provided by operating activities		
Depreciation	3,135,306	2,700,890
Decrease (increase) in accounts receivable	(48,844)	(128,205)
Increase (decrease) in accounts payable	170,152	251,025
Decrease (increase) in prepaid expenses	(22,149)	(82)
Net cash provided by operating activities	\$ 3,631,615	\$ 2,954,051

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - DEFINITION OF REPORTING ENTITY

Denver Southeast Suburban Water and Sanitation District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by order and decree of the District Court for Douglas County on June 21, 1965, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Section 1, Colorado Revised Statutes). The District's service area is located in Douglas County, Colorado. The District was established to provide water and sanitation services.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the District conform to 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.

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Change 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 capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

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

Cash Equivalents

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

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

The District did not certify a mill levy for collection in 2016.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include land, water rights, plant and buildings, distribution and collection systems, and machinery and equipment, are reported by the District. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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:

Plant and buildings	30 years
Distribution and collection systems	50 years
Machinery and equipment	5 years

Tap Fees and Contributed Lines

Tap fees are recorded as capital contribution when received. Lines contributed to the District by Developers are recorded as capital contributions and additions to the systems at acquisition value when received.

Cost Recovery Contracts

The District has cost recovery agreements with developers who have contributed lines to the District. The District is to collect its normal fees from customers requesting to connect to the contributed lines and remit a portion of the collected fees to the developer who contributed the facilities.

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed, net of investment earnings on invested bond proceeds during the same period. Net interest expense capitalized during the years ended December 31, 2016 and 2015 amounted to \$271,319 and \$549,859, respectively.

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.

Amortization – Original Issue Discount/Premium

Debt premiums and discounts are amortized over the respective terms of the borrowing using the interest method.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The District has a policy that allows employees to accumulate unused vacation benefits up to a maximum of twice the annual accrual per employee. Compensated absences are accrued when earned in the financial statements.

Board Designations

The Board of Directors of the District has designated the following amounts of the unrestricted net position for the following purposes:

	<u>2016</u>	<u>2015</u>
Ground water protection	\$ 307,842	\$ 283,763
Rate stabilization reserve	1,000,000	1,000,000
Medical benefits reserve	56,686	60,786
Water project fees	-	618,681
Well rehab	400,000	-
Total Board designated amounts	<u>\$ 1,764,528</u>	<u>\$ 1,963,230</u>

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2016 and 2015 are classified in the accompanying financial statements as follows:

	<u>2016</u>	<u>2015</u>
Statement of net position:		
Cash and cash equivalents	6,415,551	\$ 3,945,164
Cash and cash equivalents - Restricted	3,296,055	3,290,603
Certificates of deposits	502,780	499,125
Total cash and investments	<u>\$ 10,214,386</u>	<u>\$ 7,734,892</u>

Cash and cash equivalents as of December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Deposits with financial institutions	\$ 5,586,366	\$ 4,900,717
Cash on hand	100	100
Investments	4,627,920	2,834,075
Less: Certificates of deposit	(502,780)	(499,125)
Total cash and cash equivalents	<u>\$ 9,711,606</u>	<u>\$ 7,235,767</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

At December 31, 2016 and 2015 the District had the following deposits with financial institutions:

	<u>2016</u>	<u>2015</u>
Bank balance		
Insured deposits	\$ 5,740,974	\$ 4,948,930
Deposits collateralized in single institution pools	3,125	467
	<u>\$ 5,744,099</u>	<u>\$ 4,949,397</u>
Carrying balance		
Insured deposits	\$ 5,583,241	\$ 4,900,250
Deposits collateralized in single institution pools	3,125	467
	<u>\$ 5,586,366</u>	<u>\$ 4,900,717</u>

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

Fair Value Measurement and Application

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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District had invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

As of December 31, 2016 and 2015 the District had the following investments:

Investment	Maturity	Fair Value	
		2016	2015
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 3,874,763	\$ 2,085,781
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	753,157	748,294
		<u>\$ 4,627,920</u>	<u>\$ 2,834,075</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 4 - LONG-TERM RECEIVABLES

Long-term receivable activity for the years ended December 31, 2016 and 2015 was as follows:

	<u>Balance</u> <u>December 31,</u> <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31,</u> <u>2016</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Canyons agreement	\$ 1,674,781	\$ -	\$ 1,674,781	\$ -	\$ -
Unutilized taps service charge receivable	-	315,231	-	315,231	-
Total long-term receivables	<u>\$ 1,674,781</u>	<u>\$315,231</u>	<u>\$ 1,674,781</u>	<u>\$ 315,231</u>	<u>\$ -</u>

	<u>Balance</u> <u>December 31,</u> <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31,</u> <u>2015</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Canyons agreement	\$ 1,826,135	\$ -	\$ 151,354	\$ 1,674,781	\$ 156,724
Total long-term receivables	<u>\$ 1,826,135</u>	<u>\$ -</u>	<u>\$ 151,354</u>	<u>\$ 1,674,781</u>	<u>\$ 156,724</u>

The detail of the District's long-term receivables is as follows:

Intergovernmental Agreement - Canyons

On December 23, 2004, the District entered into an agreement with the Developer in connection with the property known as "The Canyons." Based upon the anticipated construction by the Developer, the District shall sell and the Developer has agreed to purchase 968 single family equivalent units of wastewater treatment capacity. As payment for such, the Developer agreed to pay the principal amount of \$3,100,000 payable as follows: \$310,000 on or before December 20, 2004, which was deposited in January 2005, with the remaining amount repaid annually each June 1 starting in 2005 through 2024, with an annual interest rate of 4%. The agreement was secured by an irrevocable letter of credit in the original amount of \$2,765,000. During 2009, the payment date was changed to December 1, per an amendment of the agreement.

Pursuant to the second amendment that District signed with the Developer on November 16, 2016. The Developer paid \$1,674,781 for the purchase of 507 taps and \$33,800 for the purchase of five (5) additional single family equivalent sewer taps. Furthermore, the total amount due as of December 1, 2016 for service charges and accrued interest of \$315,231 is deferred until the earlier of December 1, 2019 or such time as the construction of the interceptor.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2016 and 2015 was as follows:

	Balance December 31, 2015	Additions	Retirements/ Reclassi- fications	Balance December 31, 2016
Capital assets, not being depreciated				
Land and easements	\$ 827,262	\$ -	\$ -	\$ 827,262
Water rights	11,849,384	327,698	-	12,177,082
Construction in progress	10,916,544	3,198,863	(8,002,540)	6,112,867
Capital assets, being depreciated				
Water system	54,887,523	11,085,548	-	65,973,071
Bingham Lake and Dam	542,502	-	-	542,502
Sewer system	34,056,945	84,556	-	34,141,501
Wastewater treatment plant	13,784,285	14,794	-	13,799,079
Buildings	1,813,702	-	-	1,813,702
GIS program	208,946	6,649	-	215,595
Office and field equipment	262,015	9,393	-	271,408
Vehicles	688,809	-	-	688,809
Total historical cost	<u>129,837,917</u>	<u>14,727,501</u>	<u>(8,002,540)</u>	<u>136,562,878</u>
Less accumulated depreciation for:				
Water system	(17,204,557)	(2,056,288)	-	(19,260,845)
Bingham Lake and Dam	(277,904)	(13,804)	-	(291,708)
Sewer system	(6,963,417)	(529,960)	-	(7,493,377)
Wastewater treatment plant	(7,554,845)	(405,608)	-	(7,960,453)
Buildings	(1,303,755)	(56,799)	-	(1,360,554)
GIS program	(117,645)	(16,658)	-	(134,303)
Office and field equipment	(226,934)	(15,301)	-	(242,235)
Vehicles	(579,331)	(40,888)	-	(620,219)
Total accumulated depreciation	<u>(34,228,388)</u>	<u>(3,135,306)</u>	<u>-</u>	<u>(37,363,694)</u>
Total capital assets, net	<u>\$ 95,609,529</u>	<u>\$ 11,592,195</u>	<u>\$ (8,002,540)</u>	<u>\$ 99,199,184</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance December 31, 2014	Additions	Retirements/ Reclassi- fications	Balance December 31, 2015
Capital assets, not being depreciated				
Land and easements	\$ 827,262	\$ -	\$ -	\$ 827,262
Water rights	11,492,515	356,869	-	11,849,384
Construction in progress	9,783,806	4,615,180	(3,482,442)	10,916,544
Capital assets, being depreciated				
Water system	49,721,676	5,165,847	-	54,887,523
Bingham Lake and Dam	542,502	-	-	542,502
Sewer system	34,016,133	40,812	-	34,056,945
Wastewater treatment plant	13,694,675	89,610	-	13,784,285
Buildings	1,813,702	-	-	1,813,702
GIS program	179,916	29,030	-	208,946
Office and field equipment	240,702	21,313	-	262,015
Vehicles	678,593	30,472	(20,256)	688,809
Total historical cost	<u>122,991,482</u>	<u>10,349,133</u>	<u>(3,502,698)</u>	<u>129,837,917</u>
Less accumulated depreciation for:				
Water system	(15,623,762)	(1,580,795)	-	(17,204,557)
Bingham Lake and Dam	(264,096)	(13,808)	-	(277,904)
Sewer system	(6,437,629)	(525,788)	-	(6,963,417)
Wastewater treatment plant	(7,145,670)	(409,175)	-	(7,554,845)
Buildings	(1,217,271)	(86,484)	-	(1,303,755)
GIS program	(100,508)	(17,137)	-	(117,645)
Office and field equipment	(210,972)	(15,962)	-	(226,934)
Vehicles	(547,846)	(51,741)	20,256	(579,331)
Total accumulated depreciation	<u>(31,547,754)</u>	<u>(2,700,890)</u>	<u>20,256</u>	<u>(34,228,388)</u>
Total capital assets, net	<u>\$91,443,728</u>	<u>\$ 7,648,243</u>	<u>\$ (3,482,442)</u>	<u>\$ 95,609,529</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was charged to the following operations:

	2016	2015
Water	\$ 2,070,092	\$ 1,594,603
Sewer	935,568	934,963
General and administrative	129,646	171,324
Total	<u>\$ 3,135,306</u>	<u>\$ 2,700,890</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the years ended December 31, 2016 and 2015 was as follows:

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Amounts Due Within One Year
CWRPDA loan - 2002	\$ 3,015,000	\$ -	\$ 340,000	\$ 2,675,000	\$ 350,000
CWRPDA loan - 2005	2,890,000	-	225,000	2,665,000	230,000
Refinancing note - 2010	8,468,957	-	423,288	8,045,669	440,174
CWCB loan A - 2014	1,845,270	-	38,786	1,806,484	39,950
CWCB loan B - 2014	-	394,470	-	394,470	-
CWCB loan D - 2014	101,599	51,382	-	152,981	-
CWRPDA loan - 2015	634,265	2,937,133	612,428	2,958,970	620,456
	<u>16,955,091</u>	<u>3,382,985</u>	<u>1,639,502</u>	<u>18,698,574</u>	<u>1,680,580</u>
Plus loan premium	104,613	-	14,473	90,140	13,608
Total long-term obligations	<u>\$ 17,059,704</u>	<u>\$ 3,382,985</u>	<u>\$ 1,653,975</u>	<u>\$ 18,788,714</u>	<u>\$ 1,694,188</u>

	Balance December 31, 2014	Additions	Reductions	Balance December 31, 2015	Amounts Due Within One Year
CWRPDA loan - 2002	\$ 3,350,000	\$ -	\$ 335,000	\$ 3,015,000	\$ 340,000
CWRPDA loan - 2005	3,110,000	-	220,000	2,890,000	225,000
Refinancing note - 2010	8,876,005	-	407,048	8,468,957	423,288
CWCB loan A - 2014	1,845,270	-	-	1,845,270	38,786
CWCB loan D - 2014	55,927	45,672	-	101,599	-
CWRPDA loan - 2015	-	641,272	7,007	634,265	612,428
	<u>17,237,202</u>	<u>686,944</u>	<u>969,055</u>	<u>16,955,091</u>	<u>1,639,502</u>
Plus loan premium	119,932	-	15,319	104,613	14,473
Total long-term obligations	<u>\$ 17,357,134</u>	<u>\$ 686,944</u>	<u>\$ 984,374</u>	<u>\$ 17,059,704</u>	<u>\$ 1,653,975</u>

Loan Agreements

On October 1, 2002, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (Authority) in the amount of \$7,045,000. Principal and interest payments are due semi-annually on February 1 and August 1 in varying amounts through August 1, 2023, with the net effective interest rate of 3.21%. The District has the option to prepay the loan in multiples of \$100,000 plus prepayment costs. The District is required to maintain an operations and maintenance reserve of no more than \$1,250,000 in connection with the loan.

The components of the loan interest expense for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Interest	\$ 45,460	\$ 41,903
Administrative fee	57,274	57,274
	<u>\$ 102,734</u>	<u>\$ 99,177</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

On May 25, 2005, the District entered into a loan agreement with the Authority in the amount of \$4,800,000. Principal and interest payments are due semi-annually on February 1 and August 1 in varying amounts through August 1, 2026, with the net effective interest rate of 3.35%. The District has the option to prepay the loan in multiples of \$100,000 plus prepayment costs.

The components of this loan interest expense for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Interest	\$ 53,206	\$ 82,880
Administrative fee	38,400	38,400
	\$ 91,606	\$ 121,280

Water Enterprise Revenue Refunding Note, Series 2010, dated December 21, 2010, in the original amount of \$10,335,213 with principal payments due annually on December 1 and interest payments due semi-annually on June 1 and December 1 at 3.95% through December 1, 2030. The note is subject to redemption prior to maturity in any amount at any time on or after December 1, 2012, upon payment of a calculated demand fee, which fee decreases the longer the note remains outstanding. The District is required to maintain a Debt Service Reserve Fund in the amount of \$1,033,521. The note is a limited and special obligation of the District payable from and secured by an irrevocable assignment and pledge of revenue of the Enterprise Fund, net of operation and maintenance costs, plus any monies held in a rate stabilization fund and net future imposed revenues.

On December 15, 2020, the Registered Owner of the note may put the note back to the District and receive the entire outstanding principal amount of the note plus accrued interest at the time the put occurs. If the Registered Owner does not put the note back to the District, the note will automatically renew at the current interest rate until the maturity date. The Registered Owner may only put the note back to the District based on an adverse material change in the District's creditworthiness.

Proceeds of the note were used to: 1) refund the District's Water Enterprise Revenue Refunding Note, Series 2003, 2) advance refund and defease the District's Water Enterprise Revenue Note, Series 2005, 3) partially provide for a debt service reserve fund, 4) provide funds for the costs of acquiring, constructing, relocating, installing, and completing water improvements and facilities, and 5) pay the costs of issuance of the loan.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Colorado Water Conservation Board Loans, Series 2014, dated May 22, 2014, in the total amount not to exceed \$9,926,280, was approved for the District's participation cost in the Water Infrastructure Supply and Efficiency (WISE) project. Such loan proceeds will be drawn over the next succeeding years instead of at time of loan closing. The WISE project is a joint project between Denver Water, Aurora Water, and the South Metro Water Supply Authority, and will allow the District to reduce its dependence upon non-renewable water sources. Pursuant to the four loan contracts, interest and principal payments are due annually on October 15. The effective interest rate is 3.0% for a maturity of 30 years. Information on the four loan contracts follows:

The loan amount for the East Cherry Creek Valley (ECCV) Pipeline Purchase is \$1,845,270. The WISE Authority will purchase an 85% ownership interest in the 15-mile ECCV Western Pipeline, with the remaining 15% ownership to be held by Denver Water. ECCV will retain rights to carrying capacity in the pipeline.

The loan amount for the Phase 1 Infrastructure is \$6,199,380. The specific project includes a temporary direct connection to Aurora's distribution system to provide short term deliveries and modifications to the ECCV Western Pipeline necessary to make WISE water deliveries. Additional pump stations will be constructed to deliver water to storage in Rueter-Hess Reservoir and convey water to participants located south of Rueter-Hess Reservoir.

The loan amount for the Phase 2 Infrastructure is \$1,427,130. Components include in this phase include a pump station and pipeline from the Binney Water Purification Facility (BWPF) to the existing ECCV pipeline, replacing the temporary interconnect with the Aurora distribution system and increasing the capacity of the overall system. Water will be pumped generally west to a high point, then west along the Highway E-470/C-470 corridor through the existing ECCV Western Pipeline.

The loan amount for the DIA Connection is \$454,500. This project component, a 24-inch 6 mile pipeline interconnection between Denver Water's treated distribution system near DIA and Aurora's Prairie Waters pipeline, will provide blend water deliveries for the WISE Authority members. Denver Water will own and operate the DIA Connection.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

On April 1, 2015, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority ("CWRPDA") for the Drinking Water Revolving Fund in the amount of \$14,250,066, to be drawn in various amounts as needed to fund a new pump station, conversion of a disinfection system from free chlorine to chloramine, as well as several core infrastructures including a water storage tank, water treatment plant and several aging potable water pipelines. Principal and interest payments are due semi-annually in varying amounts through August 1, 2036 with the net effective interest rate 1.57% to 2.87% which is inclusive of servicing fees.

The components of this loan interest expense for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Interest	\$ 85,839	\$ 73,392
Administrative fee	117,563	89,063
	<u>\$ 202,932</u>	<u>\$ 162,455</u>

The District's long-term obligations will mature as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,680,580	\$ 761,267	\$ 2,441,847
2018	1,714,373	720,002	2,434,375
2019	1,756,895	682,197	2,439,092
2020	1,790,183	646,089	2,436,272
2021	1,832,261	603,636	2,435,897
2022-2026	8,669,604	2,203,782	10,873,386
2027-2031	6,442,657	1,229,835	7,672,492
2032-2036	4,203,214	453,779	4,656,993
2037-2041	383,074	87,648	470,722
2042-2045	349,943	26,633	376,576
Total payments	28,822,784	7,414,868	36,237,652
Less amounts due within one year	(1,680,580)	(761,267)	(2,441,847)
Long-term portion	<u>\$ 27,142,204</u>	<u>\$ 6,653,601</u>	<u>\$ 33,795,805</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 7 - NET POSITION

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

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016 and 2015, the District had the following net investment in capital assets, calculated as follows:

	2016	2015
Net investment in capital assets:		
Capital assets, net	\$ 99,199,184	\$ 95,609,529
Current portion of long-term obligations	(1,694,188)	(1,653,975)
Noncurrent portion of long-term obligations	(17,094,526)	(15,405,729)
Net investment in capital assets	\$ 80,410,470	\$ 78,549,825

The restricted component of net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of \$3,296,055 and \$3,290,603 as of December 31, 2016 and 2015, respectively, for payment of future debt service requirements, capital improvements and emergency reserves as required by Article X, Section 20 of the Constitution of the State of Colorado.

NOTE 8 - EMPLOYEE BENEFIT PLAN

Deferred Compensation Plan

The District maintains a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Standard Insurance Company, a subsidiary of StanCorp Financial Group, Inc. The plan allows the employee to defer a portion of their salary until future years. The District will contribute up to a maximum of 6% of the employee's annual salary provided the employee contributes up to 6% of their salary.

There is no liability for benefits under the plan beyond the District's payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS

Intergovernmental Agreement - Pinery West

On October 30, 2002, the District entered into an agreement with Pinery West Metropolitan District No. 1 (Pinery West), whereby the Developer will construct certain infrastructure improvements and subsequently convey the improvements to Pinery West, who in turn conveyed the improvements to the District. The cost of certain improvements are eligible for reimbursement to the Developer through a portion of the tap fees collected from the property owners, but shall not exceed the actual costs without interest, of such improvements. Pinery West subsequently assigned its reimbursement rights to the Developer. The amount to be allocated from tap fees towards such reimbursable items is \$7,584 per tap. The District remitted \$45,504 and \$7,584, respectively, for 6 and 1 tap fees, respectively, collected during 2016 and 2015 related to this agreement.

During 2007, and with the infrastructure improvements completed, the District performed an analysis of the actual costs incurred. Based upon the analysis, the District will make a reimbursement of \$7,584 per tap for a total of 816 taps or \$6,188,544. From 2002 through 2015, the District reimbursed \$5,513,568 for 727 taps; therefore, remaining future reimbursement is \$674,976 for 89 taps.

The District also agreed to collect an additional fee from property owners in the amount of \$800 per dwelling unit, the proceeds of which will be used to reimburse the Developer the cost of constructing a golf course well. During 2016 and 2015 the District collected 6 and 1 taps, respectively, and paid \$4,800 and \$800 in 2016 and 2015, respectively.

Intergovernmental Agreement - Town of Castle Rock

On August 11, 2004, the District amended and restated, in its entirety, the original agreement by and between the District and the Town of Castle Rock (Town). The Town shall construct (or cause others to construct), at no cost to the District, the interceptor required to connect the point of individual discharge within the Town limits to the southern-most point on the "Pinery West Line". The Town shall own and maintain that portion of the Town Interceptor between the points of individual discharge and the Flow Metering Station. The District shall own and maintain all lines and appurtenances from and including the Flow Metering Station to the Plant. During 2007, the Flow Metering Station was contributed to the District at a value of \$163,000. The District agrees to treat up to .29 million gallons per day average annual flow of wastewater discharged from the Town's sanitary sewer system exclusively from the Liberty Village Service Area. A flow metering station to measure the wastewater flows from the Liberty Village Service Area (FMS) shall be installed by the Town, at the Town's expense, in conjunction with the Town's construction and connection of the Town Interceptor.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

On or before the 10th day of each month, the Town shall forward to the District a list of residential tap connections made in the Liberty Village Service Area for the preceding month. For each residential sewer tap that is not utilized within ten (10) years of the first tap connection made within the Liberty Village Service Area pursuant to the Agreement, beginning January 1st of the eleventh (11th) year, a monthly fee-in-lieu of service charge shall be assessed in an amount equivalent to 50% of what would have been assessed as the monthly service charge, had the sewer tap been connected. Such monthly fee-in-lieu of service charge shall be assessed upon 1,245 single family residential sewer taps less the number of such taps then in service for which a monthly service charge is paid to the District as provided below.

Each tap shall continue to be charged such fee until one of the following occurs: 1) such tap is placed in service and a monthly service charge is paid to the District, or 2) all right, title and interest to such tap is transferred to the District, free and clear of liens and encumbrances which transfer the District shall accept, provided, however, that the District shall not be required to accept transfer of more than 150 single family residential sewer taps without the express consent of the District. The District will impose and collect user charges for the services provided by the District under the Agreement (the Service Charges). The service charges shall be based upon the wastewater flows measured at the FMS, applying the current schedule of rates set forth by the District. As of December 31, 2016, 746 certificates of occupancy have been issued.

Intergovernmental Agreement - Canyons

On December 23, 2004, the District entered into an agreement with the Mississippi Partnership (the Developer) in connection with the property known as "The Canyons." This agreement has the ability to be assigned to any successor Developers and Sub-Developers as well as to the Metropolitan Districts, Crowfoot Valley Metropolitan Districts No. 1 and No. 2, or to any other special district empowered to provide sanitary sewer services to the property. The agreement was later assigned to Canyons south LLC. The Developer shall construct, at no cost to the District, the interceptor line required to connect the points of individual sewage discharge within the Property to a point of connection with the District's sewer system.

The parties acknowledge and agree that the property located immediately to the east and north of the Property is to be served with sanitary sewer services by the District through an agreement by and between the District and Pinery West Metropolitan District No. 1 (Pinery West). Based upon the anticipated construction by the Developer, the District shall sell and the Developer has agreed to purchase 968 single family equivalent units of wastewater treatment capacity. As payment for such, the Developer agrees to pay the principal amount of \$3,100,000 payable as follows: \$310,000 on or before December 20, 2004, which was deposited in January 2005 with the remaining amount repaid annually each June 1 starting in 2005 through 2024 with an annual interest rate of 4%. During 2005, the Developer prepaid the 2006 obligation in the amount of \$160,600.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

The District agrees to treat up to 0.24 million gallons per day (mgd) average annual flow of wastewater, but not more than 0.27 mgd monthly average flow of wastewater discharged from the Developer's sanitary sewer system from the Property. On September 23, 2005, the Developer provided an irrevocable letter of credit in the amount of \$2,715,000 to the District for security. The letter of credit has been reissued thirteen times and was canceled as of November 29, 2016 after full payment of \$1,674,781.34 was received by the District.

The District agrees to furnish wastewater treatment capacity for wastewater facilities associated with the golf course to be located on the Property. The Developer shall pay to the District such tap fees and any other fees and charges imposed by the District at such time as the golf course wastewater facilities are installed. The taps may not be used or assigned for any service outside of the Property. The District shall have the exclusive obligation to maintain or develop sufficient treatment capacity to enable it to honor the taps. The District may, with consent of the Developer, repurchase any taps which are not utilized within ten years of the date of issuance at the original amount paid for the taps; provided however, that at the tenth anniversary date of the taps shall not become effective unless such taps are not utilized fifteen years after the date of issuance of the first certificate, 500 taps have been utilized, the District's option to repurchase their issuance.

In 2009, the agreement was amended to include monthly service charges for sewer usage which charges are the sole responsibility of the Developer. Additionally, for unutilized taps that are not physically connected to the District's service lines within 3 years after the date of issuance, a monthly fee-in-lieu of service charge shall be assessed in an amount equivalent to 50% of what would have been assessed as a service charge if the tap had been connected to the District. The deferred charges shall accrue interest from the date on which such charges would have become due at a rate of 4%.

On November 16, 2016, the District entered into the second amendment to this agreement with the Developer. Pursuant to the second amendment, the Developer has agreed to pay \$1,674,781 for the purchase of the remaining 507 taps by December 1, 2016. These taps shall be deemed as unutilized taps until physical connect is made to the District's service lines. Furthermore, the total amount due as of December 1, 2016 for service charges and accrued interest of \$315,231 is deferred until the earlier of December 1, 2019 (Due Date) or such time as the construction of the interceptor. If this \$315,231 amount is not paid on or before the Due Date, interest shall accrue and compound at 8% per annum on any unpaid balance.

To the extent, fully paid taps are issued for utilization during the course of development, such taps will be deducted on a first in first out basis from the total 968 taps allocated to the Developer and will be deducted from the total of unutilized taps on the first day of the next month. In addition, the District shall make monthly inquiry to the Town of Castle Rock for a list of addressed at which water taps were issued within the preceding 30 days.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

Effective January 1, 2017, service charges for all unutilized taps as set forth on the schedule below, shall be billed monthly by the District. If said accrued service fees are not paid timely, interest shall accrue and compound at 8% per annum on any unpaid balance. For purposes of such billing and computation, the minimum number of unutilized taps as of January 1st of each year is agreed to be as follows:

- 2017 – 367
- 2018 – 413
- 2019 – 461
- 2020 – 461
- 2021 – 461
- 2022 – 461
- 2023 – 461
- 2024 – 461
- 2025 – 461
- 2026 – 461
- 2027 – 968

In addition to the payment indicated above, the Developer agreed to purchase five (5) additional single family equivalent sewer taps, totaling \$33,800, by December 1, 2016. Both payments, \$1,674,781.43 and \$33,800, were received by the District in November 2016.

Intergovernmental Agreement - The Timbers

On January 25, 2005, the District entered into an agreement with the Pinery Joint Venture (the Developer) in connection with the property known as “The Timbers.” This agreement is intended to provide for the equitable financial participation of the Developer in the District’s construction of a 750,000 gallon water storage tank with associated facilities at Reservoir 4. In order to facilitate construction of Reservoir 4, the Developer agrees to pay the sum of \$800,000 to the District which will be reimbursed to the Developer in the form of a credit against future tap fees.

During 2005, the District constructed Reservoir 4 and the Developer has paid the agreed upon sum of \$800,000 to the District. This amount is eligible for reimbursement through a portion of the tap fees paid by the owners of lots within the property from and after January 1, 2005. The amount to be allocated from tap fees towards such reimbursable items shall be set at \$4,500 per tap and will not be subject to adjustments at the time the District initiates an increase in its tap fee structure. As of December 31, 2016, the District has reimbursed the Developer \$549,000. As of December 31, 2016, the District and the Developer are in current discussions regarding amendments to the agreement. Therefore, \$99,000 representing the total amount unpaid and due to the Developer as of December 31, 2016, has been accrued.

In exchange for the delivery of the water rights, well site easements, and the tank site easement and option to purchase, the Developer shall be entitled to a credit of 50% of the total amount of each bill for water services, up to \$350,000. Upon written request, the Developer shall have the right to apply any unused portion of the credit against “readiness to serve” fees or the purchase of non-residential water taps. During 2009, the Developer used all credits towards the purchase of taps and water services.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 10 - WATER PROJECT FEE

On January 12, 2011, the Board of Directors of the District established a water project fee to fund necessary water supply projects within the District. The water supply projects anticipated to be funded by the water project fee include, but are not limited to, additional Denver Basin wells to offset the declining production in the Denver Basin aquifers, investment and development of renewable water supply projects, and other projects as approved by the Board of Directors. The fee was effective March 1, 2011, and will continue until further resolution of the Board of Directors. During 2016 and 2015, the District collected \$680,275 and \$667,404 of water project fees, respectively.

NOTE 11 - AUTHORITY PARTICIPATION

The District is a member of the Cherry Creek Project Water Authority and the South Metro Water Supply Authority. Capital projects of the respective authorities are documented via project participation agreements. Operating contributions to these organizations were \$37,479 in 2016 and \$58,144 in 2015.

On March 13, 2013, the District entered into the South Metro WISE (Water, Infrastructure and Supply Efficiency) Authority Formation and Organizational Intergovernmental Agreement. This Agreement commits the District to participate in the WISE Partnership through the South Metro WISE Authority. The Agreement also defines how costs will be shared between participating members. The District has committed to subscribing to an average of 500 acre feet (AF) of a projected average total of 7,225 AF of renewable water to be delivered annually from the WISE Partnership. The South Metro WISE Authority was formed July 10, 2013. The Authority's members are 10 local governments located in the southern Denver metropolitan areas of south-central Arapahoe and northern Douglas Counties. The Water Delivery Agreement is the overarching agreement that defines the terms under which Denver and Aurora will deliver water to the South Metro WISE Authority members.

There are engineering design and construction contracts that have been entered into by WISE in order to begin taking deliveries of water in 2017. It is currently anticipated that the District will be responsible for approximately \$9,800,000 of the capital costs to transport water, in addition to an annual water purchase cost of approximately \$917,000 for 500 acre-feet of water. Additionally, there will be WISE operations, maintenance, and capital costs. The variable pumping costs and the District's share of operating and maintenance costs will be billed based upon the volume of water received by the District.

NOTE 12 - 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, 2016. 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.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 12 - RISK MANAGEMENT (CONTINUED)

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.

NOTE 13 - TAX, SPENDING AND DEBT LIMITATIONS

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

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

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

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

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended December 31, 2016 and 2015

	2016	2015
WATER OPERATIONS		
Revenues		
Water sales	\$ 3,975,009	\$ 3,638,151
Water supply project fee	680,275	667,404
Irrigation and hydrant fees	794,830	602,376
Ground water protection fees	24,079	22,931
IREA rebates	40,247	27,291
Other	68,442	10,804
Total revenues	5,582,882	4,968,957
Direct water expenses		
Depreciation	2,070,092	1,594,603
Auto expenses/vehicle maintenance	25,978	23,754
Communications	1,453	6,191
Employee benefits	183,191	179,930
Laboratory testing and chemicals	126,693	115,649
Legal	325,436	215,389
Outside services	51,180	79,208
Payroll taxes	42,104	39,883
Repairs, maintenance and supplies	207,408	228,737
Salaries and related costs	551,937	531,114
Small tools and safety items	7,575	2,962
Utilities	557,634	565,607
Total direct water expenses	4,150,681	3,583,027
Gross profit from water operations	1,432,201	1,385,930

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended December 31, 2016 and 2015
(Continued)

	<u>2016</u>	<u>2015</u>
SEWER OPERATIONS		
Revenues		
Sewer user charges	2,237,631	2,085,750
Total revenues	<u>2,237,631</u>	<u>2,085,750</u>
Direct sewer expenses		
Depreciation	935,568	934,963
Auto expenses/vehicle maintenance	6,071	9,809
Cherry Creek Basin fees	11,010	13,960
Employee benefits	99,142	93,955
Laboratory testing and chemicals	64,692	68,757
Outside services	10,402	4,911
Reata escrow closure	-	-
Repairs and maintenance - System	9,025	55,586
Repairs and maintenance - Plant	59,928	72,908
Salaries and related costs	315,228	308,107
Payroll taxes	24,521	23,604
Sludge disposal	58,815	57,249
Small tools and safety items	1,418	1,624
Utilities	195,032	211,453
Total direct sewer expenses	<u>1,792,482</u>	<u>1,859,716</u>
Gross (loss) from sewer operations	<u>445,149</u>	<u>226,034</u>
Total gross income from operations	<u>1,877,350</u>	<u>1,611,964</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Depreciation - Office building and equipment	129,646	171,324
Accounting and audit	102,619	130,812
Loan issue costs	-	51,783
Admin vehicle	1,871	2,139
Billing systems service	49,112	30,000
Data processing	35,497	37,453
Directors' fees	5,800	5,900
Dues and seminars	26,157	13,711
Employee benefits	87,889	82,902
Insurance	108,686	106,806
Legal	143,838	108,030
Miscellaneous	9,988	7,010

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended December 31, 2016 and 2015
(Continued)

	<u>2016</u>	<u>2015</u>
Office expense	16,216	16,747
Outside services	29,976	42,282
Repairs and maintenance - Office	48,350	14,753
Salaries and related costs	374,532	353,088
Payroll taxes	27,743	25,517
Safety and training	18,879	22,916
Security services	19,240	19,464
Conservation	7,500	19,236
Customer communications	37,224	43,547
Utilities	19,070	10,199
Paying agent fees	1,500	1,500
CCPWA assessment	20,489	40,978
SMWSA	16,990	17,166
WISE participation - operations	141,388	106,278
Total general and administrative expenses	<u>1,480,200</u>	<u>1,481,541</u>
PROFIT (LOSS) FROM OPERATIONS	<u>397,150</u>	<u>130,423</u>
NONOPERATING REVENUES		
Net investment income	23,925	14,188
Ready to serve fees - Water	32,274	36,671
Ready to serve fees - Sewer	29,342	33,412
Cherry Creek Project Water Authority	26,963	26,359
Other income	105,950	93,620
Net gain (loss) on disposition of assets	-	10,590
Total nonoperating revenues	<u>218,454</u>	<u>214,840</u>
NONOPERATING EXPENSES		
Interest and paying agent fees	509,981	205,139
Total nonoperating expenses	<u>509,981</u>	<u>205,139</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>105,623</u>	<u>140,124</u>
CAPITAL CONTRIBUTIONS		
Tap fees - Water	1,659,690	2,393,793
Tap fees - Sewer	365,040	526,500
Cost recovery payments	(119,204)	(61,268)
Canyon's revenue	410,334	72,431
Total capital contributions	<u>2,315,860</u>	<u>2,931,456</u>
CHANGE IN NET POSITION	<u>\$ 2,421,483</u>	<u>\$ 3,071,580</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
WATER OPERATING INCOME			
Water sales	\$ 3,500,000	\$ 3,975,009	\$ 475,009
Water supply project fee	688,000	680,275	(7,725)
Irrigation and hydrant fees	520,000	794,830	274,830
Ground water protection fees	25,000	24,079	(921)
IREA rebates	-	40,247	40,247
Other	10,000	68,442	58,442
Total water operating income	<u>4,743,000</u>	<u>5,582,882</u>	<u>839,882</u>
WATER OPERATING EXPENSES			
Auto expenses/vehicle maintenance	40,000	25,978	14,022
Communications	12,000	1,453	10,547
Employee benefits	204,050	183,191	20,859
Laboratory testing and chemicals	185,000	126,693	58,307
Legal	180,000	325,436	(145,436)
Outside services	75,000	51,180	23,820
Payroll taxes	38,500	42,104	(3,604)
Repairs, maintenance and supplies	260,000	207,408	52,592
Salaries and related costs	541,000	551,937	(10,937)
Small tools and safety items	8,500	7,575	925
Utilities	790,000	557,634	232,366
Total water operating expenses	<u>2,334,050</u>	<u>2,080,589</u>	<u>253,461</u>
Gross profit from water operations	<u>2,408,950</u>	<u>3,502,293</u>	<u>1,093,343</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016

(Continued)

	Original and Final Budget	Actual	Variance
SEWER OPERATING INCOME			
Sewer user charges	2,100,000	2,237,631	137,631
Total sewer operating income	<u>2,100,000</u>	<u>2,237,631</u>	<u>137,631</u>
SEWER OPERATING EXPENSES			
Auto expenses/vehicle maintenance	15,000	6,071	8,929
Cherry Creek Basin fees	14,500	11,010	3,490
Communications	3,500	1,630	1,870
Employee benefits	95,600	99,142	(3,542)
Laboratory testing and chemicals	83,000	64,692	18,308
Outside services	35,000	10,402	24,598
Repairs and maintenance - System	67,500	9,025	58,475
Repairs and maintenance - Plant	67,500	59,928	7,572
Salaries and related costs	299,300	315,228	(15,928)
Payroll taxes	23,950	24,521	(571)
Sludge disposal	92,000	58,815	33,185
Small tools and safety items	5,000	1,418	3,582
Utilities	202,000	195,032	6,968
Total sewer operating expenses	<u>1,003,850</u>	<u>856,914</u>	<u>146,936</u>
Gross profit from sewer operations	<u>1,096,150</u>	<u>1,380,717</u>	<u>284,567</u>
Gross profit from operations	<u>3,505,100</u>	<u>4,883,010</u>	<u>1,377,910</u>
NONOPERATING REVENUES			
Net investment income	15,000	23,925	8,925
Ready to serve fees - Water	20,000	32,274	12,274
Ready to serve fees - Sewer	20,000	29,342	9,342
Late charges	30,000	53,358	23,358
Developer contributions	300,000	-	(300,000)
Cherry Creek Project Water Authority	10,000	26,963	16,963
Other income	27,000	24,380	(2,620)
Insurance proceeds	-	28,212	28,212
Loan proceeds	12,880,000	3,382,985	(9,497,015)
Contributions in aid of construction			
Tap fees - Water	1,690,425	1,659,690	(30,735)
Tap fees - Sewer	371,800	365,040	(6,760)
Canyons revenue	230,000	2,077,985	1,847,985
Total nonoperating revenue	<u>15,594,225</u>	<u>7,704,154</u>	<u>(7,890,071)</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016

(Continued)

	Original and Final Budget	Actual	Variance
NONOPERATING EXPENSES			
Accounting and audit	62,500	102,619	(40,119)
Admin vehicle	700	1,871	(1,171)
Billing systems service	45,000	49,112	(4,112)
Data processing	45,000	35,497	9,503
Directors' fees	7,000	5,800	1,200
Dues and seminars	40,000	26,157	13,843
Employee benefits	118,720	87,889	30,831
Insurance	110,000	108,686	1,314
Paying agent fees	-	1,500	(1,500)
Legal	120,000	143,838	(23,838)
Miscellaneous	-	9,988	(9,988)
Office expense	20,000	16,216	3,784
Outside services	50,000	29,976	20,024
Repairs and maintenance - Office	20,000	48,350	(28,350)
Salaries and related costs	349,500	374,532	(25,032)
Payroll taxes	26,550	27,743	(1,193)
Safety and training	24,000	18,879	5,121
Security services	22,000	19,240	2,760
Conservation	20,000	7,500	12,500
Customer communications	40,000	37,224	2,776
Utilities	10,500	19,070	(8,570)
CCPWA assessment	35,000	20,489	14,511
SMWSA	30,000	16,990	13,010
CCPWA water purchase	20,000	-	20,000
WISE participation - operations	142,000	141,388	612
Total nonoperating expenses	<u>1,358,470</u>	<u>1,350,554</u>	<u>7,916</u>
DEBT SERVICE			
Interest			
CWRPDA loan - 2015	221,836	-	221,836
CWCB-A ECCV Pipeline - 2014	52,490	-	52,490
CWRPDA loan - 2005	114,285	92,752	21,533
CWRPDA loan - 2002	102,734	102,734	-
Revenue note - 2010	328,968	328,968	-

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016
(Continued)

	Original and Final Budget	Actual	Variance
Principal			
CWRPDA loan - 2015	612,428	612,428	-
CWCB-A loan - 2014	39,950	38,786	1,164
CWRPDA loan - 2005	225,000	225,000	-
CWRPDA loan - 2002	340,000	340,000	-
Revenue note - 2010	423,288	423,288	-
Total debt service	<u>2,460,979</u>	<u>2,163,956</u>	<u>297,023</u>
CAPITAL OUTLAY			
Water projects			
Cost recovery payments	187,214	119,204	68,010
Water supply and treatment	14,692,000	6,609,465	8,082,535
Contributed developer improvements	300,000	-	300,000
Total water projects	<u>15,179,214</u>	<u>6,728,669</u>	<u>8,450,545</u>
Wastewater Treatment Plant			
Wastewater Treatment Plant	298,000	99,351	198,649
Total sewer projects	<u>298,000</u>	<u>99,351</u>	<u>198,649</u>
General			
Capital salaries	398,000	-	398,000
GIS program	50,000	6,649	43,351
Furniture and office equipment	35,000	9,393	25,607
Total general	<u>483,000</u>	<u>16,042</u>	<u>466,958</u>
Total capital outlay	<u>15,960,214</u>	<u>6,844,062</u>	<u>9,116,152</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(680,338)	2,228,592	2,908,930
FUNDS AVAILABLE - BEGINNING	<u>5,139,706</u>	<u>7,008,203</u>	<u>1,868,497</u>
FUNDS AVAILABLE - ENDING	<u>\$ 4,459,368</u>	<u>\$ 9,236,795</u>	<u>\$ 4,777,427</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016
(Continued)

FUNDS AVAILABLE ARE DEFINED
AS FOLLOWS

Current assets	\$ 10,835,987
Other assets	315,231
Less current liabilities	(3,608,611)
Adjustment for:	
Current long-term obligations	1,694,188
	<u>\$ 9,236,795</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016
(Continued)

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

Revenues (budgetary basis)	\$ 15,531,797
Loan proceeds	(3,382,985)
Cost recovery payments	(119,204)
Note receivable principal revenue	<u>(1,674,781)</u>
Total revenues per Statement of Revenues, Expenses and Change in Net Position	<u>10,354,827</u>
Expenditures (budgetary basis)	13,296,075
Depreciation	3,135,306
Amortization - Loan premium	(14,473)
Capital outlay	(6,844,062)
Long-term debt principal	<u>(1,639,502)</u>
Total expenses per Statement of Revenue, Expenses and Change in Net Position	<u>7,933,344</u>
Change in net position per Statement of Revenue, Expenses and Change in Net Position	<u><u>\$ 2,421,483</u></u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUNDS AVAILABLE (BUDGETARY BASIS)
ENTERPRISE ACTIVITY
Year Ended December 31, 2016**

ENTERPRISE REVENUES

Water operating income	\$ 5,582,882
Sewer operating income	2,237,631
Net investment income	23,925
Other income	194,529
Loan proceeds	3,382,985
Contributions in aid of construction	4,102,715
Total enterprise revenues	15,524,667

ENTERPRISE EXPENDITURES

Water operating expenses	2,080,589
Sewer operating expenses	856,914
Nonoperating expenses	1,315,224
Debt service	
Principal	1,639,502
Interest	524,454
Capital outlay	6,844,062
Total enterprise expenditures	13,260,745

EXCESS ENTERPRISE REVENUES (UNDER) ENTERPRISE EXPENDITURES

2,263,922

ENTERPRISE FUNDS AVAILABLE - BEGINNING OF YEAR

6,720,082

ENTERPRISE FUNDS AVAILABLE - END OF YEAR

\$ 8,984,004

Note: Revenues, Expenditures and Changes in Funds Available of the General Government Activity (those activities related to running a government - such as public notices, public hearings, etc.) and the Enterprise Activity (those activities associated with providing water and sewer services to the District customers) are presented to demonstrate compliance with a resolution of the Board of Directors of the District readopting and reestablishing a water activity enterprise pursuant to Article 45.1, Title 37, Colorado Revised Statutes, 1973, as amended.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUNDS AVAILABLE (BUDGETARY BASIS)
GENERAL GOVERNMENT ACTIVITY
Year Ended December 31, 2016**

GENERAL REVENUES	\$	-
<hr/>		
GENERAL EXPENDITURES		
Accounting and audit		3,592
Directors' fees		5,800
Dues and seminars		915
Employee benefits		3,076
Insurance		3,804
Legal		5,034
Salaries and related costs		13,109
Total general expenditures		<u>35,330</u>
 EXCESS GENERAL REVENUES (UNDER) GENERAL EXPENDITURES		 (35,330)
 GENERAL FUNDS AVAILABLE - BEGINNING OF YEAR		 <u>288,121</u>
 GENERAL FUNDS AVAILABLE - END OF YEAR	\$	 <u><u>252,791</u></u>

**DENVER SOUTHEAST SUBURBANK WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2016**

December 31,	\$7,045,000 Loan Dated October 1, 2002 Colorado Water Resources and Power Development Authority Interest Rates of 2.00% to 4.75% Principal and Interest Payable February 1 and August 1		\$4,800,000 Dated May 25, 2005 Colorado Water Resources and Power Development Authority Interest Rates of 3.35% Principal and Interest Payable February 1 and August 1	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 350,000	\$ 92,623	\$ 230,000	\$ 81,828
2018	355,000	82,937	240,000	73,108
2019	365,000	75,437	245,000	66,198
2020	370,000	70,249	250,000	59,438
2021	380,000	57,497	260,000	54,593
2022	410,000	26,962	265,000	46,933
2023	445,000	(10,563)	275,000	41,888
2024	-	-	280,000	35,440
2025	-	-	300,000	17,800
2026	-	-	320,000	(8,540)
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
Total	<u>\$ 2,675,000</u>	<u>\$ 395,142</u>	<u>\$ 2,665,000</u>	<u>\$ 468,686</u>

(Continued)

DENVER SOUTHEAST SUBURBANK WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2016
(Continued)

December 31,	\$10,335,213 Water Enterprise Revenue Refunding Note, Series 2010 Dated December 21, 2010 Interest Rate of 3.95% Principal due December 1 and Interest Payable June 1 and December 1		\$1,845,270 Loan Dated October 15, 2014 Colorado Water Conservation Board Contract C150411A ECCV Pipline Rates of 3.0% Principal and Interest Payable Annually	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 440,174	\$ 313,476	\$ 39,950	\$ 54,195
2018	457,734	295,917	41,148	52,996
2019	475,993	277,656	42,383	51,762
2020	494,981	258,667	43,654	50,490
2021	514,728	238,922	44,964	49,180
2022	535,261	218,389	46,313	47,832
2023	556,614	197,035	47,702	46,442
2024	578,818	174,831	49,133	45,011
2025	601,907	151,740	50,607	43,537
2026	625,921	127,729	52,125	42,019
2027	650,890	102,760	53,689	40,455
2028	676,855	76,794	55,300	38,844
2029	703,857	49,793	56,959	37,185
2030	731,936	21,714	58,668	35,477
2031	-	-	60,428	33,717
2032	-	-	62,241	31,904
2033	-	-	64,108	30,037
2034	-	-	66,031	28,113
2035	-	-	68,012	26,132
2036	-	-	70,052	24,092
2037	-	-	72,154	21,991
2038	-	-	74,318	19,826
2039	-	-	76,548	17,596
2040	-	-	78,844	15,300
2041	-	-	81,210	12,935
2042	-	-	83,646	10,498
2043	-	-	86,155	7,989
2044	-	-	88,740	5,404
2045	-	-	91,402	2,742
	<u>\$ 8,045,669</u>	<u>\$ 2,505,423</u>	<u>\$ 1,806,484</u>	<u>\$ 923,701</u>

*Note: Schedules of Debt Service Requirements to Maturity for the following loans are not included as projects are not deemed substantially complete: CWCB-B WISE Phase 1; CWCB-C WISE Phase 2; CWCB-D DIA Connection

(Continued)

DENVER SOUTHEAST SUBURBANK WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2016
(Continued)

\$14,250,066 Loan
Dated April 1, 2015
Colorado Water Resource
and Power Development
Authority
Interest Rate of
1.57% to 2.87%
Principal and Interest Payable
February 1 and August 1

December 31,			Total		Total
	Principal	Interest	Principal	Interest	
2017	\$ 620,456	219,145	\$ 1,680,580	\$ 761,267	\$ 2,441,847
2018	620,491	215,044	1,714,373	720,002	2,434,375
2019	628,519	211,144	1,756,895	682,197	2,439,092
2020	631,548	207,245	1,790,183	646,089	2,436,272
2021	632,569	203,444	1,832,261	603,636	2,435,897
2022	638,590	199,744	1,895,164	539,860	2,435,024
2023	639,611	196,045	1,963,927	470,847	2,434,774
2024	647,639	191,994	1,555,590	447,276	2,002,866
2025	650,667	187,944	1,603,181	401,021	2,004,202
2026	653,696	183,570	1,651,742	344,778	1,996,520
2027	660,738	176,769	1,365,317	319,984	1,685,301
2028	665,773	171,819	1,397,928	287,457	1,685,385
2029	667,815	167,020	1,428,631	253,998	1,682,629
2030	689,857	148,269	1,480,461	205,460	1,685,921
2031	709,892	129,219	770,320	162,936	933,256
2032	726,935	109,869	789,176	141,773	930,949
2033	747,040	90,369	811,148	120,406	931,554
2034	779,152	56,919	845,183	85,032	930,215
2035	801,265	37,719	869,277	63,851	933,128
2036	818,378	18,625	888,430	42,717	931,147
2037	-	-	72,154	21,991	94,145
2038	-	-	74,318	19,826	94,144
2039	-	-	76,548	17,596	94,144
2040	-	-	78,844	15,300	94,144
2041	-	-	81,210	12,935	94,145
2042	-	-	83,646	10,498	94,144
2043	-	-	86,155	7,989	94,144
2044	-	-	88,740	5,404	94,144
2045	-	-	91,402	2,742	94,144
	<u>\$ 13,630,631</u>	<u>\$ 3,121,916</u>	<u>\$ 28,822,784</u>	<u>\$ 7,414,868</u>	<u>\$ 36,237,652</u>

(Continued)

OTHER SUPPLEMENTARY INFORMATION

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2016**

AD VALOREM PROPERTY TAX DATA

HISTORY OF THE DISTRICT'S MILL LEVY, ASSESSED VALUATION, AND PROPERTY TAX COLLECTIONS

Levy/ Collection Year	Assessed Valuation	Increase (Decrease)	Percent Change	Debt Service Mill Levy	Taxes Levied	Taxes Collected	Debt Service Mill Levy	Percent of Levy Collected
2001/2002	\$ 89,652,819	\$ 15,884,391	21.5%	10.000	\$ 1,401,600	\$ 1,412,900	10.000	100.81%
2002/2003	\$ 97,482,505	\$ 7,829,686	8.7%	8.800	\$ 896,528	\$ 907,238	8.800	101.19%
2003/2004	\$ 102,453,235	\$ 4,970,730	5.1%	8.800	\$ 857,846	\$ 866,529	8.800	101.01%
2004/2005	\$ 108,898,520	\$ 6,445,285	6.3%	3.150	\$ 901,588	\$ 908,758	3.150	100.80%
2005/2006	\$ 124,506,210	\$ 15,607,690	14.3%	3.150	\$ 343,030	\$ 352,304	3.150	102.70%
2006/2007	\$ 140,866,660	\$ 16,360,450	13.1%	1.900	\$ 392,195	\$ 382,607	1.900	97.56%
2007/2008	\$ 166,876,427	\$ 26,009,767	18.5%	0.000	\$ 267,647	\$ 276,336	0.000	103.25%
2008/2009	\$ 184,608,610	\$ 17,732,183	10.6%	0.000	\$ -	\$ 33	0.000	N/A
2009/2010	\$ 194,234,310	\$ 9,625,700	5.2%	0.000	\$ -	\$ -	0.000	N/A
2010/2011	\$ 197,048,900	\$ 2,814,590	1.4%	0.000	\$ -	\$ -	0.000	N/A
2011/2012	\$ 163,524,840	\$ (33,524,060)	-17.0%	0.000	\$ -	\$ -	0.000	N/A
2012/2013	\$ 164,046,170	\$ 521,330	0.3%	0.000	\$ -	\$ -	0.000	N/A
2013/2014	\$ 160,868,813	\$ (3,177,357)	-1.9%	0.000	\$ -	\$ -	0.000	N/A
2014/2015	\$ 161,838,380	\$ 969,567	0.6%	0.000	\$ -	\$ -	0.000	N/A
2015/2016	\$ 190,712,910	\$ 28,874,530	17.8%	0.000	\$ -	\$ -	0.000	N/A
2016/2017	\$ 192,388,750	\$ 1,675,840	0.9%	0.000	\$ -	\$ -	0.000	N/A

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2016
(Continued)

SYSTEM ACCOUNTS

<u>Classification</u>	<u>Number of Accounts</u>	<u>Percent of Total Accounts</u>
Residential	4,358	92.88%
Commercial	30	0.64%
Irrigation only	60	1.28%
Vacant lots	244	5.20%
Total	<u>4,692</u>	<u>100.00%</u>

WATER PROJECT FEE SCHEDULE

<u>Classification</u>	<u>Meter Size</u>	<u>Monthly Charge</u>
Residential	3/4 "	\$ 12.50
Commercial	3/4 "	\$ 12.50
Commercial	1"	\$ 25.00
Commercial	1 1/2"	\$ 50.00
Commercial	2"	\$ 87.50
Commercial	3"	\$ 200.00
Golf Course Irrigation (1)	N/A	\$ 250.00

(1) This is to be a single charge and not for each meter used to provide water for golf course irrigation).

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2016
(Continued)**

**CHARGES FOR WATER SERVICE
WATER RATES AND CHARGES
(In Effect as of January 1, 2016 Through December 31, 2016)**

Residential (Monthly)

Base Rate	\$29.22
0 - 3,000 gallons	\$29.22 + \$2.31/1,000 gallons
3,000 -20,000 gallons	\$36.21 + \$3.38/1,000 gallons
20,000 - 30,000 gallons	\$93.67 + \$4.26/1,000 gallons
30,000 - 50,000 gallons	\$136.27 + \$5.54/1,000 gallons
50,000 - 60,000 gallons	\$247.07 + \$7.56/1,000 gallons
Over 60,000 gallons	\$322.67 + \$15.17/1,000 gallons

Commercial (Monthly)

Meter Size	\$2.34/1,000 gallons		\$3.39/1,000 gallons		\$4.26/1,000 gallons		\$5.55/1,000 gallons		\$7.58/1,000 Gallons over
	Base Rate	Maximum Gallons	Minimum Gallons	Maximum Gallons	Minimum Gallons	Maximum Gallons	Minimum Gallons	Maximum Gallons	
3/4" (1)	\$ 30.02	3,000	3,001	20,000	20,001	30,000	30,001	50,000	50,001
1" (2)	\$ 49.59	6,000	6,001	40,000	40,001	60,000	60,001	100,000	100,001
1-1/2" (4)	\$ 70.50	12,000	12,001	80,000	80,001	120,000	120,001	200,000	200,001
2" (7)	\$ 100.53	21,000	21,001	140,000	140,001	210,000	210,001	350,000	350,001
3" (16)	\$ 190.61	48,000	48,001	320,000	320,001	480,000	480,001	800,000	800,001

Large Irrigators (Separate Interruptible Meter, Billed Monthly)

Base Rate	\$30.02
All usage	\$3.63/1,000 gallons

Golf Courses

Base Rate	\$30.02
All usage	\$3.33/1,000 gallons for usage up to 150 AF per year for each 9 holes. For usage greater than 150 AF the rate becomes \$5.76/1,000 gallons (applies to Pinery CC)

Ready to Serve "Standby Fee" (Monthly)

Water and sewer	\$18.75
Water only	\$10.12

REVENUE FROM WATER SALES

<u>Year</u>	<u>Gallons Used (in 000s)</u>	<u>Average Water Rates in Effect (per 1,000 Gallons)</u>	<u>Revenue from Water Sales</u>
1999	656,000	\$ 1.82	\$ 1,195,279
2000	804,000	\$ 1.89	\$ 1,517,783
2001	858,903	\$ 1.78	\$ 1,531,737
2002	916,807	\$ 2.07	\$ 1,900,932
2003	814,840	\$ 2.11	\$ 1,718,359
2004	779,815	\$ 2.26	\$ 1,758,703
2005	950,599	\$ 2.51	\$ 2,390,298
2006	1,198,482	\$ 2.32	\$ 2,785,447
2007	1,026,474	\$ 2.66	\$ 2,733,243
2008	1,064,305	\$ 2.89	\$ 3,076,169
2009	801,394	\$ 3.82	\$ 3,064,370
2010	1,059,098	\$ 3.96	\$ 4,195,310
2011	1,036,388	\$ 4.03	\$ 4,171,747
2012	1,110,760	\$ 4.09	\$ 4,548,060
2013	924,465	\$ 4.32	\$ 3,997,419
2014	860,749	\$ 4.53	\$ 3,903,134
2015	872,497	\$ 4.87	\$ 4,251,331
2016	955,099	\$ 5.07	\$ 4,838,281

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2016
(Continued)**

CHARGES FOR WASTEWATER SERVICE

WASTEWATER RATES AND CHARGES
(In Effect as of January 1, 2017 Through December 31, 2017)

Residential (Monthly)

Flat Rate for all users	\$	42.92
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Commercial (Monthly based on water meter reading)

Tap Size	Flat Rate
3/4" Diameter	\$ 60.41
1" Diameter	\$ 120.81
1-1/2" Diameter	\$ 241.63
2" Diameter	\$ 422.86
3" Diameter	\$ 966.53

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2016
(Continued)

CHARGES FOR WASTEWATER SERVICE

REVENUE FROM WASTEWATER CHARGES

<u>Year</u>	Users of Wastewater Services Average Number of Taps During the Year	Revenue from Water Wastewater Charges
2001	2,900	\$ 830,141
2002	3,086	\$ 854,511
2003	3,199	\$ 869,197
2004	3,302	\$ 927,696
2005	3,585	\$ 1,034,446
2006	3,773	\$ 1,114,160
2007	3,839	\$ 1,208,839
2008	3,901	\$ 1,352,717
2009	3,949	\$ 1,519,391
2010	3,972	\$ 1,659,788
2011	3,994	\$ 1,756,324
2012	4,051	\$ 1,855,419
2013	4,055	\$ 1,887,335
2014	4,129	\$ 1,971,562
2015	4,203	\$ 2,085,750
2016	4,198	\$ 2,237,631

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2016
(Continued)

ADDITIONAL CHARGES AND FEES OF THE SYSTEM

WATER AND WASTEWATER TAP AND CONNECTION FEES
(Effective January 1, 2017)

RESIDENTIAL (per SFE with 3/4" Meter)

Water fee	\$ 31,965
Sewer fee	\$ 7,030
Total fee	\$ 38,995

COMMERCIAL

<u>Meter Size</u>	<u>Water Fee</u>	<u>Sewer Fee</u>	<u>Total Fee</u>
3/4" (1)	\$ 31,965	\$ 7,030	\$ 38,995
1" (2)	\$ 63,930	\$ 14,060	\$ 77,990
1-1/2" (4)	\$ 127,860	\$ 28,120	\$ 155,980
2" (7)	\$ 223,755	\$ 49,210	\$ 272,965
3" (16)	\$ 511,440	\$ 112,480	\$ 623,920

Sewer fees are determined based on meter size.

Additional fees are in place for certain filings, as listed below, and will be added to the above fees.

<u>Filing</u>	<u>Water</u>	<u>Sewer</u>
Pinery, Filings 1 through 8A	\$ 1,012	\$ 587
Pinery, Filing 8B, 1st Amendment	\$ 587	\$ -
Pinery, Filing 8B, 2nd Amendment	\$ 566	\$ -
Pinery, Filing 20	\$ 600	\$ -
Misty Pines	\$ 425	\$ -
Pradera	\$ 800	\$ -
Colorado Golf	\$ 800	\$ -

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2016
(Continued)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
OPERATING REVENUE						
Water and sewer charges	\$ 5,731,220	\$ 6,368,129	\$ 5,985,580	\$ 6,013,065	639,1305	\$ 6,892,915
Irrigation, hydrant fees and other	722,477	739,855	578,821	579,629	663,402	927,598
Total operating revenue	<u>6,453,697</u>	<u>7,107,984</u>	<u>6,564,401</u>	<u>6,592,694</u>	<u>7,054,707</u>	<u>7,820,513</u>
OPERATING EXPENSES						
Depreciation	2,252,065	2,377,368	2,460,197	2,582,588	2,700,890	3,135,306
Auto expenses/vehicle maintenance	54,172	58,647	58,922	45,508	35,702	33,920
Salaries and wages	1,057,742	1,110,895	1,126,288	1,112,022	1,192,309	1,241,697
Payroll taxes	77,339	80,880	85,269	83,605	89,004	94,368
Employee benefits	366,015	304,469	335,316	347,035	356,787	370,222
Utilities	745,554	864,296	829,288	735,541	787,259	771,736
Outside services	45,634	21,171	14,928	142,355	126,401	91,558
Maintenance and supplies	682,173	505,566	519,845	614,826	560,976	525,089
Professional fees	409,586	414,205	517,151	344,473	454,231	571,893
Other operating expenses	148,694	167,170	222,218	187,945	234,984	236,180
Office expense	17,307	18,714	15,809	18,812	16,747	16,216
Insurance	82,523	82,074	85,836	88,069	106,806	108,686
Directors' fees	5,800	5,500	7,800	7,400	5,900	5,800
Sludge disposal	50,939	54,261	71,227	66,170	57,249	58,815
CCWPA assessment	106,543	108,592	34,148	40,978	40,978	20,489
CCPWA water purchase	-	-	10,467	-	-	-
WISE participation - operations	-	-	47,331	52,318	106,278	141,388
Total operating expenses	<u>6,102,086</u>	<u>6,173,808</u>	<u>6,442,040</u>	<u>6,469,645</u>	<u>6,872,501</u>	<u>7,423,363</u>
Income (loss) from operations	<u>351,611</u>	<u>934,176</u>	<u>122,361</u>	<u>123,049</u>	<u>182,206</u>	<u>397,150</u>
NONOPERATING REVENUE						
Net investment income	9,181	27,077	17,314	13,859	14,188	23,925
Miscellaneous other income	179,123	168,145	209,367	135,257	119,979	132,913
Ready to serve fees	60,979	69,444	53,058	63,756	70,083	61,616
Gain (loss) on disposition of assets	13,984	31,152	22,165	19,360	10,590	-
Contributions in aid of construction	720,231	515,871	768,014	3,121,593	2,931,456	2,315,860
Total nonoperating revenue	<u>983,498</u>	<u>811,689</u>	<u>1,069,918</u>	<u>3,353,825</u>	<u>3,146,296</u>	<u>2,534,314</u>
NONOPERATING EXPENSES						
Interest and paying agent fees	131,744	291,415	234,703	596,039	205,139	509,981
Amortization	131,185	104,478	-	-	-	-
Loan issue cost	-	-	-	39,548	51,783	-
Total nonoperating expenses	<u>262,929</u>	<u>395,893</u>	<u>234,703</u>	<u>635,587</u>	<u>256,922</u>	<u>509,981</u>
NET INCOME (LOSS)/						
CHANGE IN NET POSITION	<u>\$ 1,072,180</u>	<u>\$ 1,349,972</u>	<u>\$ 957,576</u>	<u>\$ 2,841,287</u>	<u>\$ 3,071,580</u>	<u>\$ 2,421,483</u>

**CONTINUING DISCLOSURE
ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES AND
POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A**

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
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AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2016**

CUSTOMER INFORMATION

<u>Years (December 31)</u>	<u>Total Estimated Residential Equivalent Units</u>
2004	3,436
2005	3,585
2006	3,773
2007	3,993
2008	4,057
2009	4,090
2010	4,128
2011	4,152
2012	4,166
2013	4,185
2014	4,228
2015	4,272
2016	4,358

TEN LARGEST CUSTOMERS OF THE SYSTEM

Pinery Country Club
Colorado Golf Club, LLC
Pradera Country Club
Westward Enterprises
Douglas County School District RE-1
Town of Castle Rock
Pinery Glen Homeowners Association
Pinery West Metropolitan District
Douglas County Parks and Recreation
High Prairie Farms Metropolitan District

The balance of the largest customers of the system are generally individual residential properties.

(Continued)

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December 31, 2016
(Continued)

BUDGET SUMMARY AND COMPARISON

	2017 Budget	2016 Budget
REVENUE		
Water, operating		
User charges	\$ 3,600,000	\$ 3,500,000
Irrigation and hydrant fees	530,000	520,000
Water supply project fee	685,000	688,000
Other	120,000	77,000
Sewer, operating		
User charges	2,319,200	2,100,000
Other	30,000	20,000
Nonoperating		
Loan proceeds	9,500,000	12,880,000
Tap fees	1,499,800	2,062,225
Other	6,260,000	1,516,996
Total revenue	24,544,000	23,364,221
EXPENDITURES		
Water, operating		
Utilities	790,000	790,000
Salaries and related costs	843,900	783,550
Other	968,300	1,007,500
Sewer, operating		
Utilities	205,500	202,000
Salaries and related costs	469,450	418,850
Other	347,500	383,000
Nonoperating		
Insurance	110,000	110,000
Salaries and related costs	509,350	494,770
Other	532,500	506,700
Debt service	2,442,577	2,460,979
Capital outlay	18,082,500	16,887,210
Total expenditures	25,301,577	24,044,559
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(757,577)	(680,338)
FUNDS AVAILABLE - BEGINNING OF YEAR	7,977,308	5,139,706
FUNDS AVAILABLE - END OF YEAR	\$ 7,219,731	\$ 4,459,368

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
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CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2016**

(Continued)

SCHEDULE OF COVERAGE OF DEBT SERVICE REQUIREMENTS

<u>Year</u>	<u>Income</u>	<u>Operation and Maintenance Expenses</u>	<u>Available for Debt Service</u>	<u>Debt Service Require- ments</u>	<u>Debt Service Coverage</u>
2004	\$ 20,094,587	\$ 2,459,610	\$ 17,634,977	\$ 1,893,570	9.31
2005	\$ 12,703,160	\$ 2,977,714	\$ 9,725,446	\$ 2,195,762	4.43
2006	\$ 9,076,622	\$ 3,334,176	\$ 5,742,446	\$ 2,142,845	2.68
2007	\$ 14,752,043	\$ 3,536,146	\$ 11,215,897	\$ 2,224,578	5.04
2008	\$ 7,674,924	\$ 4,173,068	\$ 3,501,856	\$ 2,110,270	1.66
2009	\$ 5,760,461	\$ 3,610,190	\$ 2,150,271	\$ 2,111,868	1.02 *
2010	\$ 7,321,442	\$ 3,895,966	\$ 3,425,476	\$ 2,024,307	1.69
2011	\$ 7,437,195	\$ 3,850,021	\$ 3,587,174	\$ 1,666,975	2.15
2012	\$ 7,919,673	\$ 3,796,440	\$ 4,123,233	\$ 1,565,716	2.63
2013	\$ 7,634,319	\$ 3,981,843	\$ 3,652,476	\$ 1,564,222	2.34
2014	\$ 9,946,519	\$ 3,926,605	\$ 6,019,914	\$ 1,683,173	3.58
2015	\$ 10,201,003	\$ 4,223,394	\$ 5,977,609	\$ 2,491,863	2.40
2016	\$ 10,354,827	\$ 4,288,057	\$ 6,066,770	\$ 2,441,847	2.48

* The debt service requirements for the Series 1989 loan are funded with a reserve of prior property tax revenue. If the debt service requirements for this loan were removed, the debt service coverage would be 1.35%.

TEN LARGEST PROPERTY TAXPAYERS OF THE DISTRICT

(Assessed Valuation for 2016 Taxes Due in 2017)

<u>Taxpayer</u>	<u>Assessed Valuation Property in the District</u>	<u>Percentage of Total District Assessed Valuation</u>
CGC EQUITY CLUB LLC	\$ 2,364,710	1.23%
CGC REAL ESTATE LLC	1,559,440	0.81%
CR ARCIS VI LLC	1,308,690	0.68%
COLORADO EQUESTRIAN PARTNERS LLC	1,279,440	0.67%
CF ARCIS V LLC	1,218,000	0.63%
BETTS LAKE LLC	1,143,200	0.59%
FORESTAR USA REAL ESTATE GROUP INC	1,137,040	0.59%
CELEBRITY DEVELOPMENT OF COLORADO LLC	951,910	0.49%
TIMBERS DEVELOPMENT GROUP INC	568,410	0.30%
TIMBERS INVESTMENT 2015 LLC	564,350	0.29%
ALL OTHERS	180,293,560	93.70%
	<u>\$ 192,388,750</u>	<u>100.00%</u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
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COMBINED STATEMENT OF DEBT

<u>Designation</u>	<u>Amount Outstanding</u>
Water Enterprise Revenue Note, Series 2010	\$ 8,045,669
Local Government Bonds	20,777,115
	<u>\$ 28,822,784</u>

DEBT SERVICE REQUIREMENTS OF THE DISTRICT

See Schedule of Debt Service Requirements to Maturity in Supplemental Information.

ESTIMATED DIRECT AND OVERLAPPING DEBT SCHEDULE

	<u>2016 Assessed Valuation</u>	<u>Outstanding General Obligation Debt (1)</u>	<u>Outstanding Debt Applicable to District</u>	
			<u>Percent</u>	<u>Amount</u>
The District	\$ 192,388,750	\$ -	100.00%	\$ -
Douglas County School District RE-1	\$ 5,686,174,292	\$ 305,059,571	3.38%	10,311,013
Parker Fire Protection District	\$ 2,768,236,160	\$ -	0.00%	-
				<u>\$ 10,311,013</u>

(1) Includes only general obligation debt supported by general property taxes. Does not include bonds which have historically been supported by revenue other than property taxes.

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
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CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
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(Continued)**

ASSESSED VALUATION, DEBT AND DEBT RATIOS

Actual valuation	\$ 2,200,582,754
Assessed valuation	\$ 192,388,750
Net general obligation direct debt	\$ -
Estimated overlapping debt	\$ 10,311,013
Net direct and estimated overlapping debt	\$ 10,311,013
Ratio of net direct debt to estimated actual valuation	0.00%
Ratio of net direct debt to assessed valuation	0.00%
Net direct debt per capita (1)	\$ -
Ratio of net direct and estimated overlapping debt to estimated actual valuation	0.47%
Ratio of net direct and estimated overlapping debt to assessed valuation	5.36%
Net direct and estimated overlapping debt per capita (1)	\$ 824
Estimated actual valuation per capita (1)	\$ 175,942
Assessed valuation per capita (1)	\$ 15,382

(1) Estimated permanent population 12,507