

DOMINION WATER & SANITATION DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2016 and 2015



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**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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Independent Auditor's Report

To the Board of Directors
Dominion Water and Sanitation District

We have audited the accompanying financial statements of the business-type activities of Dominion Water and Sanitation District as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Dominion Water and Sanitation District, as of December 31, 2016 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

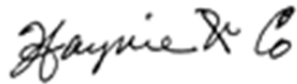
Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Dominion Water and Sanitation District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.



Littleton, Colorado
June 28, 2017

BASIC FINANCIAL STATEMENTS

DOMINION WATER & SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

STERLING RANCH WATER ACTIVITY AND STERLING RANCH WASTEWATER ACTIVITY ENTERPRISE FUNDS

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 70,329	\$ 1,292,972
Cash and investments - Restricted	68,067,989	-
Utility deposit	7,048	5,000
Accounts receivable	245,219	-
Prepaid expenses	-	151,290
Total current assets	68,390,585	1,449,262
LONG TERM ASSETS		
Deposits/Option payments	756,000	714,000
Total long term assets	756,000	714,000
Total current and long term assets	69,146,585	2,163,262
CAPITAL ASSETS		
Capital assets not placed in service		
Water	27,020,432	15,914,674
Wastewater	6,702,090	3,186,493
Stormwater	105,667	105,667
Aurora 230 water	3,257,659	3,257,659
Total capital assets	37,085,848	22,464,493
TOTAL ASSETS	\$ 106,232,433	\$ 24,627,755
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable - Operations	\$ 390,717	\$ 41,438
Accounts payable - Capital	906,643	1,106,311
Total current liabilities	1,297,360	1,147,749
LONG TERM LIABILITIES		
SR Entities advances payable	26,739,089	25,304,814
SR Entities advances payable - accrued interest	6,482,322	4,702,771
SWWC advances payable	8,021	8,021
SWWC advances payable - accrued interest	22,342	19,457
Bonds payable, net of unamortized original issue discount	83,218,579	-
Total long term liabilities	116,470,353	30,035,063
Total liabilities	117,767,713	31,182,812
NET POSITION		
Unrestricted	(11,535,280)	(6,555,057)
Total net position	(11,535,280)	(6,555,057)
TOTAL LIABILITIES AND NET POSITION	\$ 106,232,433	\$ 24,627,755

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

DOMINION WATER & SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2016 and 2015

STERLING RANCH WATER ACTIVITY AND STERLING RANCH WASTEWATER ACTIVITY ENTERPRISE FUNDS

	2016	2015
OPERATING REVENUES		
Water service fees	\$ 728,598	\$ -
Reimbursed expenditures	12,861	-
Total operating revenues	741,459	-
OPERATING EXPENSES		
Accounting	73,346	57,183
Audit	8,800	8,596
Application fees	-	6,750
Directors fees	5,700	1,500
District management	106,872	90,635
Dues and memberships	9,285	1,977
Election	39	-
Insurance	16,124	3,228
Legal	123,570	99,900
LE/RWSD charges	69,005	-
LOC consulting fees	50,410	76,508
Miscellaneous	3,806	2,856
Permits	3,795	3,795
Supplies	111	-
Utilities	11,858	4,108
Utilities Director	138,600	-
Web service	-	3,300
Water treatment O&M	9,544	-
Water delivery	549,443	21,229
Total operating expenses	1,180,308	381,565
OPERATING INCOME (LOSS)	(438,849)	(381,565)
NONOPERATING REVENUES AND (EXPENSES)		
Other income	-	13,122
Advances interest	(2,209,243)	(1,376,188)
Loan interest	-	(31,795)
Bonds - costs of issuance	(2,332,131)	-
Total nonoperating revenues and (expenses)	(4,541,374)	(1,394,861)
CHANGE IN NET POSITION	(4,980,223)	(1,776,426)
NET POSITION - BEGINNING OF YEAR	(6,555,057)	(4,778,631)
NET POSITION - END OF YEAR	\$ (11,535,280)	\$ (6,555,057)

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

DOMINION WATER & SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

STERLING RANCH WATER ACTIVITY AND STERLING RANCH WASTEWATER ACTIVITY ENTERPRISE FUNDS

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 638,879	\$ -
Payments to suppliers - Operations	(668,926)	(392,767)
Net cash provided (required) by operating activities	(30,047)	(392,767)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
SR Entities advances - Operations	596,839	288,924
Net cash provided (required) by noncapital financing activities	596,839	288,924
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
SR Entities advances - Capital	8,110,630	12,076,652
Payments to suppliers - Capital	(14,976,524)	(8,821,038)
Deposits/payment options - Capital	(42,000)	(67,000)
Sale of assets	-	504,351
Bonds issuance (net of original issue discount)	83,218,579	-
Bonds - costs of issuance	(2,332,131)	-
Repayment - Loan - principal and interest	-	(2,349,173)
Repayment - SR Entities advances - principal and interest	(7,700,000)	-
Net cash provided (required) by capital and related financing activities	66,278,554	1,343,792
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,845,346	1,239,949
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,292,972	53,023
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 68,138,318	\$ 1,292,972
Reconciliation of operating income (loss) to net cash provided (required) by operating activities		
Operating income (loss)	\$ (438,849)	\$ (381,565)
Adjustments to reconcile operating income (loss) to net cash provided (required) by operating activities:		
(Increase) decrease in prepaid expenses	151,290	2,638
(Increase) decrease in accounts receivable	(89,719)	-
(Increase) decrease in utilities deposit	(2,048)	-
Increase (decrease) in accounts payable	349,279	(13,840)
Net cash provided (required) by operating activities	\$ (30,047)	\$ (392,767)

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

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - DEFINITION OF REPORTING ENTITY

Dominion Water & Sanitation District (Dominion or the District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District was organized for the purpose of providing certain public improvements, facilities and services to and for the use and benefit of the District's Service Area. The District's Service Area is located in Douglas County, Colorado.

In February 2014, the District's Board of Directors established the Sterling Ranch Water Activity Enterprise and Sterling Ranch Wastewater Activity Enterprise to pursue or continue all of the District's activities relating to the provision of wholesale water, wastewater and stormwater services to the Sterling Ranch development, including water acquisition, water project and/or facility activities, and including the construction, operation, repair and replacement of water and wastewater facilities, using revenues and income generated in connection with such water and wastewater activities. The Sterling Ranch Water Activity Enterprise and Sterling Ranch Wastewater Activity Enterprise shall have all the powers and authority granted to water activity enterprises pursuant to Title 37, Article 45.1 of the Colorado Revised Statutes, including the power to contract with any person or entity and the power to issue or reissue revenue bonds.

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 currently has no employees and all operations and administrative functions are contracted.

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 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 public water and wastewater systems where net income and capital maintenance are appropriate determinations of accountability.

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Purchases or construction of capital assets are shown as increases in assets and redemption of bonds and loans are recorded as a reduction in liabilities.

Operating Revenues and Expenses

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

Budget

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of 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 District has amended its budget for the year ended December 31, 2016.

Cash Equivalents

For purposes of the statements 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.

Capital Assets

Capital assets, which include distribution and collection systems and machinery and equipment, are reported as assets on the District's financial statements. Capital assets are generally defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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. Capital assets recorded as Construction in Progress and those not yet placed in service are not being depreciated.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

Original Issue Discount

In the business-type financial statements, original issue discount is deferred and amortized over the life of the bonds using the effective interest method. The unamortized balance of the original issue discount is treated as a reduction of bonds payable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

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

	2016	2015
Statement of net position:		
Cash and investments	\$ 70,329	\$ 1,292,972
Cash and investments - Restricted	68,067,989	-
Total cash and investments	\$ 68,138,318	\$ 1,292,972

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

Deposits with financial institutions	\$ 1,211,817	\$ 1,292,972
Investments	66,926,501	-
Total cash and investments	\$ 68,138,318	\$ 1,292,972

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.

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

As of December 31, 2016 and 2015, the District's cash deposits had a bank balance of \$1,501,771 and \$1,323,081, respectively, and a carrying balance of \$1,211,817 and \$1,292,972, respectively. \$250,000 per institution is insured through the FDIC and the balance is collateralized in single institution pools.

Investments

The District has adopted an investment policy by which it 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 or investment custodial 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.

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 certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

In 2017, the District engaged the services of SNW Asset Management, LLC, a registered Investment Advisor providing financial advisory and asset management services, to receive financial advice and to assist in the management of the District's funds held in trust by UMB Bank, including the buying and selling of securities to be held in such portfolio.

**DOMINION WATER & SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016 and 2015**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Balance</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 66,926,501</u>

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.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 4 - CAPITAL ASSETS

The following is an analysis of changes in the District's capital assets for the years ended December 31, 2016 and 2015:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
<u>Capital assets not being depreciated</u>				
Capital assets not placed in service:				
Water	\$ 15,914,674	\$ 11,105,758	\$ -	\$ 27,020,432
Wastewater	3,186,493	3,515,597	-	6,702,090
Stormwater	105,667	-	-	105,667
Water rights - Aurora 230 water	3,257,659	-	-	3,257,659
	<u>\$ 22,464,493</u>	<u>\$ 14,621,355</u>	<u>\$ -</u>	<u>\$ 37,085,848</u>
	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
<u>Capital assets not being depreciated</u>				
Capital assets not placed in service:				
Water	\$ 8,877,636	\$ 7,528,267	\$ 491,229	\$ 15,914,674
Wastewater	1,222,666	1,963,827	-	3,186,493
Stormwater	105,667	-	-	105,667
Water rights - Aurora 230 water	3,257,659	-	-	3,257,659
	<u>\$ 13,463,628</u>	<u>\$ 9,492,094</u>	<u>\$ 491,229</u>	<u>\$ 22,464,493</u>

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 – LONG TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the years ended December 31, 2016 and 2015:

	Balance December 31, 2015	Additions	Payments and Reclasi- fications	Balance December 31, 2016	Current Portion
Tap Fee Revenue Bonds, Series 2016	\$ -	\$ 85,025,000	\$ -	\$ 85,025,000	\$ -
Original issue discount (to be amortized)	-	(1,806,421)	-	(1,806,421)	-
	<u>-</u>	<u>83,218,579</u>	<u>-</u>	<u>83,218,579</u>	<u>-</u>
Payable to SR Entities -					
Water activities - principal	21,855,733	7,817,483	6,789,149	22,884,067	-
Water activities - accrued interest	4,144,017	1,901,888	396,870	5,649,035	-
Wastewater activities - principal	3,449,081	889,986	484,045	3,855,022	-
Wastewater activities - accrued interest	558,754	304,469	29,936	833,287	-
Payable to SWWC -					
Wastewater activities - principal	8,021	-	-	8,021	-
Wastewater activities - accrued interest	19,457	2,885	-	22,342	-
	<u>30,035,063</u>	<u>10,916,711</u>	<u>7,700,000</u>	<u>33,251,774</u>	<u>-</u>
	<u>\$ 30,035,063</u>	<u>\$ 94,135,290</u>	<u>\$ 7,700,000</u>	<u>\$ 116,470,353</u>	<u>\$ -</u>

	Balance December 31, 2014	Additions	Payments and Reclasi- fications	Balance December 31, 2015	Current Portion
Payable to SR Entities -					
Water activities - principal	\$ 11,361,946	\$ 10,493,787	\$ -	\$ 21,855,733	\$ -
Water activities - accrued interest	2,950,858	1,193,159	-	4,144,017	-
Wastewater activities - principal	1,374,618	2,074,463	-	3,449,081	-
Wastewater activities - accrued interest	378,331	180,423	-	558,754	-
Payable to SWWC -					
Wastewater activities - principal	8,021	-	-	8,021	-
Wastewater activities - accrued interest	16,851	2,606	-	19,457	-
	<u>\$ 16,090,625</u>	<u>\$ 13,944,438</u>	<u>\$ -</u>	<u>\$ 30,035,063</u>	<u>\$ -</u>

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 – LONG TERM OBLIGATIONS (CONTINUED)

\$85,025,000 Tap Fee Revenue Bonds, Series 2016

On December 29, 2016, the District issued its Tap Fee Revenue Bonds, Series 2016, in the aggregate amount of \$85,025,000 with an original issue discount of \$1,806,421 (“Bonds”). The proceeds from the sale of the Bonds were used for the purposes of (i) paying or reimbursing the costs of capital infrastructure improvements; (ii) providing capitalized interest for the Bonds; (iii) providing a deposit to the Debt Service Reserve Fund; (iv) providing a deposit to the Surplus Reserve Fund; and (v) paying costs of issuance of the Bonds.

The Bonds include a \$13,745,000 term bond maturing on December 1, 2027 with an interest rate of 5.25%, a \$24,435,000 term bond maturing on December 1, 2036 with an interest rate of 5.75%, and a \$46,845,000 term bond maturing on December 1, 2046 with an interest rate of 6.0%, and interest is payable semi-annually on June 1 and December 1, beginning on June 1, 2017. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2020. The Bonds are subject to optional redemption as described in the Trust Indenture starting in 2021.

The Bonds are subject to mandatory redemption in whole or in part prior to their stated maturity from amounts on deposit in the Extraordinary Mandatory Redemption Account commencing June 1, 2020.

The Bonds are secured by and payable solely from the Revenues (as defined in the Trust Indenture) and any other legally available amounts that the District determines, in its absolute discretion, to transfer to the Trustee for application as described in the Indenture. Revenues include, with the exception of the tap fee revenue received in connection with the residential lots in Sterling Ranch Filing No. 1, 100% of the Tap Fee Revenues received by the District, and after the Capitalized Interest period, Net Service Charge Revenues, if any. Once the Trustee has transferred sufficient funds from the Revenue Fund to the Funds and accounts described in items first through fifth below, the Issuer shall be entitled to receive a monthly distribution defined as the “Issuer Allocation” which directs that 100% of the amount of Tap Fee Revenues in the Revenue Fund during the interest capitalization period and 85% of the amount of Tap Fee Revenues in the Revenue Fund after the capitalized interest period shall be available to the District to fund capital costs and operations and maintenance costs, including general and administrative costs.

To the extent that the remaining Revenues are insufficient to pay the principal of, Premium, if any, or interest on the Bonds when due, the District has covenanted to credit certain of its net service charge revenues, originating from monthly water and sewer service charge fees less operations and maintenance costs, to the Bond Fund in order to cover any shortfall.

The Trustee shall make transfers from the Revenue Fund to the following Funds and accounts in the amounts, at the times and in the order of priority set forth below:

- first, to the Rebate Fund, in an amount equal to any deposits required to be made therein pursuant to Section 4.12 of the Trust Indenture;
- second, to the Trustee to pay its fees and expenses as the same become due and payable;

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 – LONG TERM OBLIGATIONS (CONTINUED)

- third, on the first day of each calendar month, beginning on June 1, 2019 to the Debt Service Fund, an amount equal to the interest to become due on the Outstanding Bonds on June 1, 2020, then beginning on December 2, 2019, and on the first day of each calendar month thereafter, to the Debt Service Fund, an amount equal to the interest to become due on the Outstanding Bonds on December 1, 2020, then beginning on June 2, 2020, and on the first day of each calendar month thereafter, to the Debt Service Fund, an amount equal to the interest to become due on the Outstanding Bonds on June 1, 2021, then for each six month period beginning on June 2 and December 2 of each Bond Year, and on the first day of each calendar month thereafter, respectively, to the Debt Service Fund, an amount equal to the interest to become due on the Outstanding Bonds on the second succeeding Interest Payment Date, then on December 2, 2019 and on the first day of each calendar month thereafter, to the Debt Service Fund, an amount equal to one-half (1/2) of the amount of principal and premium, if any, payable on the Outstanding Bonds on December 1, 2020 whether pursuant to maturity or any scheduled mandatory sinking fund redemption established for a Series of Bonds, then beginning on June 2, 2020, and on the first day of each calendar month thereafter, one-half (1/2) of the amount of principal and premium, if any, payable on the Outstanding Bonds on December 1, 2020 whether pursuant to maturity or any scheduled mandatory redemption established for a Series of Bonds, and thereafter for each six month period beginning on June 2 and December 2 of each Bond Year and on the first day of each calendar month thereafter, one-half (1/2) of the amount of principal and premium, if any, payable on the Outstanding Bonds on December 1 of such Bond Year, whether pursuant to maturity or any scheduled mandatory redemption established for a Series of Bonds;
- fourth, to the extent of any deficiency in the Reserve Fund the amount necessary, if any, for the amount on deposit therein to equal the Reserve Fund Requirement for the Bonds;
- fifth, on June 1, 2018, December 1, 2018, June 1, 2019 and December 1, 2019 to the Surplus Reserve Fund an amount equal to \$307,085, on each such date so that the amount on deposit therein on December 1, 2019 is equal to the Maximum Surplus Reserve Fund Amount;
- sixth, after all deposits in the required amounts have been made under “first” through “fifth” above, on the first day of each calendar month, beginning on February 1, 2017, to the extent of available Tap Fee Revenues in the Revenue Fund, an amount equal to the Issuer Allocation, shall be transferred to the Issuer to be used by it for any lawful purpose, and on the first day of each calendar month, beginning on January 1, 2020, an amount equal to the EMR Allocation shall be transferred to the Extraordinary Mandatory Redemption Fund and used in accordance with Section 4.09 of the Trust Indenture.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 – LONG TERM OBLIGATIONS (CONTINUED)

	5 Year Debt Service Summary		
	Principal	Interest	Total
2017	\$ -	\$ 4,553,311	\$ 4,553,311
2018	-	4,937,325	4,937,325
2019	-	4,937,325	4,937,325
2020	1,425,000	4,937,325	6,362,325
2021	1,500,000	4,862,513	6,362,513
2022-2026	8,780,000	23,044,163	31,824,163
2027-2031	11,405,000	20,415,450	31,820,450
2032-2036	15,070,000	16,750,250	31,820,250
2037-2041	20,035,000	11,789,100	31,824,100
2042-2046	26,810,000	5,013,300	31,823,300
TOTAL	\$ 85,025,000	\$ 101,240,061	\$ 186,265,061

Payable to SR Entities and SWWC

See Note 9 for descriptions of various agreements with SR Entities.

NOTE 6 - NET POSITION

The District has a deficit in unrestricted net position. The deficit amount was primarily a result of operational expenditures exceeding operating revenues. Such deficits have primarily been funded by advances from the SR Entities.

NOTE 7 - ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational and capital expenditures. Until an independent revenue base is established, continuation of operations in the District and construction of certain public improvements will be dependent upon funding from the SR Entities to the extent of any shortfalls.

NOTE 8 - RELATED PARTIES

Sterling Ranch, LLC (SR LLC), Sterling Ranch Too, LLC (SR Too), a single member limited liability company for which SR LLC is the manager and sole member, and Sterling Ranch Development Company (Developer), are the owners of or hold options to acquire a significant portion of the properties comprising the development known as Sterling Ranch, which lies within the service area of the District. SR LLC, SR Too, the Developer and Hobbs Investments LLC (Hobbs), a single member limited liability company for which the Developer is the manager and

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 8 - RELATED PARTIES (CONTINUED)

sole member (collectively with SR LLC, SR Too and the Developer, the SR Entities) have each advanced funds to the District (see Note 9). Certain members of the Board of Directors of the District hold interests in the SR Entities or are otherwise associated with the SR Entities and may have conflicts of interest in dealing with the District. Such members currently constitute less than 50% of the membership of the Board of Directors of the District.

NOTE 9 - AGREEMENTS

Agreements with SR Entities

Advance and Reimbursement Agreement

On February 2, 2005, the District entered into the Advance and Reimbursement Agreement (the Agreement) with SR LLC. Pursuant to the Agreement, SR LLC agreed to advance funds to the District to pay for capital and operational expenses when the District's revenues are not sufficient to pay for such expenses. The District will pay SR LLC interest, from the date of each advance, at the rate of 7% per annum. The District's payment of advances under this Agreement is subject to annual appropriation and shall be applied first to interest, then to principal of the advances. The District's reimbursement obligation is subordinate to any bonded indebtedness of the District hereafter created.

2016 Operating Funding Agreement

On December 17, 2015, with an effective date of January 1, 2016, the District entered into the 2016 Operating Funding Agreement with Hobbs pursuant to which Hobbs agreed to advance funds to the District for certain operation and maintenance expenses on a periodic basis as needed for fiscal year 2016. The District agreed to repay these advances, pursuant to the priority established in the agreement, together with accrued interest at the rate of 8% per annum accruing from the date of deposit into the District's account or from the date of direct payment by Hobbs to the District's consultants. The District's repayment of advances under this Agreement is subject to annual appropriation and is subordinate to any bonded indebtedness of the District.

2016-2020 Facilities Funding and Acquisition Agreement

On December 17, 2015, with an effective date of January 1, 2016, the District entered into the 2016-2020 Facilities Funding and Acquisition Agreement with Hobbs, pursuant to which Hobbs agreed to make advances up to the Budgeted Shortfall Amount (as defined therein) to the District for the purpose of funding the construction and/or acquisition of public improvements. The District agreed to repay these advances, pursuant to the priority established in the agreement, together with accrued interest at the rate of 8% per annum accruing from the date of verification. The agreement does not constitute debt, but is an annual appropriations agreement intended to be repaid through a future bond issuance.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 9 – AGREEMENTS (CONTINUED)

Water Agreements

Purchase Agreement (ARS Reservoir Site)

On November 22, 2016, the District and ARS Sand & Gravel Co., LLC (ARSSG) entered into an Amended and Restated Purchase Agreement (the Amended and Restated ARS Agreement) pursuant to which the District agreed to purchase and ARSSG agreed to sell a Reservoir Site (the ARS Property). The District agreed to purchase: (i) the ARS Property, including a minimum of 1,750 acre feet of capacity; (ii) all of the mineral rights underlying the ARS Property; (iii) all non-tributary water and not non-tributary ground water rights underlying the ARS Property, and the right to extract said water; (iv) any perpetual, non-exclusive easements necessary to access the ARS Property; and (v) existing buildings on the ARS Property and the surrounding land necessary to maintain the required surface and subsurface support of such buildings. The Purchase Price (as defined in the Amended and Restated ARS Agreement) of the subject ARS Property is to be the appraised fair market value of the existing site to be calculated by taking the estimated value of a completed water storage reservoir less the cost to complete, plus \$650 per acre foot of non-tributary and not non-tributary Denver Basin groundwater underlying the ARS Property. The term of the Amended and Restated ARS Agreement, extended from a prior agreement, is currently set to expire on May 31, 2021. In consideration for such extension, the District has agreed to pay ARSSG \$25,000 on or before May 31 of each year through 2020. The payments are non-refundable and do not apply towards the Purchase Price at closing. The District had previously made a payment of \$20,000 under the original purchase agreement between the parties, as the same was replaced and superseded in its entirety by the Amended and Restated ARS Agreement. The \$20,000 payment will be applied toward the Purchase Price at closing.

At closing, the District will pay ARSSG the lesser of 10% of the total Purchase Price, or \$1,000,000. Upon an engineer's certification with respect to certain improvements to the ARS Property, the District will make a second payment of 25% of the Purchase Price. The balance of the Purchase Price will be evidenced by a note and deed of which will be payable annually over a ten-year period from the date of the second payment described above, with interest on the unpaid principal balance from the date of the note, until paid, at a rate of 6% per annum.

Aurora 230 Agreement

On October 26, 2009, the District entered into that certain Agreement for the Trade of Water with the City of Aurora (Aurora), which was amended by that certain First Amendment dated July 30, 2012 (the Aurora 230 Agreement). Pursuant to the Aurora 230 Agreement, the District agreed to trade certain water leases previously acquired by the District to Aurora in exchange for Aurora's agreement to deliver 230 acre feet of water per year to the District on a permanent basis to the Roxborough Water Treatment Plant (the RWTP). The 230 acre feet of water is fully consumable water. The 230 acre feet of water will be provided on a schedule set forth in the Aurora 230 Agreement. The District will pay Aurora for the use of its diversion and conveyance facilities for all water delivered to the RWTP. Until such time as the District requires use of the water, Aurora leases the water back for no additional consideration.

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 – AGREEMENTS (CONTINUED)

Aurora 250 Agreement

On December 11, 2013, the District entered into that certain Intergovernmental Agreement for Delivery of Water with Aurora (the Aurora 250 Agreement). Pursuant to the Aurora 250 Agreement, Aurora agreed to provide for the permanent delivery of 250 acre feet of water per calendar year to the District. Initial delivery of the 250 acre feet of water shall be to the RWTP (defined above), but may be changed to either the South Platte Location or the WISE Delivery Line (as defined in the Aurora 250 Agreement) in the future, once either is constructed. The District and Aurora will determine a schedule for water delivery within ninety (90) days following the first delivery of water under the Aurora 250 Agreement. In consideration of Aurora's commitment to provide 250 acre feet of water annually, the District agreed to pay the applicable "Delivery Rate" annually and either: (i) provide Aurora with 250 acre feet of dedicated water acceptable to Aurora on or before December 31, 2020 (the Dedicated Water); or (ii) pay to Aurora the sum of \$76,932 multiplied by the number of acre feet resulting from the difference between 250 acre feet and the agreed upon yield of the Dedicated Water within thirty (30) days following December 31, 2020. The Delivery Rate is set forth in the Aurora 250 Agreement and varies depending upon the delivery location.

Aurora 570 Agreement

On July 30, 2012, the District entered into an Intergovernmental Agreement (the Aurora 570 Agreement) with Aurora for the leasing and delivery of water to the District at the RWTP using infrastructure other than the WISE Infrastructure (as defined in the Aurora 570 Agreement) for a defined period in order to facilitate the District's participation in the WISE Partnership (as defined below). Under the terms of the Aurora 570 Agreement, Aurora shall lease and deliver to the District up to 570 acre feet of water per calendar year, commencing on or after June 1, 2014, and terminating on May 31, 2028, or earlier if: (a) the District is either connected to WISE Infrastructure and entitled to take water under the WISE Partnership using the WISE Infrastructure; or (b) the District obtains a Replacement Supply (as defined in the Aurora 570 Agreement) in an amount not less than 570 acre feet per year. Regardless of the amount of water the District requests or uses, it shall pay to Aurora a minimum lease payment in January of each year as follows:

Year 1: \$75,000 (subject to proration);
Year 2: \$100,000; and
Year 3 and after: \$250,000.

The lease payment requirement ends when the District is subject to a take-or-pay obligation as a WISE participant.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 9 – AGREEMENTS (CONTINUED)

Water Rights Options Agreement (Hier Ranch)

The District entered into an agreement (the Hier Agreement) dated February 28, 2013 with various parties (the Sellers) for an option to purchase up to 4,200 acre feet of non-tributary Denver Basin groundwater underlying land that is part of the Hier Ranch (decreed non-tributary groundwater in the Denver, Arapahoe and Laramie Fox Hills aquifers). The District paid the Sellers an initial option payment of \$500,000. The initial closing is required on or before the earlier of: (i) June 26, 2017; or (ii) 90 days after the purchase of 1,000 water taps in Sterling Ranch. The Hier Agreement permits the District to extend the deadline for closing for two additional years upon the payment of \$200,000; \$100,000 of which may be applied to the purchase price. The Hier Agreement describes the purchase price arrangement and provides for certain purchase price adjustments if the District enters into an agreement with the Town of Castle Rock (the Town) to deliver any portion of the Subject Water Rights (as defined in the Hier Agreement) to the Town's water treatment system. Until the initial closing occurs, the District is obligated to pay \$42,000 per year to maintain its option. Thereafter, the District shall pay \$25 per acre foot annually for each unpurchased acre foot of water to maintain its option.

Water Supply Agreement between Dominion Water & Sanitation District and Front Range Resources, LLC (Front Range)

On February 20, 2013, the District entered into a Water Supply Agreement (Front Range Agreement) with Front Range Resources, LLC (Front Range), in which Front Range grants the District the option to purchase a total, in one single or multiple transactions, of up to 1,250 acre feet of the Front Range Water Rights (as defined therein), at any time during the period commencing with the date of this agreement and ending on December 31, 2016, under the terms and conditions set forth in the Front Range Agreement. The Front Range Agreement expired in 2016 and was not renewed.

2014 Intergovernmental Agreement for Water Service with the Town of Castle Rock

The District entered into an agreement, dated January 7, 2014, with the Town (the 2014 IGA for Water Service) for the purpose of jointly and cooperatively facilitating efficient and cost-effective delivery of water to their customers. The agreement provides for the Town's delivery of treated water to the District in a like amount of water delivered by the District to the Town. The agreement is perpetual.

2016 Intergovernmental Agreement for Water Service with the Town of Castle Rock

In September 2016, the District and the Town entered into an Intergovernmental Agreement for Water Service (the 2016 IGA for Water Service) to supplement, but not replace, the previous IGA for Water Service, discussed above. Pursuant to the 2016 IGA for Water Service, the Town agrees to transmit 700 acre feet per year of the District's current 1,325 acre foot per year Wise Authority (defined below) subscription through its system and to deliver additional water to firm and retime deliveries of the 700 acre feet of water per year using the Town's proprietary water storage and distribution system, facilities, water rights, and technical and administrative support as necessary. The agreement provides for the terms of delivery and payment relative to the delivery of the 700 acre feet of water per year.

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 – AGREEMENTS (CONTINUED)

Canyons Pipeline Capacity License Agreement

On August, 16, 2016, the District, acting by and through its Water Enterprise, and the Town entered into a Canyons Pipeline Capacity License Agreement, pursuant to which the District was granted a license of capacity of 4.2 million gallons per day of a license which the Town expects to obtain with respect to capacity in a 36-inch waterline and related infrastructure to be constructed by Parker Water and Sanitation District. The parties agree that the initial term of such license will commence on the date that the Town obtains its license capacity discussed above and will terminate December 31 thereafter, and may be renewed for four one-year terms thereafter. Dominion has the option to acquire permanent capacity in the Canyons Pipeline by payment to the Town of a prepayment fee and thereupon the Town will deliver an assignment of its rights to use the Canyons Pipeline pursuant to an intergovernmental agreement with the Town.

Cost Sharing Agreement for Engineering Design of Water Treatment Plant – Roxborough Water and Sanitation District

The District and Roxborough Water and Sanitation District (Roxborough) entered into a Cost Sharing Agreement for Engineering Design of Water Treatment Plant on February 19, 2014 (the Cost Share Agreement). On January 21, 2015, the Cost Sharing Agreement was assigned by the District to its Sterling Ranch Water Activity Enterprise. Pursuant to the Cost Share Agreement, Roxborough agreed to design a water treatment plant with a capacity of up to 8 million gallons of water per day (the 8 MGD Plant) sufficient to meet the needs of both Roxborough and the District. Roxborough has engaged TST Infrastructure, LLC to design the 8 MGD Plant and also a 4 MGD Plant in the event that the District does not utilize all of the 8 MGD Plant. In consideration of Roxborough's design of the 8 MGD Plant, the District agreed to pay 50% of the engineering costs incurred by Roxborough in connection with the design of both the 4 MGD Plant and the 8 MGD Plant. The District is obligated to pay its share of the costs on a monthly basis within thirty (30) days after invoice. The District has the right to terminate the Cost Share Agreement with five (5) days' written notice to Roxborough.

Intergovernmental Agreement for Water Treatment Service – Roxborough Water and Sanitation District

The District entered into an agreement with Roxborough on August 29, 2014, as amended by the certain First Amendment to Intergovernmental Agreement for Water Treatment Service dated February 18, 2015, that certain Addendum to Intergovernmental Agreement for Water Treatment Service dated February 27, 2015, and that certain Second Addendum to Intergovernmental Agreement for Water Treatment Service dated May 20, 2015 (collectively, the Water Treatment IGA), to set forth the terms and conditions pursuant to which Roxborough will construct the 8 MGD Plant (defined above) and will provide water treatment services to the District, subject to the District's payment of all applicable charges and costs associated with the construction of the 8 MGD Plant and the 8 MGD Treatment Expansion Cost, the provision of water by the District to the 8 MGD Plant for treatment, and the District's payment of the costs of such treatment. The Water Treatment IGA provides in detail the District's cost sharing obligation with regard to the construction of the 8 MGD Plant. Roxborough will own, operate and maintain

**DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 9 – AGREEMENTS (CONTINUED)

the 8 MGD Plant, and Roxborough and the District will, with certain exceptions, each pay for 50% of the construction costs and each will pay for their own equipment. The District will construct, own, operate and maintain all infrastructure necessary to deliver raw water to Roxborough at the applicable upstream delivery point and all infrastructure necessary to deliver water to its customer after the downstream delivery point. Further, the Water Treatment IGA sets forth the parameters in setting rates for water treatment services.

Expansion Deposit Agreement – Roxborough Water and Sanitation District

On December 3, 2015, the District and Roxborough entered into an Expansion Deposit Agreement whereby the parties acknowledged that the District required water treatment service prior to the anticipated completion of the 8 MGD Plant (defined above) and required water treatment service in a greater capacity than the limited capacity provided for in the Water Treatment IGA prior to expansion of the 8 MGD Plant. The Parties developed and agreed upon two options from which the District could choose to meet its water treatment requirements. The District paid Roxborough \$2,200,000 to hold in a segregated account until such time as the District, in its discretion, decided which option to pursue.

Water Distribution System Operations Intergovernmental Agreement

On June 15, 2015, the District and Roxborough entered into a Water Distribution System Operations Intergovernmental Agreement (the Operations IGA) whereby Roxborough agreed to operate, monitor, maintain, and trouble-shoot the water distribution system owned and operated by the District. The Operations IGA terminated on December 31, 2015. The District and Roxborough are currently negotiating an extension of the term.

WISE Agreements

General

The Water Infrastructure and Supply Efficiency Partnership (the WISE Partnership) is a regional water supply project between Aurora Water, Denver Water and South Metro Water Supply Authority (the Authority). The agreement was established in 2009, when the parties determined that they would collaborate to utilize available resources for the benefit of each participating water provider. Sharing available water supplies and infrastructure capacity will provide significant benefits to all three WISE partners. It will reduce groundwater reliance and bolster renewable water supplies to the South Metro area, while maximizing the use of existing water assets belonging to Aurora Water and Denver Water. Ten of the Authority's thirteen members have formed the South Metro WISE Authority (the SMWA) and are committed to participation in the WISE Partnership.

Intergovernmental Agreement with South Metro Water Supply Authority

On August 24, 2010, the District entered into an Intergovernmental Agreement (the South Metro IGA) with the Authority for inclusion in the Authority. The District entered into the South Metro IGA for the following reasons: 1) the District adjoins areas served by participants of the Authority; 2) the District intends to provide water and sanitation services to a large area of

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 – AGREEMENTS (CONTINUED)

northwestern Douglas County that is currently not served and, therefore, will need to create a water delivery and wastewater collection system; this will require the District to work directly with other water providers, including Denver Water and Aurora Water, on matters affecting the District's water systems that will provide water in Northwest Douglas County; 3) the District's inclusion in the Authority can provide mutual benefits to the Authority and the District; 4) the District's inclusion in the Authority can provide for more efficient development of regional water infrastructure as compared to the District and the Authority developing renewable water infrastructure independently; 5) the District's inclusion in the Authority allows the District to participate in the WISE Partnership; and 6) incorporating the District's service area and the infrastructure into the Authority Master Plan can be completed at a future date. The timing and cost of incorporating the District's service area into the Authority Master Plan will be determined and paid for based upon mutual agreement of the Authority and the District.

South Metro Water Supply Authority – WISE Negotiations and Cost Sharing Participation Agreement

The District, the Authority and the participants of the Authority (the Participants) entered into an agreement (the WISE Agreement), effective January 1, 2012, to formalize their participation in the WISE negotiations and associated costs. The agreement was amended in March 2013 to provide that the costs associated with the WISE negotiations will be shared on a pro-rata basis based upon each Participant's subscription, subject to change as each Participant's subscription changes. The District's current subscription is for 1,325 acre feet of water per year.

To date, the District has participated in the following projects and has paid its share of the costs:

- Chambers Line Participation Agreement – evaluation of two (2) potential alignments for the pipeline along Chambers Road in Parker, Colorado; the pipeline will deliver water from the East Cherry Creek Valley pipeline located north of E-470 to the Parker Water and Sanitation District water treatment plant site.
- Ridgegate Line and Rueter-Hess – design and work related to the Ridgegate Delivery Line and the additional infrastructure needed at and around the Reuter-Hess Reservoir and Water Purification Facility to deliver WISE water from the SMWA (as defined below) line along E-470 to the Participants.

South Metro WISE Authority Formation and Organizational Intergovernmental Agreement

The District and certain other water providers in Douglas County and Arapahoe County (all of which are members of the Authority) executed an Intergovernmental Agreement (the SM WISE IGA) to form a new authority separate from the Authority as described above, which new authority is known as the South Metro WISE Authority (SMWA). SMWA will contract for and facilitate water deliveries through the WISE Project (as defined in the SM WISE IGA). The District adopted a Resolution on April 17, 2013, approving the execution of the SM WISE IGA and the Water Delivery Agreement (defined below) and which approved a subscription for average delivery of 1,325 acre feet per year of WISE water, the terms of which were further clarified and amended by that certain Amended Resolution of the District adopted on July 9, 2013.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 9 – AGREEMENTS (CONTINUED)

WISE Partnership - Water Delivery Agreement

SMWA (of which the District is a Participant as described above), Denver Water and Aurora entered into that certain Amended and Restated WISE Partnership – Water Delivery Agreement on December 18, 2013 (the WDA). The WDA establishes the terms and conditions upon which Denver and Aurora will provide water to SMWA and its participants. The District's obligations under the WDA are contingent upon satisfaction of certain contingencies set forth in the SM WISE IGA and contingencies in the WDA. These conditions were not satisfied in 2013 and no water was received in 2013 under the WDA. On December 11, 2013, the District adopted a Resolution approving an amendment to the SM WISE IGA that extended the contingency for the Western Pipeline to December 31, 2014, and which approved a change to the WDA. In 2014, these conditions were satisfied.

Western Pipeline Lease Purchase Agreement with Town of Castle Rock

In order to take deliveries of water under the WDA (as defined above), SMWA entered into the Western Pipeline Purchase Agreement under which SMWA will acquire an 85% ownership interest in the Western Pipeline and related infrastructure. The District and the Town are identifying infrastructure that they may use jointly or cooperatively to facilitate efficient and cost-effective delivery of water to their customers, and have determined that they need capacity in the Western Pipeline. The District has requested that the Town purchase a total of 28.51% of SMWA's interest in the Western Pipeline and lease a 14.67% interest to the District with an option to purchase. The Western Pipeline Lease Purchase Agreement sets forth the terms and condition of such lease and purchase option. The District is currently paying \$10,750 per month (base rental) to the Town under the lease.

Rangeview Pipeline Capacity Purchase Agreement

On, November 19, 2014, the District, four other Participants and Rangeview Metropolitan District (Rangeview) entered into an Agreement for the Purchase and Sale of Western Pipeline Capacity pursuant to which Rangeview purchased a portion of each Participant's capacity interest in the Western Pipeline and the State Land Board Line, for an aggregate purchase price of \$1,464,680, to be paid in installments beginning on December 1, 2015. The Agreement provides that Rangeview may, at any time, prepay the total purchase (principal and accrued interest) without any pre-payment penalty for Payments made in advance. In August 2015, Rangeview paid in full the amount owing to the District.

Intergovernmental Agreement for Assignment/Exchange of WISE Project Subscription and Reservation - Stonegate Village Metropolitan District

The District and Stonegate Village Metropolitan District (Stonegate) are participants in the SMWA. The SM WISE IGA allows a participant to assign its rights in the WISE Project in whole or in part to one or more participants without restriction. Under this agreement dated September 17, 2014 (the Stonegate IGA), the District assigned to Stonegate all of its rights and obligations in 500 acre feet per year of the District's subscription to the WISE Project pursuant to the SM WISE IGA. Stonegate assigned to the District all of its rights and obligations in and option to acquire 500 acre feet per year of Douglas County Reservation Water pursuant to the Douglas County WISE Reservation. The Stonegate IGA sets forth payment and other terms.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 9 – AGREEMENTS (CONTINUED)

Intergovernmental Letter Agreement Regarding Water Utility Rate Impact Study – Town of Castle Rock

On March 9, 2016, the District acknowledged that the agreement between the District and the Town relative to the Town potentially owning the District's existing and future WISE infrastructure, obtaining capacity reservation fees or other financial structures to the benefit of both parties and providing wholesale water service to the District. As part of the Town's investigation of the above matters, the Town required a utility rate impact study to consider the impact to existing and future rate payers. The parties agree that the District will reimburse the Town for the entire cost of the utility rate impact study.

Intergovernmental Water Infrastructure Cost Sharing, Construction and Capacity Allocation Agreement (Ridgeway Line)

On June 6, 2016, the District, the WISE Authority, Parker Water and Sanitation District (PWSD), the Town, Denver Southeast Suburban Water and Sanitation District and Stonegate entered into an Intergovernmental Water Infrastructure Cost Sharing, Construction and Capacity Allocation Agreement (Ridgeway Line) out of a desire to cooperate in the construction of a water conveyance pipeline that will convey WISE Authority water to the parties. The parties agreed that PWSD will construct, own, operate, repair and maintain the pipeline and that each party agrees to pay its pro rate share of the costs. The District's portion of such costs, including a contingency, is estimated to be approximately \$4,746,000.

Wastewater Agreements

Purchase and Sale Agreement (Roxborough Wastewater Treatment Plant) – Roxborough Water and Sanitation District

On November 13, 2007, the District entered into a Purchase and Sale Agreement (the WWTP Agreement) with Roxborough to purchase Roxborough's existing wastewater treatment plant (WWTP). Roxborough is authorized to discharge effluent from the WWTP into the South Platte River pursuant to a discharge permit issued by the Colorado Department of Public Health and Environment (Discharge Permit) and is allocated certain phosphorous rights (Phosphorous Allocation) which are recognized in the Chatfield Reservoir Control Regulation. The District desires to purchase the WWTP, the WWTP site, and to the extent possible, the Discharge Permit and the Phosphorous Allocation, for the purpose of providing wastewater treatment service for the proposed Sterling Ranch development.

The District purchased the WWTP on January 11, 2016.

An Amendment to the WWTP Agreement was executed on February 21, 2017, acknowledging that the District's only outstanding obligation to Roxborough is the Seller Fee (as defined in the WWTP Agreement) and to amend the WWTP to provide for annual, rather than quarterly, payments of the Seller Fee.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 9 – AGREEMENTS (CONTINUED)

Wastewater Treatment Plant and Collection System Operations IGA with Roxborough Water and Sanitation District

On April 1, 2015, the District and Roxborough entered into the Wastewater Treatment Plant and Collection System Operations Intergovernmental Agreement (the Wastewater Treatment IGA) whereby Roxborough agreed to operate, monitor, maintain, and repair the wastewater treatment facility and its processes as well as the wastewater collection system. The Wastewater Treatment IGA expired on December 31, 2015. The District and Roxborough are currently negotiating an extension of the term.

Start-Up and Emergency Back-Up Wastewater Treatment Intergovernmental Agreement

On August 18, 2015, the District and the City of Littleton, Colorado (Littleton) entered into the Start-Up and Emergency Back-Up Wastewater Treatment Intergovernmental Agreement (the Littleton IGA) by which Littleton agreed to assist the District with initial instream wastewater service from the Littleton/Englewood Wastewater Treatment Plant. Further, Littleton agreed to provide emergency back-up wastewater treatment services to the District in the event of a bypass or upset in the District's Chatfield Basin Waste Reclamation Facility. The Littleton IGA sets forth the obligation of both parties, including the payment for services rendered.

Intergovernmental Agreement for Emergency Interconnection – Roxborough Water and Sanitation District

On January 11, 2016, the District, acting by and through its Wastewater Enterprise, and Roxborough entered into an Intergovernmental Agreement for Emergency Interconnection, in connection with the District's purchase of the WWTP. After such purchase, Roxborough retained ownership of an operational responsibility for a lift station and emergency overflow pond. The parties each desired that the other have access to the WWTP, the lift station and the emergency overflow pond (collectively, the Facilities) in order to enable each party to send its untreated wastewater to the Facilities of the other in an event of an emergency. The parties also agreed to construct a system of reciprocal emergency interconnections among the Facilities. Each party is responsible for its costs associated with the system and in the event of an emergency in which one part uses the system to transport its untreated wastewater to the Facilities of the other; they will charge each other at their respective then-current rates.

O-Line Interceptor and Lift Station Capacity Agreement – Roxborough Water and Sanitation District

On January 11, 2016, the District, acting by and through its Wastewater Enterprise, entered into an O-Line Interceptor and Lift Station Capacity Intergovernmental Agreement (O-Line Capacity Agreement) with Roxborough in order to enable the District to provide wastewater treatment services to Filing No. 1 of Sterling Ranch prior to completion of upgrades and modifications to the WWTP. Pursuant to the agreement, Roxborough agrees to allow the District to deliver a limited amount wastewater to the lift station via its "O" interceptor (the O-Line) or another line to be constructed by the District and deliver the same for treatment to Littleton-Englewood Wastewater Treatment Facility, provided that the District constructs certain infrastructure to connect its wastewater collection facilities to the O-Line. As a condition precedent to the

**DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 9 – AGREEMENTS (CONTINUED)

District's delivery of wastewater to the lift station, the District agrees to pay Roxborough a one-time connection fee of \$300,000, subject to inflation, upon Roxborough's approval of the lift station connection and/or O-Line connection, as applicable. The District paid the one-time connection fee in 2016. Upon completion of the O-Line connection, the District will be allowed to access capacity in the O-Line for delivery of wastewater to the lift station for up to 1,000 equivalent residential units. The O-Line Capacity Agreement sets forth the parameters in setting rates for capacity in the O-Line for delivery of wastewater.

On February 21, 2017, the District and Roxborough entered into an Amendment to the O-Line Interceptor and Lift Station Capacity Intergovernmental Agreement, by which the parties agreed to provide for an annual, rather than quarterly, payments of the Seller Fee (as defined in the WWTP Agreement).

Intergovernmental Agreement Regarding Sterling Ranch Force Main

On March 22, 2016, the District, acting by and through its Wastewater Enterprise, and Douglas County (the County) entered into an Intergovernmental Agreement regarding Sterling Ranch Force Main Line, pursuant to which the parties agree that the District will undertake and complete roadway restoration of a portion of Waterton Canyon Road which is expected to be impacted by the installation of certain force main improvements for the benefit of Sterling Ranch which are within the County right-of-way.

Other Agreements

Amended, Extended and Restated Agreement for Wasteload Allocation Transfer among the District, Roxborough Water and Sanitation District, and Sacred Heart Jesuit Retreat House Corporation

As described above, the District contracted to purchase the Roxborough WWTP within the Chatfield Watershed, including Roxborough's phosphorous wasteload allocation. Sacred Heart Jesuit Retreat House Corporation (Sacred Heart) owns property within the Chatfield Watershed and operates certain wastewater treatment facilities using a transferred allocation of phosphorous wasteload from Roxborough.

This agreement, which was approved by the District's Board of Directors in August 2013 and then amended, extended and restated on October 22, 2014, by that certain Amended, Extended, and Restated Agreement for Wasteload Allocation Transfer, provides that after the District acquires the WWTP, the District will become the wasteload allocation grantor to Sacred Heart of 15 pounds per year. This wasteload allocation is being granted to Sacred Heart as an annual allocation from January 1, 2013, through December 31, 2017. Sacred Heart also commits to be a member of the Chatfield Watershed Authority.

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 – AGREEMENTS (CONTINUED)

Water and Wastewater Service Agreement for Sterling Ranch

The District entered into an agreement, dated January 6, 2014, with the Sterling Ranch Community Authority Board (CAB) to provide wholesale water, wastewater and stormwater services to the CAB. The CAB will serve as the retail provider of water and wastewater to customers located in the Sterling Ranch development. The agreement sets forth the terms and conditions regarding the provision of the services, the financing of construction and operation of the facilities, and establishing rates, fees, charges and reimbursements.

Sterling Ranch Filing No. 1 Construction Administration, Financing and Allotment Agreement

The District and the CAB entered into the Sterling Ranch Filing No. 1 Construction Administration, Financing and Allotment Agreement, dated June 17, 2015, pursuant to which the CAB will provide the financing and administration of the construction of certain water and wastewater facilities on behalf of the District. In exchange, the District will provide the CAB dedicated wholesale water service in perpetuity. This agreement sets forth the terms and conditions regarding the CAB's obligation to design, construct, finance and complete those certain water and wastewater facilities and the obligations of the District upon CAB's dedication of the same to the District.

Water, Wastewater and Stormwater Operations Agreement for Sterling Ranch

The District, acting through each of its Enterprises, entered into an agreement, dated December 7, 2016, with an effective date of November 15, 2016, in order to set forth the terms of the administration, operation, maintenance, repair and replacement of water and wastewater facilities prior to the provisions of water and wastewater service to an end user. The agreement applies not only to Filing 1 of Sterling Ranch, but all other future development as well. The District will be responsible for the ownership, operations and maintenance of the wholesale facilities and the CAB will be responsible for the ownership, operations and maintenance of the retail facilities. The parties agreed that the CAB will be responsible for the billing and collection of the District's tap fees required to be paid by retail customers and will remit such tap fees to the District.

Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 1

On January 27, 2015, the District entered into a Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 1 with the Developer, the CAB, Roxborough and the Board of County Commissioners of the County of Douglas to provide for the construction of public improvements, landscape and park improvements, wholesale water and wastewater improvements, and water treatment improvements that are associated with Sterling Ranch Filing No. 1 (the Subdivision) in Douglas County, Colorado.

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 – AGREEMENTS (CONTINUED)

Promissory Notes (Loan Agreements)

On February 27, 2015, and May 8, 2015, the District, acting through its Sterling Ranch Water Activity Enterprise, issued Promissory Notes, each with a maturity of one year, to a financial institution in connection with its issuance of Irrevocable Standby Letters of Credit in the initial stated amounts of \$5,000,000 and \$2,422,500, respectively, for the benefit of Roxborough, as required by the Water Treatment IGA (discussed above) in order to permit Roxborough to advertise, evaluate and accept bids for work to be done on the 8 MGD water treatment plant. On February 27, 2016, the \$5,000,000 Promissory Note was reduced to \$3,000,000 and the expiration was extended to February 27, 2017. On February 27, 2017, the \$5,000,000 Promissory Note was further reduced to \$1,954,186 and the expiration was extended to August 27, 2017. On May 6, 2016, the \$2,422,500 Promissory Note was reduced to \$1,356,577 and the expiration was extended to June 1, 2017. On February 23, 2017, the \$1,356,577 Promissory Note was cancelled and released.

Promissory Note to Roxborough Water and Sanitation District

In connection with the purchase of the WWTP (described above), the District issued a promissory note to RWSD in the amount of \$2,950,000. Interest on the outstanding principal amount of the note accrues commencing January 11, 2017 at a rate of 4.5% per annum and principal installments are due as follows: \$950,000 is due on or before January 11, 2017; \$1,000,000 is due on or before January 11, 2018; \$1,000,000 and the entire unpaid principal balance is due on or before January 11, 2019, together with all interest accrued as of such date at the rate provided above. In December 2016, the promissory note was paid in full and released.

Agreement Regarding Annual Payment to Roxborough Water and Sanitation District

On February, 27, 2015, the District, acting by and through its Sterling Ranch Water Activity Enterprise, Roxborough and FirstBank, entered into the Agreement Regarding Annual Payment to Roxborough Water and Sanitation District (Annual Payment Agreement), whereby, the parties acknowledged the District's financial obligations, including the Annual Payment Obligation (defined in the Annual Payment Agreement) and Monthly Dominion Project Cost Letter of Credit (defined in the Annual Payment Agreement), owed to Roxborough pursuant to the Water Treatment IGA. The Annual Payment Obligation owed to Roxborough has been fully paid and there is no further obligation under the Annual Payment Agreement.

NOTE 10 – 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 was a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and worker's compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

DOMINION WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 10 – RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property and public officials' liability. 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 11 - 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 that apply to the State of Colorado and all local governments. 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 operates as an enterprise fund under Title 37, Article 45.1, C.R.S., to provide wholesale water and wastewater services in accordance with its Service Plan. An enterprise fund under Section 20 of the Colorado Constitution may receive less than ten percent of its annual revenue in grants from Colorado state and local governments combined. See Note 1 for related information.

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 qualification as an Enterprise will require judicial interpretation.

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

SUPPLEMENTARY INFORMATION

DOMINION WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGETARY BASIS
Year Ended December 31, 2016

STERLING RANCH WATER ACTIVITY ENTERPRISE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
SR Entities advances	\$ 30,092,000	\$ 7,817,483	\$ (22,274,517)
Water service fees	-	728,598	728,598
Total revenues	<u>30,092,000</u>	<u>8,546,081</u>	<u>(21,545,919)</u>
EXPENDITURES			
General and administration:			
Accounting	50,000	36,673	13,327
Audit	5,000	4,400	600
Directors fees	-	2,850	(2,850)
District management	70,000	53,436	16,564
Dues and memberships	20,000	9,285	10,715
Election	2,000	39	1,961
Insurance	3,000	1,605	1,395
Legal	80,000	60,454	19,546
LOC consulting fees	-	50,410	(50,410)
Miscellaneous	5,000	3,354	1,646
Web service	5,000	-	5,000
Operations & Maintenance			
Water delivery	-	549,443	(549,443)
Water treatment O&M	-	9,544	(9,544)
Permits	-	3,795	(3,795)
Utilities Director	100,000	79,002	20,998
Roxborough licenses	36,000	-	36,000
Staff	100,000	-	100,000
Debt service:			
Repayment of Developer advances	-	7,186,019	(7,186,019)
Capital outlay:			
Roxborough WTP			
Roxborough WTP expansion	2,200,000	-	2,200,000
Roxborough WTP phase management	500,000	-	500,000
Roxborough WTP purchase agreement	1,000,000	4,124,398	(3,124,398)
Construction contract	5,000,000	3,769,370	1,230,630
WISE			
Operations/modification agreement	600,000	605,211	(5,211)
Town of Castle Rock ECCV Pipeline lease	129,000	129,000	-
ECCV Parker/Ridgegate Line to Reuter Hess	4,975,000	1,567,415	3,407,585
Parker Line to Castle Rock	4,000,000	-	4,000,000
Reuter Hess Line to Parker	4,100,000	-	4,100,000
Sterling Ranch Dam analysis & design	500,000	-	500,000
Water rights Acquisitions			
Hier water supply	1,737,000	20,398	1,716,602
Other water supply	100,000	37,686	62,314
Consultants			
Legal	150,000	168,533	(18,533)
District's Rep	10,000	-	10,000
Engineering	500,000	165,995	334,005
Market study	-	20,091	(20,091)
Rainwater Harvesting			
Rainwater Harvesting - Pilot study	75,000	28,342	46,658
Rainwater Harvesting - Water rights	100,000	5,001	94,999
Water Transmission			
Castle Rock IGA - Standby capacity	50,000	100,000	(50,000)
Castle Rock to DWSD Pipeline	3,000,000	-	3,000,000
Reuter Hess capacity storage	40,000	-	40,000
Other			
Contingency	500,000	-	500,000
Engineering	150,000	93,098	56,902
Water supply master plan	200,000	271,220	(71,220)
Total expenditures	<u>30,092,000</u>	<u>19,156,067</u>	<u>10,935,933</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other fund	-	52,025,778	52,025,778
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)			
EXPENDITURES AND OTHER FINANCING USES - BUDGET BASIS	<u>\$ -</u>	<u>41,415,792</u>	<u>\$ 41,415,792</u>
ADJUSTMENTS TO RECONCILE BUDGET BASIS TO GAAP BASIS			
SR Entities advances		(7,817,483)	
SR Entities advances interest accrual		(1,901,888)	
Capital outlay		11,105,758	
Repayment of Developer advance		7,186,019	
Change in net position		<u>49,988,198</u>	
Beginning net position		<u>(5,660,504)</u>	
Ending net position		<u>\$ 44,327,694</u>	

DOMINION WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGETARY BASIS
Year Ended December 31, 2016

STERLING RANCH WASTEWATER ACTIVITY ENTERPRISE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
SR Entities advances	\$ 4,497,000	\$ 889,986	\$ (3,607,014)
Reimbursed expenditures	-	12,861	12,861
Total revenues	<u>4,497,000</u>	<u>902,847</u>	<u>(3,594,153)</u>
EXPENDITURES			
General and administration:			
Accounting	50,000	36,673	13,327
Audit	5,000	4,400	600
Application fees	50,000	-	50,000
Directors fees	-	2,850	(2,850)
District management	70,000	53,436	16,564
Election	2,000	-	2,000
Insurance	3,000	14,519	(11,519)
Legal	70,000	63,116	6,884
Miscellaneous	7,000	452	6,548
Operations and Maintenance			
Utilities	5,000	11,858	(6,858)
Utilities Director	75,000	59,598	15,402
Staff	50,000	-	50,000
LE/RWSD charges	25,000	69,005	(44,005)
Electrical	15,000	-	15,000
Chemicals	10,000	-	10,000
Supplies	10,000	111	9,889
Debt Service			
Repayment of Developer advances	-	513,981	(513,981)
Capital outlay			
Roxborough WWTP			
Repairs and improvements	1,100,000	326	1,099,674
Purchase contract payments	950,000	2,949,000	(1,999,000)
Engineering	200,000	66,932	133,068
O-Line	-	306,754	(306,754)
Consultants			
Legal	100,000	53,395	46,605
Engineering	500,000	53,071	446,929
Legal - Permitting	100,000	86,120	13,880
Other			
Contingency	400,000	-	400,000
Chatfield WRF	700,000	-	700,000
Total expenditures	<u>4,497,000</u>	<u>4,345,597</u>	<u>151,403</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other fund	-	6,175,115	6,175,115
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES - BUDGET BASIS			
	<u>\$ -</u>	<u>2,732,365</u>	<u>\$ 2,732,365</u>
ADJUSTMENTS TO RECONCILE BUDGET BASIS TO GAAP BASIS			
SR Entities advances		(889,986)	
SR Entities advances interest accrual		(307,355)	
Capital outlay		3,515,598	
Repayment of Developer advance		513,981	
Change in net position		<u>5,564,603</u>	
Beginning net position		<u>(894,553)</u>	
Ending net position		<u>\$ 4,670,050</u>	

DOMINION WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGETARY BASIS
Year Ended December 31, 2016

STERLING RANCH WATER ACTIVITY AND STERLING RANCH WASTEWATER ACTIVITY - DEBT SERVICE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Bonds - costs of issuance	-	2,375,500	2,332,131	43,369
Total expenditures	-	2,375,500	2,332,131	43,369
OTHER FINANCING SOURCES (USES)				
Bond issuance	-	85,025,000	85,025,000	-
Bonds - original issue discount	-	(1,806,421)	(1,806,421)	-
Transfers to other funds				
Project Fund for water activities	-	(52,025,778)	(52,025,778)	-
Project Fund for wastewater activities	-	(6,175,115)	(6,175,115)	-
Total transfers out	-	25,017,686	25,017,686	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES - BUDGET BASIS	<u>\$ -</u>	<u>\$ 22,642,186</u>	22,685,555	<u>\$ 43,369</u>
ADJUSTMENTS TO RECONCILE BUDGET BASIS TO GAAP BASIS				
Bond issuance			(85,025,000)	
Bonds - original issue discount			1,806,421	
Change in net position			(60,533,024)	
Beginning net position			-	
Ending net position			<u>\$ (60,533,024)</u>	

DOMINION WATER & SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2016

Bonds and Interest Maturing in the Year Ended December 31,	\$85,025,000		
	Tap Fee Revenue Bonds, Series 2016		
	Issued on December 29, 2016		
	Principal payable December 1		
	Interest Rates of 5.25% - 6.00%, payable June 1 and December 1		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 4,553,311	\$ 4,553,311
2018	-	4,937,325	4,937,325
2019	-	4,937,325	4,937,325
2020	1,425,000	4,937,325	6,362,325
2021	1,500,000	4,862,513	6,362,513
2022	1,580,000	4,783,763	6,363,763
2023	1,665,000	4,700,813	6,365,813
2024	1,750,000	4,613,400	6,363,400
2025	1,845,000	4,521,525	6,366,525
2026	1,940,000	4,424,663	6,364,663
2027	2,040,000	4,322,813	6,362,813
2028	2,150,000	4,215,713	6,365,713
2029	2,270,000	4,092,088	6,362,088
2030	2,405,000	3,961,563	6,366,563
2031	2,540,000	3,823,275	6,363,275
2032	2,685,000	3,677,225	6,362,225
2033	2,840,000	3,522,838	6,362,838
2034	3,005,000	3,359,538	6,364,538
2035	3,180,000	3,186,750	6,366,750
2036	3,360,000	3,003,900	6,363,900
2037	3,555,000	2,810,700	6,365,700
2038	3,765,000	2,597,400	6,362,400
2039	3,995,000	2,371,500	6,366,500
2040	4,235,000	2,131,800	6,366,800
2041	4,485,000	1,877,700	6,362,700
2042	4,755,000	1,608,600	6,363,600
2043	5,040,000	1,323,300	6,363,300
2044	5,345,000	1,020,900	6,365,900
2045	5,665,000	700,200	6,365,200
2046	6,005,000	360,300	6,365,300
TOTAL	<u>\$ 85,025,000</u>	<u>\$ 101,240,061</u>	<u>\$ 186,265,061</u>

Note: The principal amounts shown above assume mandatory sinking fund payments are made, but assume no optional redemptions, special mandatory redemptions, or extraordinary mandatory redemptions will be made prior to maturity.