

**EAST CHERRY CREEK VALLEY
WATER AND SANITATION DISTRICT
Arapahoe County, Colorado**

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



RECEIVED

By Justin L. Smith at 3:11 pm, Mar 29, 2017

TABLE OF CONTENTS

	PAGE
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	I
MANAGEMENT’S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	1
Statements of Revenues, Expenses and Changes in Net Position	3
Statements of Cash Flows	5
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION	34
Schedules of Expenses	35
Schedule of Revenues, Expenditures and Funds Available Budget and Actual (Budgetary Basis)	
All Funds Combined	36
District Activity	37
Water Enterprise Activity	38
Sewer Enterprise Activity	39
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position	40
Schedule of Debt Service Requirements to Maturity	41
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	44
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION	45
Enterprise Water System Revenues Bond Coverage	46
Enterprise Water System Revenues	47
Water Enterprise Operational Data	48
Budget to Actual (Non-GAAP) Comparison of Results of Operations - Water Enterprise	49

Independent Auditor's Report

Board of Directors
East Cherry Creek Valley Water and Sanitation District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of East Cherry Creek Valley 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 East Cherry Creek Valley 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 VIII 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 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.
March 23, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of East Cherry Creek Valley 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 year ended December 31, 2016.

Financial Highlights

- Net position increased \$13.4 million in 2016 (4%) since 2015.
- Operating loss decreased from \$6 million in 2015 to \$5 million for 2016, mainly due to increased water service income in 2016.
- Operating revenue increased \$2 million (8.5%) from the prior year while the number of customers increased by 1%. This increase is due to an increase in water service fees and water consumption.
- Total operating expenses, exclusive of depreciation, increased slightly from 2015 to 2016. However, selected individual expense items changed as follows: water repairs and maintenance increased \$0.4 million (8%), utilities increased \$0.2 million (8%), water services increased \$0.2 million (26%), and sewer repairs and maintenance increased \$0.2 million (55%) in 2016 from 2015. The majority of the remaining expense categories decreased in 2016 from 2015.
- Single family equivalents (SFEs) on line for water service at year-end increased by 264 (1%) to 20,531 at year end.
- Funds available (current assets, less deferred inflow of resources, less current liabilities exclusive of the current portion of long-term obligations and unspent loan proceeds) increased from \$57.9 million to \$61.9 million at December 31, 2016, an increase of \$4 million or 7%.

Overview of the Financial Statements

Management's discussion 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. They include the legally separate East Cherry Creek Valley Water and Sanitation District Water Activity Enterprise, Inc. (the Enterprise) as blended into the District's financial information since it is a component unit of the District.

The statements of net position presents information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The notes to the 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 expenses, budget and actual information, debt service requirements and assessed valuation, mill levy and property tax information.

The continuing disclosure annual financial information is information required by the covenants of the Series 2009A, the Series 2009B, the Series 2010A, the Series 2010B and the Series 2015 bonds, including a bond debt coverage calculation and annual operating data.

Statement of Net Position

	December 31,		
	2016	2015	2014
		(In thousands)	
Current assets	\$ 71,189	\$ 66,194	\$ 66,644
Capital assets	395,271	392,769	391,683
Other assets	149	220	329
Deferred outflows of resources	1,324	1,527	650
Total assets and deferred outflows of resources	467,933	460,710	459,306
Current liabilities	10,021	9,010	10,795
Long-term obligations	110,178	117,432	123,819
Deferred inflows of resources	2,529	2,463	2,394
Total liabilities and deferred inflows of resources	122,728	128,905	137,008
Net position:			
Net investment in capital assets	285,165	275,618	266,320
Restricted	2,940	2,888	2,844
Unrestricted	57,100	53,299	53,134
Total net position	\$ 345,205	\$ 331,805	\$ 322,298

The District's net position increased by \$13,401,000 during 2016 and increased by \$9,506,000 during 2015. Capital assets increased \$2,503,000 during 2016 and increased \$1,086,000 during 2015. The increased during 2016 and 2015 were due to infrastructure construction. Current liabilities increased by \$1,011,000 during 2016 and decreased by \$1,785,000 during 2015.

Current assets net of current liabilities increased by \$3,984,000 for 2016 and increased by \$1,335,000 for 2015. The “Funds Available” (current assets, less deferred inflow of resources, less current liabilities, exclusive of the current portion of long-term obligations) calculates to an amount of \$61,895,935 and \$57,645,000 for 2016 and 2015, respectively. The funds available of \$61,895,935 are primarily available for future operations and capital outlay.

Changes in Net Position

	December 31,		
	2016	2015	2014
	(In thousands)		
Revenues			
Operating revenue			
Water services	\$ 16,386	\$ 14,534	\$ 13,422
Sewer services	8,672	8,555	7,997
Total operating revenues	<u>25,058</u>	<u>23,089</u>	<u>21,419</u>
Nonoperating revenues			
Tax revenue	2,652	2,565	2,545
Investment income	212	45	4
Other	545	421	5,028
Contributions			
Northern Project Construction Fund charges	6,418	6,249	6,138
Tap fees and storm drainage fees	8,216	8,798	6,253
Cash contributions for capital	4,262	1,628	201
Contributed facilities from developers	-	-	-
Total revenues	<u>47,363</u>	<u>42,795</u>	<u>41,588</u>
Expenses			
Operating expenses			
Water	10,813	10,110	10,820
Sewer	7,259	7,045	6,333
Storm drainage	61	76	87
	<u>18,133</u>	<u>17,231</u>	<u>17,240</u>
General and administrative	2,153	2,264	2,220
Depreciation and amortization	9,746	9,503	10,013
Total operating expenses	<u>30,032</u>	<u>28,998</u>	<u>29,473</u>
Nonoperating expense	<u>3,931</u>	<u>4,290</u>	<u>4,913</u>
Total expenses	<u>33,963</u>	<u>33,288</u>	<u>34,386</u>
Changes in net position	13,400	9,507	7,202
Net position - Beginning of year	<u>331,805</u>	<u>322,298</u>	<u>315,096</u>
Net position - End of year	<u>\$ 345,205</u>	<u>\$ 331,805</u>	<u>\$ 322,298</u>

Operating revenues from the operation of the water and sewer utilities increased \$1,969,000 in 2016 and increased \$1,670,000 in 2015. The 2016 increase is due to the increase in water service fees and water consumption. Investment income increased \$167,000 in 2016 and increased \$41,000 in 2015. The 2016 increase is due to the interest earned from the increase of cash on hand. Tap fee revenues decreased \$582,000 in 2016 and increased \$2,545,000 in 2015.

Water operating expenses increased \$703,000 (7%) in 2016, primarily due to increases in repairs and maintenance, and utility costs. Water operating expenses decreased \$710,000 (7%) in 2015. The 2015 decrease was primarily due to the decrease in water service costs.

Sewer operating costs increased \$214,000 (3%) in 2016 compared to 2015, due to increased repair and maintenance costs. General and administrative expenses decreased \$111,000 (5%) in 2016, and increased \$44,000 in 2015. Depreciation and amortization increased \$243,000 in 2016 and decreased \$510,000 in 2015. Nonoperating expenses decreased \$359,000 in 2016 and decreased \$676,000 in 2015.

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. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect "funds available". State statutes require this budgetary accounting. Additionally, the budget includes the separation of the District from the Enterprise, under the joint resolution.

Capital Assets

The activity related to capital assets during 2016, 2015 and 2014 is as follows:

	<u>December 31,</u> <u>2015</u>	<u>Net</u> <u>Changes</u> (In thousands)	<u>December 31,</u> <u>2016</u>
Land and easements	\$ 14,251	\$ -	\$ 14,251
Projects in progress	8,045	(7,032)	1,013
Water system			
Water rights	113,329	592	113,921
Water facilities	298,283	12,056	310,339
Sewer system			
Sewer capacity	1,383	-	1,383
Sewer facilities	46,246	6,177	52,423
Storm drainage system	17,060	161	17,221
Office building	3,193	111	3,304
Equipment	1,870	25	1,895
Total assets	<u>503,660</u>	<u>12,090</u>	<u>515,750</u>
Accumulated depreciation	<u>(110,891)</u>	<u>(9,587)</u>	<u>(120,478)</u>
Net capital assets	<u>\$ 392,769</u>	<u>\$ 2,503</u>	<u>\$ 395,272</u>

	December 31, 2014	Net Changes	December 31, 2015
		(In thousands)	
Land and easements	\$ 14,251	\$ -	\$ 14,251
Projects in progress	6,038	2,007	8,045
Water system			
Water rights	112,726	603	113,329
Water facilities	293,403	4,880	298,283
Sewer system			
Sewer capacity	1,383	-	1,383
Sewer facilities	45,634	612	46,246
Storm drainage system	14,853	2,207	17,060
Office building	3,193	-	3,193
Equipment	1,699	171	1,870
Total assets	493,180	10,480	503,660
Accumulated depreciation	(101,498)	(9,393)	(110,891)
Net capital assets	<u>\$ 391,682</u>	<u>\$ 1,087</u>	<u>\$ 392,769</u>

	December 31, 2013	Net Changes	December 31, 2014
		(In thousands)	
Land and easements	\$ 14,251	\$ -	\$ 14,251
Projects in progress	1,770	4,268	6,038
Water system			
Water rights	112,008	718	112,726
Water facilities	330,426	(37,023)	293,403
Sewer system			
Sewer capacity	1,383	-	1,383
Sewer facilities	45,634	-	45,634
Storm drainage system	14,853	-	14,853
Office building	3,193	-	3,193
Equipment	2,033	(334)	1,699
Total assets	525,551	(32,371)	493,180
Accumulated depreciation	(99,777)	(1,721)	(101,498)
Net capital assets	<u>\$ 425,774</u>	<u>\$ (34,092)</u>	<u>\$ 391,682</u>

In 2016, the District spent \$1,749,612 for the District water supply and \$1,158,169 for various well rehabilitation projects. Additional capital water costs were \$773,655.

Contributions of \$1,060,384 in water lines and \$921,907 in sewer lines were accepted during 2016. Projects in progress completed in 2016 included \$10,934,780 in water projects, \$5,255,164 in sewer projects, and \$161,313 in storm drainage projects.

In 2015, the District spent \$3,304,980 for the modifications of the Western Waterline per the sale agreement. Additional capital water costs were \$787,818.

Contributions of \$950,968 in water lines and \$565,576 in sewer lines were accepted during 2015. Projects in progress completed in 2015 included \$3,743,941 in water wells.

Storm drainage projects added to the facilities in operation included \$1,778,804 of storm drainage projects incurred and transferred from projects in progress. Contributions of \$370,777 in storm drainage projects were accepted during 2015.

In 2014, the District sold its Western and State Board Land waterlines for \$34,000,000. Costs of projects in progress were also incurred by the District for various water related projects in the amount of \$3,800,197. No projects in progress were completed in 2014 for water projects.

In 2014, the District added \$467,480 for storm drainage and sewer projects. No projects in progress were completed in 2014 for storm drainage and sewer projects.

Additional information on the District's capital assets can be found in Note 4 of this report

Debt Administration

All scheduled debt service payments were made timely during 2016, 2015 and 2014.

Additional detail on the District's debt is in Note 5 of this report.

Economic and Other Factors

The District continues to emphasize conservation by maintaining mandatory watering schedules for its customers. Total water consumption increased 8.6% in 2016. Parks had the largest consumption increase. Park's consumption increase from 2015 to 2016 was 22% and their percentage share of total consumption increased 2% from last year.

The District anticipates modest growth in residential customers for 2017 as new home construction continues to recover along with the overall economy. The District is approximately 87.5% built out at the end of 2016.

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:

East Cherry Creek Valley Water and Sanitation District
6201 South Gun Club Road
Aurora, Colorado 80016

BASIC FINANCIAL STATEMENTS

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 62,624,869	\$ 58,627,686
Accounts receivable	3,000,178	2,093,568
Property taxes receivable	2,529,209	2,463,206
Prepaid expenses	13,944	22,276
Inventories	80,407	99,699
Total current assets	68,248,607	63,306,435
RESTRICTED CURRENT ASSETS		
Cash and cash equivalents	2,940,180	2,887,578
Total restricted current assets	2,940,180	2,887,578
CAPITAL ASSETS, NET		
	395,272,007	392,768,591
OTHER ASSETS		
Special projects and planning (net of accumulated amortization of \$5,026,992 and \$4,955,310 in 2016 and 2015, respectively)	148,547	220,228
Total other assets	148,547	220,228
DEFERRED OUTFLOWS OF RESOURCES		
Cost of debt refunding, net	1,323,712	1,526,985
Total deferred outflows of resources	1,323,712	1,526,985
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	\$ 467,933,053	\$ 460,709,817

(Continued)

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2016 and 2015
(Continued)

	2016	2015
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,445,508	\$ 1,064,657
Deposits	63,500	65,208
Accrued interest payable	288,692	295,381
Current portion of long-term obligations	3,257,274	3,242,307
Total current liabilities	6,054,974	4,667,553
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accrued interest payable	3,965,943	4,342,581
Total current liabilities payable from restricted assets	3,965,943	4,342,581
LONG-TERM OBLIGATIONS	110,177,748	117,432,351
DEFERRED INFLOWS OF RESOURCES		
Property tax revenue	2,529,209	2,463,206
Total deferred inflows of resources	2,529,209	2,463,206
NET POSITION		
Net investment in capital assets	285,164,615	275,617,930
Restricted	2,940,180	2,887,578
Unrestricted	57,100,384	53,298,618
Total net position	345,205,179	331,804,126
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 467,933,053	\$ 460,709,817

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2016 and 2015

	2016	2015
WATER OPERATIONS		
Water income	\$ 16,385,972	\$ 14,534,403
Direct water expenses	(10,813,453)	(10,109,966)
Depreciation	(7,943,036)	(7,688,587)
Gross income (loss) from water operations	(2,370,517)	(3,264,150)
SEWER OPERATIONS		
Sewer income	8,671,549	8,555,461
Direct sewer expenses	(7,259,494)	(7,045,316)
Depreciation	(1,137,563)	(1,069,660)
Gross income (loss) from sewer operations	274,492	440,485
DIRECT STORM DRAINAGE EXPENSES		
Direct storm drainage expenses	(61,393)	(76,149)
Depreciation	(384,720)	(362,018)
Gross income (loss) from direct storm drainage expenses	(446,113)	(438,167)
TOTAL GROSS INCOME (LOSS) FROM OPERATIONS	(2,542,138)	(3,261,832)
GENERAL AND ADMINISTRATIVE EXPENSES	2,432,514	2,646,543
OPERATING INCOME (LOSS)	(4,974,652)	(5,908,375)
NONOPERATING REVENUES		
Property taxes	2,462,932	2,384,048
Specific ownership taxes	188,830	180,649
Net investment income	211,510	45,242
Other income	434,415	176,168
Miscellaneous income	110,123	268,251
Gain (loss) on sale / disposal of assets	-	(23,801)
Total nonoperating revenues	3,407,810	3,030,557
NONOPERATING EXPENSES		
Interest expense	3,927,211	3,843,774
County Treasurer's fees	36,970	35,782
Paying agent fees and other debt related expenses	3,450	340,620
Amortization of debt related costs	(36,960)	70,270
Total nonoperating expenses	3,930,671	4,290,446
INCOME (LOSS) BEFORE CONTRIBUTIONS	(5,497,513)	(7,168,264)

(Continued)

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2016 and 2015
(Continued)

	2016	2015
CAPITAL CONTRIBUTIONS		
Northern Project Construction Fund charges	6,418,734	6,248,778
Water tap fees	6,805,630	7,196,478
Sewer tap fees	734,869	781,422
Storm drainage fees	676,787	820,077
Contributions for capital outlay	4,262,546	1,627,771
Total capital contributions	18,898,566	16,674,526
CHANGE IN NET POSITION	13,401,053	9,506,262
TOTAL NET POSITION - BEGINNING OF YEAR	331,804,126	322,297,864
TOTAL NET POSITION - END OF YEAR	\$ 345,205,179	\$ 331,804,126

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

EAST CHERRY CREEK VALLEY 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	\$ 24,994,149	\$ 23,137,364
Payments to suppliers	(14,998,692)	(14,979,909)
Payments to employees and related expenses	(3,965,371)	(4,515,445)
Other receipts (payments)	243,468	(361,277)
Net cash provided (required) by operating activities	6,273,554	3,280,733
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax collections for operations	2,462,932	2,384,048
Specific ownership taxes	184,986	186,902
Miscellaneous income	231,219	264,530
County Treasurer's fees	(36,970)	(35,782)
Net cash provided (required) by noncapital financing activities	2,842,167	2,799,698
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Water tap fees	6,805,630	7,196,478
Sewer tap fees	734,869	781,422
Storm drainage fees	676,787	820,077
Northern Project Construction Fund charges	6,418,734	6,248,778
Proceeds from sale of capital assets	-	1,875,000
Acquisition of property, plant and equipment (net of contributed lines of \$1,982,292 and \$1,573,647 in 2016 and 2015, respectively)	(10,044,493)	(8,845,786)
Debt issuance	-	41,885,000
Debt premium	-	3,261,459
Cost of refunding	-	(1,033,544)
Other income	156,424	210,212
Cash contributions for capital	1,436,089	-
Interest on debt	(4,530,315)	(4,291,540)
Debt principal reduction	(6,848,635)	(52,314,999)
Lease principal payment	(79,086)	(79,086)
Paying agent fees and other expenses	(3,450)	(340,620)
Net cash provided (required) by capital and related financing activities	(5,277,446)	(4,627,149)

(Continued)

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015
(Continued)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	211,510	45,242
Net cash provided (required) by investing activities	211,510	45,242
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,049,785	1,498,524
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	61,515,264	60,016,740
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 65,565,049	\$ 61,515,264
Reconciliation of operating income (loss) to net cash provided (required) by operating activities		
Operating income (loss)	\$ (4,974,652)	\$ (5,908,375)
Adjustments to reconcile operating income (loss) to net cash provided (required) by operating activities		
Depreciation and amortization	9,744,883	9,502,885
(Increase) decrease in:		
Accounts receivable	96,556	(100,145)
Prepaid expenses	8,332	154,764
Inventories	19,292	81,883
Increase (decrease) in:		
Accounts payable and accrued expenses	1,380,851	(451,987)
Deposits	(1,708)	1,708
Net cash provided (required) by operating activities	\$ 6,273,554	\$ 3,280,733
NON-CASH TRANSACTIONS		
Assets contributed by Developers	\$ 1,982,291	\$ 1,573,646

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - DEFINITION OF REPORTING ENTITY

East Cherry Creek Valley 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 on June 7, 1962, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District exists to provide water, sanitary sewer and storm drainage services to the East Cherry Creek Valley area of unincorporated Arapahoe County, Colorado. A portion of the District is included in the City of Centennial.

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.

The East Cherry Creek Valley Water and Sanitation District Water Activity Enterprise, Inc. (the Enterprise), a Colorado nonprofit corporation, was established in 1998 as a "Water Activity Enterprise" pursuant to C.R.S. §§37-45.1-101, *et seq.* The District's Board of Directors serves as the Board of Directors for the Enterprise. Effective January 1, 2001, the Board adopted a Joint Resolution of the District and the Enterprise concerning the sharing of revenue between each entity, the responsibilities of each entity for the cost of operation and maintenance of facilities, administration costs, construction of new facilities and the ownership of certain assets. Effective January 1, 2012, the Board adopted an Amended and Restated Joint Resolution which clarifies and redefines the responsibilities of each entity. District management believes that the operations of the Enterprise also have qualified for the enterprise exclusion under TABOR (see Note 12). The Enterprise is considered a component unit of the District and blended in the District's financial statements. Separate financial statements of the Enterprise are not issued.

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.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

Operating Revenues and Expenses

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation, including the Enterprise, is at the total fund expenditures 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 annual budget for the year ended December 31, 2016.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all entities to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating entities based upon each entity's average equity balance in the total cash and investments.

Investments are carried at fair value.

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.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are valued at the lower of cost using the first-in, first-out method or market.

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 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.

Capital Assets

Capital assets, which include land, water rights, buildings, distribution and collection systems and machinery and equipment are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation or at the developers' cost.

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:

Buildings	30 years
Distribution and collection systems	10-50 years
Machinery and equipment	3-10 years
Treatment plants	20 years

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions in the period in which they are received or become collectible. Under the District's policy, developers are required to pay for the equivalent cost of certain water lines previously constructed by the District to serve the developers' property as actual development begins. Water and sewer lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developers' cost or at estimated fair market value when received. The District records the contributions at the time the lines are conveyed to the District for preliminary acceptance. Payments to other governments for the construction of capital infrastructure that will benefit the District but not be owned, operated or maintained by the District are recorded as an expense.

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 \$221,516 and \$113,854, respectively.

Water Rights and Sewer Capacity Rights

Water rights are being amortized over one hundred years, and sewer capacity rights are being amortized over thirty to one hundred years. The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Certain water rights to renewable water resources have a perpetual life and are not amortized. All other costs, including costs incurred for the protection of water rights, are expensed.

Special Projects and Planning

The Board has elected to capitalize certain legal, engineering and other costs of projects that are of benefit to the District over a period of time. These costs are being amortized over ten years on a straight-line basis.

Amortization of Original Issue Premium

Debt premiums are amortized over the respective terms of the debt using the effective interest method.

Amortization of Cost on Debt Refunding

The deferred cost on debt refunding is being amortized using the effective interest method over the life of the new debt. The amortization amount is a component of interest expense.

Compensated Absences

The District's employees are entitled to certain compensated absences based on their length of employment. Compensated absences are accrued when incurred in the financial statements.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District has accrued \$174,822 and \$158,059 as of December 31, 2016 and 2015, respectively, for future payment of this earned leave.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity

Net Position

For presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

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	\$ 62,624,869	\$ 58,627,686
Cash and cash equivalents - Restricted	<u>2,940,180</u>	<u>2,887,578</u>
Total cash and investments	<u>\$ 65,565,049</u>	<u>\$ 61,515,264</u>

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

	2016	2015
Deposits with financial institutions	\$ 18,569,839	\$ 36,138,249
Investments	<u>46,995,210</u>	<u>25,377,015</u>
Total cash and investments	<u>\$ 65,565,049</u>	<u>\$ 61,515,264</u>

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's cash deposits had a bank balance of \$19,357,769 and \$37,672,688, respectively; and a carrying balance of \$18,569,839 and \$36,138,249, respectively.

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

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- . Written repurchase agreements and certain 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 has 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 Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 46,995,210</u>	<u>\$ 25,377,015</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.

Restricted cash included Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12) of \$104,500 and \$109,000 at December 31, 2016 and 2015, respectively.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Restricted cash also included \$424,102 and \$414,380 held in escrow for payment of the District's subordinate Water Revenue Exchange Bonds, Series 2004 at December 31, 2016 and 2015, respectively; \$407,659 and \$367,186 for payment of the District's 2007 Lease Purchase Agreement at December 31, 2016 and 2015, respectively; \$1,104,890 and \$1,103,788 for the payment of the 2009A Series Bonds at December 31, 2016 and 2015, respectively; \$193,234 and \$191,987 for the payment of the 2010A Series Bonds at December 31, 2016 and 2015, respectively; and \$705,794 and \$701,237 for the payment of the 2010B Series Bonds at December 31, 2016 and 2015, respectively.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2016 and 2015 follows:

	2016			Balance at December 31, 2016
	Balance at December 31, 2015	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 1,081,295	\$ -	\$ -	\$ 1,081,295
Easements	13,170,157	-	-	13,170,157
Water rights	84,461,892	592,165	-	85,054,057
Construction in progress	8,044,981	9,369,560	16,401,388	1,013,153
Total capital assets, not being depreciated	<u>106,758,325</u>	<u>9,961,725</u>	<u>16,401,388</u>	<u>100,318,662</u>
Capital assets, being depreciated:				
Water rights and leases	28,866,418	-	-	28,866,418
Sewer capacity rights	1,382,760	-	-	1,382,760
Water system	298,283,643	12,055,700	-	310,339,343
Sewer system	46,246,146	6,177,071	-	52,423,217
Storm drainage	17,060,960	161,313	-	17,222,273
Buildings	3,192,411	110,929	-	3,303,340
Office and field equipment	1,869,715	182,949	158,337	1,894,327
Total capital assets, being depreciated	<u>396,902,053</u>	<u>18,687,962</u>	<u>158,337</u>	<u>415,431,678</u>
Less accumulated depreciation for:				
Water rights and leases	6,379,433	282,016	-	6,661,449
Sewer capacity rights	592,598	19,834	-	612,432
Water system	82,153,485	7,661,020	-	89,814,505
Sewer system	13,680,145	1,117,729	-	14,797,874
Storm drainage	5,052,774	384,720	-	5,437,494
Buildings	1,498,519	140,795	-	1,639,314
Office and field equipment	1,534,833	138,769	158,337	1,515,265
Total accumulated depreciation	<u>110,891,787</u>	<u>9,744,883</u>	<u>158,337</u>	<u>120,478,333</u>
Total capital assets, being depreciated, net	<u>286,010,266</u>	<u>8,943,079</u>	<u>-</u>	<u>294,953,345</u>
Capital assets, net	<u>\$ 392,768,591</u>	<u>\$ 18,904,804</u>	<u>\$ 16,401,388</u>	<u>\$ 395,272,007</u>

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	2015			Balance at December 31, 2015
	Balance at December 31, 2014	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 1,081,295	\$ -	\$ -	\$ 1,081,295
Easements	13,170,157	-	-	13,170,157
Water rights	84,461,892	-	-	84,461,892
Construction in progress	6,037,657	7,761,753	5,754,429	8,044,981
Total capital assets, not being depreciated	<u>104,751,001</u>	<u>7,761,753</u>	<u>5,754,429</u>	<u>106,758,325</u>
Capital assets, being depreciated:				
Water rights and leases	28,263,676	602,742	-	28,866,418
Sewer capacity rights	1,382,760	-	-	1,382,760
Water system	293,403,659	4,879,984	-	298,283,643
Sewer system	45,633,961	612,185	-	46,246,146
Storm drainage	14,854,276	2,206,684	-	17,060,960
Buildings	3,192,411	-	-	3,192,411
Office and field equipment	1,698,773	194,743	23,801	1,869,715
Total capital assets, being depreciated	<u>388,429,516</u>	<u>8,496,338</u>	<u>23,801</u>	<u>396,902,053</u>
Less accumulated depreciation for:				
Water rights and leases	6,097,416	282,017	-	6,379,433
Sewer capacity rights	572,764	19,834	-	592,598
Water system	74,746,915	7,406,570	-	82,153,485
Sewer system	12,630,319	1,049,826	-	13,680,145
Storm drainage	4,690,756	362,018	-	5,052,774
Buildings	1,363,022	135,497	-	1,498,519
Office and field equipment	1,396,856	160,730	22,753	1,534,833
Total accumulated depreciation	<u>101,498,048</u>	<u>9,416,492</u>	<u>22,753</u>	<u>110,891,787</u>
Total capital assets, being depreciated, net	<u>286,931,468</u>	<u>(920,154)</u>	<u>1,048</u>	<u>286,010,266</u>
Capital assets, net	<u>\$ 391,682,469</u>	<u>\$ 6,841,599</u>	<u>\$ 5,755,477</u>	<u>\$ 392,768,591</u>

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

	<u>2016</u>	<u>2015</u>
Water	\$ 7,943,036	\$ 7,688,587
Sewer	1,137,563	1,069,660
Storm drainage	384,720	362,018
General and administrative	121,227	273,474
	<u>\$ 9,586,546</u>	<u>\$ 9,393,739</u>

NOTE 5 - LONG-TERM OBLIGATIONS

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

	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2016</u>	<u>Amounts Due Within One Year</u>
2004 Subordinate Water					
Exchange Bonds	\$ 18,437,000	\$ -	\$ 1,794,000	\$ 16,643,000	\$ -
2009A Variable Rate Water					
Revenue Bonds	20,840,000	-	-	20,840,000	-
2009B Variable Rate Water					
Revenue Bonds	11,485,000	-	1,435,000	10,050,000	1,500,000
Bond premium	11,706	-	2,806	8,900	2,455
2010A Water Enterprise					
Revenue Bonds	1,290,000	-	250,000	1,040,000	250,000
Bond premium	36,526	-	10,806	25,720	9,276
2010B Water Enterprise					
Revenue Bonds (BAB)	8,620,000	-	-	8,620,000	-
2015 Water Refunding Bonds	41,885,000	-	1,165,000	40,720,000	1,205,000
Bond premium	3,763,138	-	298,303	3,464,835	290,543
Total bonds payable	<u>106,368,370</u>	<u>-</u>	<u>4,955,915</u>	<u>101,412,455</u>	<u>3,257,274</u>
2007 Subordinate Lease Purchase					
Agreement	14,227,202	-	2,204,635	12,022,567	-
Capital lease	79,086	-	79,086	-	-
Total long-term obligations	<u>\$ 120,674,658</u>	<u>\$ -</u>	<u>\$ 7,239,636</u>	<u>\$ 113,435,022</u>	<u>\$ 3,257,274</u>

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

	<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>
2004 Subordinate Water					
Exchange Bonds	\$ 20,275,000	\$ -	\$ 1,838,000	\$ 18,437,000	\$ -
2005 CWRPDA Loan	45,280,000	-	45,280,000	-	-
Bond premium	572,940	-	572,940	-	-
2009A Variable Rate Water					
Revenue Bonds	20,840,000	-	-	20,840,000	-
2009B Variable Rate Water					
Revenue Bonds	12,860,000	-	1,375,000	11,485,000	1,435,000
Bond premium	14,848	-	3,142	11,706	2,806
2010A Water Enterprise					
Revenue Bonds	1,530,000	-	240,000	1,290,000	250,000
Bond premium	48,638	-	12,112	36,526	12,112
2010B Water Enterprise					
Revenue Bonds (BAB)	8,620,000	-	-	8,620,000	-
2015 Water Refunding Bonds	-	41,885,000	-	41,885,000	1,165,000
Bond premium	-	3,834,399	71,261	3,763,138	298,303
Total bonds payable	<u>110,041,426</u>	<u>45,719,399</u>	<u>49,392,455</u>	<u>106,368,370</u>	<u>3,163,221</u>
2007 Subordinate Lease Purchase					
Agreement	16,521,505	-	2,294,303	14,227,202	-
Capital lease	262,530	-	183,444	79,086	79,086
Aurora Capacity agreement - 2012	1,183,338	-	1,183,338	-	-
Total long-term obligations	<u>\$ 128,008,799</u>	<u>\$ 45,719,399</u>	<u>\$ 53,053,540</u>	<u>\$ 120,674,658</u>	<u>\$ 3,242,307</u>

The detail of the District's bonds payable is as follows:

Subordinate Water Revenue Exchange Bonds, Series 2004, dated May 6, 2004, in the original amount of \$26,793,000 mature on November 15, 2023, with an interest rate of 3.00% to December 31, 2009, and 5.00% from January 1, 2010, and thereafter, payable annually on November 15. The bonds are subject to early redemption, at the option of the Enterprise or the District, on any date without redemption premium. The bonds are also subject to mandatory redemption on any interest payment date, without redemption premium, to the extent of available revenue pledged to the payment of the bonds in excess of the amount of interest then due on the bonds. These bonds are limited, subordinate lien obligations of the Enterprise on behalf of the District payable solely from the portion of the Net Revenues comprising an amount equal to 40% of water tap fees collected by the Enterprise or the District. Any outstanding interest not paid on each November 15 compounds annually on each interest payment date at the interest rate then borne by the bonds. The bonds constitute an irrevocable lien on the Net Revenues, which is subordinate to the lien thereon of the Senior Bonds. The District and the Enterprise have covenanted that a minimum water tap fee of \$15,000 per single family equivalent will be maintained.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The actual amounts of principal and interest payments to be made in the future will depend on future water tap fee revenue and cannot be predicted with certainty. The District's 2017 budget contemplates a principal payment of \$1,908,000.

2005 Loan Agreement - The Enterprise, on behalf of the District entered into a Loan Agreement with the Colorado Water Resources and Power Development Authority (the Authority) on February 1, 2005, in the original amount of \$53,970,000. The Enterprise also issued a Governmental Agency Bond to evidence the obligations of the Loan Agreement. Payments under the Loan Agreement are due annually on November 14 in increasing amounts through 2035, with interest rates from 3.00% to 4.50%, payable semiannually on May 14 and November 14. The loan is subject to prepayment, with the approval of the Authority, on or after November 14, 2015, in whole on any date or in part on any interest payment date, without redemption premium.

The obligation of the Enterprise to make loan repayments under the Loan Agreement and the Governmental Agency Bond is a special, limited obligation of the Enterprise and is payable solely from and secured by Net Revenue of the water system. The Enterprise covenanted that it would maintain, enforce and collect rates and fees to create Net Revenue in an amount equal to not less than 110% of the amount necessary to pay the principal of and interest on the 2005 Loan Agreement, and the Series 2009A and Series 2009B Bonds coming due during such fiscal year.

The proceeds of the loan, in the amount of \$55 million, were used to finance the cost of the Northern Project. The Authority paid a premium of \$1,034,314 to issue bonds in the amount of \$53,970,000 in order to yield \$55 million.

On August 19, 2015, the 2005 Loan Agreement was refunded by the Series 2015 Water Revenue Refunding Bonds.

2007 Subordinate Lease Purchase Agreement - The Enterprise, on behalf of the District, entered into a Subordinate Lease Purchase Agreement with United Water and Sanitation District (United) on July 27, 2007 (effective May 25, 2007), in the original amount of \$31,250,000. United agrees, among other things, to construct certain facilities, to provide additional storage and to acquire, on behalf of the District and the Enterprise, sufficient water rights to produce not less than 2,960 acre feet of fully consumable water per year and not more than 3,221 acre feet of fully consumable water per year (Phase 2 Water), and to the delivery of such water to ECCV. Principal and interest payments under the Agreement are due annually on November 15 with an interest rate of 3.2%. The annual principal portion shall be an amount equal to the Allocated Tap Lease Revenue, defined as the portion of the Net Revenue that is equal to 38.57% of the Water Tap Fees collected by the Enterprise on and after November 1, 2004. The Agreement terminates on November 15, 2014, or upon payment of all amounts due and the conveyance of all the Phase 2 Water to ECCV, whichever occurs earliest. If the Agreement were allowed to terminate, not only does the District's obligation to pay the remaining principal cease, but the conveyance of any water rights associated with the unpaid portion of the principal ceases as well.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

A Supplemental Lease Purchase Agreement was signed by United on October 30, 2014. The Supplemental Agreement extended the expiration date to November 15, 2017. In exchange, the District agreed to pay an additional \$400,000 of principal each year.

Variable Rate Water Revenue Refunding Bonds, Series 2009A, dated March 30, 2009, were issued in the original amount of \$20,840,000 and are due on November 15, 2034, and are subject to mandatory redemption. The bonds were issued by the Enterprise, on behalf of the District, as authorized by the 2009A Joint Bond Resolution (Joint Resolution). The bonds were issued for the purpose of currently refunding and redeeming the Variable Rate Water Revenue Bonds, Series 2004 with an outstanding principal amount of \$19,115,000.

The bonds may bear interest in a Daily, Weekly, Monthly, Annual or Fixed Rate Mode. The maximum interest rate on the bonds on any day (except for Bank Series 2009A Bonds, as described below) is 10% per annum. In a resolution dated April 26, 2012, the Enterprise changed the rate mode from the Weekly Rate Mode to the Monthly Rate Mode. The remarketing agent for the bonds determines the monthly interest rate. At December 31, 2016, the monthly interest rate was 2.08%. Interest, while in the Monthly Rate Mode, is computed on the basis of a 360 day year and is payable on the first business day of each month. The bonds may be converted from one Rate Mode to another Rate Mode, subject to certain restrictions outlined in the Joint Resolution.

The bonds are subject to optional redemption on any business day while in the Daily or Weekly Mode, the first business day of each month while in the Monthly Rate Mode and on the next succeeding May 15 and November 15 while in the Annual or Fixed Rate Mode. The Bank Series 2009A Bonds may be called on any date. The redemption price in each such case is equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest to the redemption date, without premium.

The Bank Series 2009A Bonds are bonds that have been tendered for purchase, not remarketed, and purchased from amounts available under the LOC, dated March 30, 2009, by and among the Enterprise, acting on behalf of the District and the Letter of Credit Bank. The Letter of Credit Bank purchased the Series 2009A Bonds which eliminated the need for the Letter of Credit.

The Series 2009A Bonds are special limited revenue obligations of the Enterprise, on behalf of the District, and are payable solely from Net Revenue, on parity with the Outstanding Senior Bonds, including the Series 2002 Bonds (refunded by the Series 2009B Bonds), and any other Additional Parity Obligations. The District and the Enterprise covenant that rates and fees may not be lowered or reduced for so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2016, the District was in substantial compliance with its bond covenants.

The bonds are further secured by a debt service reserve account. This reserve account has been satisfied by the deposit of funds with the Trustee in the amount of \$1,104,890.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Variable Rate Water Revenue Refunding Bonds, Series 2009B, dated May 28, 2009, in the original amount of \$18,970,000, are serial bonds issued in the amount of \$3,535,000 due annually on November 15 in increasing amounts through 2012, with an interest rate of 2.00%, payable semiannually on May 15 and November 15 and term bonds issued in the amount of \$15,435,000 due November 15, 2022, with an interest rate of 2.75%, payable semiannually on May 15 and November 15 (Initial Term Rate Mode). On November 15, 2012, the bonds were restructured as private placement bonds and the Letter of Credit was removed.

The bonds are subject to optional redemption while in the Variable Rate Modes, without redemption premium, or while in the Fixed Rate Mode, with redemption premium, at the option of the District. The bonds were issued for the purpose of advance refunding the Water Revenue Bonds, Series 2002 with an outstanding principal amount of \$16,040,000. The Series 2002 Bonds were paid off by the Escrow on November 15, 2012.

The bonds are special and limited obligations of the Enterprise on behalf of the District, payable solely out of and secured by an irrevocable (but nonexclusive) pledge of the revenue of the Water System after deduction of operations and maintenance expenses (Net Revenues). The District and the Enterprise have covenanted that rates and fees may not be lowered or reduced so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2016, the District was in substantial compliance with its bond covenants.

The Bank Series 2009B Bonds are bonds that have been tendered for purchase, not remarketed, and purchased from amounts available under the LOC, dated May 28, 2009, by and among the Enterprise, acting on behalf of the District and the Letter of Credit Bank. The LOC expired on November 15, 2012, when the Enterprise converted the bonds to the Fixed Rate Mode.

Tax-Exempt Water Revenue Bonds, Series 2010A, dated September 7, 2010, were issued in the original amount of \$2,360,000 and are due on November 15, 2020, with interest rates from 2.00% to 4.00% payable semi annually on May 15 and November 15. The bonds are not subject to redemption prior to maturity. The bonds were issued by the Enterprise, on behalf of the District, as authorized by the 2010 Joint Bond Resolution (Joint Resolution). The bonds were issued for the purpose of funding a portion of the construction of the Reverse Osmosis Water Treatment Facility.

The Series 2010A Bonds are special limited revenue obligations of the Enterprise, on behalf of the District, and are payable solely from Net Revenue, on parity with the Outstanding Senior Bonds, which includes the Series 2005 Bonds, the Series 2009A Bonds, the Series 2009B Bonds and any other Additional Parity Obligations. The District and the Enterprise covenant that rates and fees may not be lowered or reduced for so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2016, the District was in substantial compliance with its bond covenants.

The bonds are further secured by a debt service reserve account. This reserve account has been satisfied by the deposit of funds in the amount of \$193,234.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Taxable Water Revenue Bonds (Build American Bonds), Series 2010B, dated September 7, 2010, were issued in the original amount of \$8,620,000 and are due on November 15, 2040, with interest rates from 4.50% to 5.82% payable semi annually on May 15 and November 15. The bonds are subject to mandatory sinking fund redemption and optional redemption prior to maturity. The bonds were issued by the Enterprise, on behalf of the District, as authorized by the 2010 Joint Bond Resolution (Joint Resolution). The bonds were issued for the purpose of funding a portion of the construction of the Reverse Osmosis Water Treatment Facility.

The Series 2010B Bonds were issued pursuant to the Colorado Recovery and Reinvestment Act of 2009, Title 11, Article 59.7, Part 1, C.R.S., which allows for the issuance of Build America Bonds (BAB's). Under certain requirements, BAB's qualify the issuer to receive federal subsidies to offset a portion of the borrowing costs in the form of a credit equal to 35% of the interest payable. During 2016, the District received a credit from the federal government in the amount of \$156,424.

The Series 2010B Bonds are special limited revenue obligations of the Enterprise, on behalf of the District, and are payable solely from Net Revenue, on parity with the Outstanding Senior Bonds, which includes the Series 2005 Bonds, the Series 2009A Bonds, the Series 2009B Bonds and any other Additional Parity Obligations. The District and the Enterprise covenant that rates and fees may not be lowered or reduced for so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2016, the District was in substantial compliance with its bond covenants.

The bonds are further secured by a debt service reserve account. This reserve account has been satisfied by the deposit of funds in the amount of \$705,794.

Water Revenue Bonds, Series 2015, dated August 19, 2015, were issued in the original amount of \$41,885,000 with interest of 3.00% to 5.00%, consisting of serial bonds issued in the amount of \$31,195,000 due November 15 annually through 2032 and term bonds issued in the original amount of \$10,690,000 due November 15, 2035. The serial bonds maturing on and after November 15, 2026, are subject to redemption prior to maturity at the option of the District without premium.

The bonds were issued by the Enterprise, on behalf of the District, as authorized by the 2015 Joint Bond Resolution (Joint Resolution). The bonds were issued for the purpose of currently refunding and redeeming the 2005 Loan Agreement, of which \$45,280,000 was outstanding.

The Series 2015 Bonds are special limited revenue obligations of the Enterprise, on behalf of the District, and are payable solely from Net Revenue, on parity with the Outstanding Senior Bonds, including the Series 2002 Bonds (refunded by the Series 2009B Bonds), and any other Additional Parity Obligations. The District and the Enterprise covenant that rates and fees may not be lowered or reduced for so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2016, the District was in substantial compliance with its bond covenants.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The District's debt, excluding the Subordinate Water Revenue Exchange Bonds, Series 2004 and the 2007 Subordinate Lease Purchase Agreement will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	2,955,000	3,091,395	6,046,395
2018	3,050,000	3,007,745	6,057,745
2019	3,180,000	2,909,058	6,089,058
2020	3,315,000	2,802,295	6,117,295
2021	3,460,000	2,677,770	6,137,770
2022-2026	18,260,000	11,437,146	29,697,146
2027-2031	22,460,000	7,732,497	30,192,497
2032-2036	21,950,000	3,013,536	24,963,536
2037-2040	2,640,000	435,336	3,075,336
Total payments	<u>\$ 81,270,000</u>	<u>\$ 37,106,778</u>	<u>\$ 118,376,778</u>

Refunding

On August 19, 2015, the District advance refunded and defeased (debt legally satisfied) \$45,280,000 of the 2005 Loan Agreement, dated February 1, 2005, with an average interest rate of 4.56% by the issuance of \$41,885,000 Water Revenue Refunding Bonds, Series 2015, dated August 19, 2015, with an average interest rate of 4.286%. The District advance refunded the Series 2005 loan to reduce its total debt service payments over the next 18 years by \$6,756,210 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,800,274. The District incurred a cost on refunding in the amount of \$1,033,544, which has been deferred and is being amortized over the life of the new debt.

The defeased bonds are not considered a liability of the District since sufficient funds in the amount of \$46,313,544 were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds until the call date, at which point the bonds will be repaid in its entirety from the remaining funds in the escrow account. The bonds were redeemed on November 15, 2015.

Capital Lease

The District entered into a Ground Lease Agreement and a Lease Purchase and Option Agreement with Wells Fargo Brokerage Services, LLC (Wells Fargo) on December 28, 2001, and as amended on August 6, 2004, for the purpose of financing the construction of the District's administrative facility (project building) on land presently owned by the District (land). Under the Ground Lease, Wells Fargo leases the land from the District and the District leases the land and project building (leased property, collectively) from Wells Fargo. Under the amended Lease Purchase and Option Agreement, the District pays rent representing repayment of principal in the amount of \$1,783,315 and payment of interest at the rate of 4.4%. On any

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

date during the lease term, the District may terminate the lease upon payment of the total scheduled payment plus the termination value. Upon the termination date or the expiration of the last renewal term and payment in full of all rent, the District may exercise its option to purchase the leased property for \$1.00. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date; however, the lease agreement is subject to annual appropriation by the District. The Lease was paid in full during 2016.

At December 31, 2016, the authorized unissued general obligation debt of the District from elections held in 1977 and 1981 totaled \$14,599,393. The District's ability to issue its remaining authorized debt may be limited by judicial interpretation as a result of Article X, Section 20 of the Constitution of the State of Colorado (see Note 12).

NOTE 6 - NET POSITION

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

Net investment in capital assets 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 net investment in capital assets, calculated as follows:

	2016	2015
Net investment in capital assets		
Capital assets, net	\$ 395,272,007	\$ 392,768,591
Unspent bond proceeds	2,003,918	1,997,012
Current portion of long-term obligations	(3,257,274)	(3,242,307)
Cost of debt refunding, net	1,323,712	1,526,985
Noncurrent portion of long-term obligations	(110,177,748)	(117,432,351)
Net investment in capital assets	\$ 285,164,615	\$ 275,617,930

Restricted assets include net position 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 restricted net position as of December 31, 2016 and 2015, as follows:

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 6 - NET POSITION (CONTINUED)

	2016	2015
Restricted net position:		
Debt service (see Note 5)	\$ 2,835,680	\$ 2,778,578
Emergencies (see Note 12)	104,500	109,000
Total restricted net position	<u>\$ 2,940,180</u>	<u>\$ 2,887,578</u>

The District's unrestricted net position as of December 31, 2016 and 2015, are \$57,100,384 and \$53,298,618 respectively.

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS

Sewage Treatment - City of Aurora

The District has contracted since 1976 with the City of Aurora (City) for all sewage treatment services and to pay the City a portion of the costs to increase the size of certain sewer mains in exchange for future rights to capacity in these mains. The District was charged sewage treatment cost by the City in the amount of \$5,945,930 for 2016 and \$5,977,800 for 2015 under the agreement.

The District has agreed to pay the City an amount equal to 15% of the sewer tap fee being charged by the City at a time a sewer tap is connected. The District paid \$96,624 in 2016 \$101,520 in 2015 to the City for tap connections.

On March 25, 2011, the District amended the agreement (2011 Agreement) with the City in regard to the appropriate amount of charges to be levied on a monthly basis for the transportation of sanitary sewage from the District and the sum of money due to the City from the District for capital infrastructure investments by the City. The 2011 Agreement establishes the base rate to be \$3.44 per thousand gallons of sanitary sewage based on calculations set forth in the agreement, effective July 1, 2010.

The District agreed to pay the City \$369,312, which reflects the total monthly charges incurred and unpaid through September 30, 2010. Payment was made upon execution of the agreement.

In a memorandum dated August 1, 2012, (2012 Agreement), the District agreed to pay for their portion of additional capital infrastructure improvements as listed in the 2012 Agreement, in the amount of \$5,031,646. Payments were made in thirteen (13) quarterly installments of \$399,387 beginning with the third quarter of 2012, interest to accrue at an annual rate of 2.5%. The District paid \$1,183,338 in principal and \$14,823 in interest in 2015. At December 31, 2015, the memorandum was paid in full.

Future capital infrastructure improvements have been planned. The timing of the construction of these projects will be determined by future development and need for sewage capacity.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Water Storage - City of Aurora

On November 10, 1994, the District executed an agreement with the City of Aurora (City) that permits the District to place up to 3,500 acre feet of water in Aurora Reservoir and to exchange that water, less system and evaporative losses, for treated water from the Aurora system. The agreement expired in 2003; however, the District continues to replace water taken from the Aurora system.

During 2016 and 2015, the District provided no water to the Aurora system.

On May 7, 2007, the District executed an agreement with the City in which the District will provide water primarily for irrigation use in the raw water systems at the Eagle Bend and Blackstone golf courses to satisfy the water taken from the Aurora system. This agreement shall be effective for fifteen years after which the agreement will automatically renew annually.

During 2016, 29.75 acre feet had been delivered to the golf courses, leaving a balance of 116.46 acre feet owed to the City.

Intergovernmental Agreement - ACWWA

On December 15, 2009, the District entered into an intergovernmental agreement (IGA) with Arapahoe County Water and Wastewater Authority (ACWWA), Arapahoe County Water and Wastewater Public Improvement District (ACWWPID) and United Water and Sanitation District (United). The intent of the IGA is to provide ECCV and ACWWA an integrated system for the diversion, accretion, collection, storage, transmission and treatment of each party's water rights.

ACWWA has acquired a capacity easement from ECCV for the purpose of providing water services to its customers. Additionally, ECCV was obligated to begin construction on the reverse osmosis plant (RO Plant) when ACWWA deposited \$7,320,000 and United has deposited \$14,000,000 into separate escrow accounts. Construction began in September 2010 and was completed in 2013.

The District shall construct the RO Plant. The 10 mgd RO Plant was expected to cost \$25 million. In the event the construction costs exceed \$27.1 million, ECCV shall notify ACWWA, who will then agree on participating in additional funding or the downsizing of the RO Plant. Should ACWWA agree to additional funding, they will be entitled to an increase in capacity in the RO Plant by the same ratio of the additional funding. Should ACWWA not fund the additional cost, then ACWWA's prorated capacity shall be calculated by dividing \$7.32 million by the total final cost by the ACWWA payment and multiplying the result by 10. The RO Plant was upgraded to reduce the total Dissolved Solids at an estimated cost of \$3.5 million.

In consideration of \$7.32 million, ACWWA will hold a capacity easement for the treatment of 2.25 mgd of fixed capacity in the RO Plant. For the cost of these facilities, the first \$100,000 will be paid by the District and the next \$2.5 million will be paid by ACWWA. Once the costs of construction of the brine management and disposal facilities exceeds \$6 million, the entities using the RO Plant shall bear the cost of further brine management and disposal in the ratio of the water rights to be processed. The initial cost of the brine management and disposal facilities was approximately \$4 million.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

The District conveyed to ACWWA a capacity easement for the use of 3.5 mgd fixed capacity in the existing Northern Pipeline at a cost of \$5,250,000. ACWWA had a fixed capacity of 1.75 mgd, resulting in a total of 5.25 mgd fixed capacity.

The District conveyed to ACWWA an easement for 2.25 mgd of fixed capacity in the Pump Station serving the Northern Pipeline at a cost of \$3.375 million. Additionally, ACWWA shall have an option to purchase an additional 3.0 mgd of fixed capacity at such time the capacity of the RO Plant is expanded based on a pro-rata share of the expansion of the Pump Station.

Western Pipeline Sale

On October 21, 2014, the District sold its Western Pipeline and State Land Board Pipeline to the City and County of Denver acting by and through its Board of Water Commissioners (Denver Water), and the South Metro WISE Authority (WISE) for \$34,000,000. Denver Water will own 15% of the pipeline and WISE will own 85%. The District shall retain ownership of Reserved Capacity (8 MGD) of the Western Pipeline, but does not hold or retain any interest in the physical assets, right-of-ways, licenses or easements. The pipelines can be used as part of the system to deliver water received by WISE or used by Denver Water for the conveyance of water for use in its water delivery system. Concurrent with this sale these three parties also executed the Agreement Regarding Modifications to Shared Infrastructure (Modification Agreement) and the Agreement for the Operations of Shared Infrastructure (Operating Agreement).

Modification Agreement

The Modification Agreement was entered into on October 21, 2014 – see Western Pipeline Sale. This Agreement provides details relating to shared facilities that will be constructed to make the pipeline suitable for joint-use (Modifications). The District and Denver Water will contribute no more than \$3,454,980 each towards the Modifications. The District paid \$3,304,980 and \$-0-, in 2015 and 2016, respectively for the Modifications.

Operating Agreement

The Operating Agreement was entered into on October 21, 2014 – see Western Pipeline Sale. This Agreement provides details relating to the joint ownership and use of certain facilities in order to provide water service to its customers and, in the case of WISE, providing water transmission and delivery for the benefit of its members. The three parties shall share operation, maintenance and capital costs related to the shared facilities as set forth in Section 6 of the Operating Agreement.

It is anticipated that the parties will enter into further agreements regarding the maintenance of the infrastructure, management of water rights, and other matters, including an operation agreement between the District and United.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Water Supply Agreement

The District entered into a Water Supply Agreement with Farmers Reservoir and Irrigation Company (FRICO) and the United Water and Sanitation District (United) on December 18, 2003, for the purpose of developing an integrated water supply project in the Beebe Draw Alluvium. The agreement anticipated a reverse osmosis treatment plant to be constructed, owned and operated by the District. During 2003, the District purchased water and delivery rights to 3,000 acre feet of fully consumable water per year at a price of \$18,500,000 paid in cash to United and \$26,500,000 in the form of Subordinate Water Revenue Bonds, Series 2003, subsequently exchanged for the Subordinate Water Revenue Exchange Bonds, Series 2004 in the amount of \$26,793,000 (see Note 5), payable to United. The agreement entitles the District to purchase shares in FRICO's water supply system or additional South Platte Water supplies at an approximated price of \$9,700 per acre foot, which would provide the District between 2,960 and 3,221 acre feet of fully consumable water per year for a total of \$31,250,000. Additional projects contemplated by an agreement will divert water and return flows from the South Platte River and deliver it to the District's future treatment plant and will give the District a right of first purchase of yield in excess of 6,221 acre feet from additional tributary water rights from the South Platte River acquired by United.

Agreements with Denver Water Board

In prior years, the District participated with the Denver Water Board (Denver) and other participants in the Denver Metropolitan Water Development Agreement and the Platte and Colorado River Storage Project Participation Agreement. During 2000, the District settled any rights or obligations associated with these agreements. The District and Denver also entered into an intergovernmental agreement under which Denver agreed to provide to the District up to 771 acre feet of either potable or non-potable water (Lease Water) annually, subject to payment of appropriate system development charges (SDC's) and water rates. Pursuant to the IGA, the District entered into a Non-potable Water Lease Agreement with Denver on May 15, 2002, which provides for the delivery of non-potable Lease Water to the District for calendar years 2002 through 2004. During 2002, the District paid \$4,009,200 in SDC's at the raw water rate. The agreement states that beginning in 2005, Denver will deliver only potable Lease Water to the District.

On October 19, 2005, the District entered into a Potable Water Lease Agreement with Denver whereby Denver will deliver to the District up to 771 acre feet of potable water per year, beginning on January 1, 2006. The District paid the differential between potable and non-potable SDC's for 771 acre feet in 2006, a cost of \$3,893,550. The District received a credit against this payment of \$2,000,000 to compensate the District for the costs of constructing the facilities necessary to deliver potable water from Denver's system to the District's Northern Pipeline.

The District paid Denver a net amount of \$878,956 and \$694,562 in 2016 and 2015, respectively, for water service charges.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

OAR Lease Agreement

In 1983, the District entered into an agreement with OAR, Inc. for water from the Arapahoe Aquifer under State Board of Land Commissioners (SBLC) land adjacent to the District. OAR, Inc. subsequently assigned this agreement to the Rangeview Metropolitan District (Rangeview). In November 1996, Rangeview and the District amended the amount to be paid under the agreement.

The 1996 agreement allows the District to purchase up to 4,000 acre feet of Arapahoe Aquifer Water at \$44 per acre foot on an arrangement for a total annual payment of up to \$176,000 through the term of the agreement. The District has taken delivery of less than 4,000 acre feet in 2016 and 2015. Additional capital expenditures for wells and pipelines are required to fully utilize the water rights. The District also agreed to waive any and all preemptive rights or rights of first refusal relating to any conveyance of water and water rights in excess of the right to purchase for use up to the 4,000 acre feet of water each year.

Water Purchase Agreement – Rangeview

On May 1, 2012, the District entered into an agreement with Rangeview Metropolitan District (Rangeview) to sell to Rangeview groundwater produced by the District's Lowry Range Water System (LRWS). This agreement allows Rangeview to operate and maintain the LRWS on behalf of the District with Rangeview paying all applicable costs. Rangeview shall pay the District a fixed monthly payment of \$4,667 per month through December 31, 2012, \$8,000 per month from January 1, 2013, through December 31, 2020, and \$3,000 per month from January 1, 2021, through April 26, 2032, for up to 300 acre feet of LRWS water per calendar year. In addition to the monthly fee, Rangeview shall pay \$0.14 per 1,000 gallons of metered LRWS water production. In the event Rangeview produces more than 300 acre feet during any calendar year, Rangeview shall pay \$0.54 per 1,000 gallons on the excess production.

The District has a contractual agreement with the City of Aurora to supply 260 acre feet of water to two Aurora golf courses. This agreement is subject to the prior agreement with the City of Aurora. Rangeview is responsible for adjusting the schedule of operations for the LRWS wells so that water is available for delivery at the request of the City of Aurora (see Note 7).

Pipeline Enlargement Agreement

The District entered into an agreement with the South Metro Water Supply Authority (SMWSA), effective in March 2005, whereby SMWSA increased the size of the District's Barr Lake water pipeline to 48 inches and purchased the additional capacity. SMWSA deposited \$5,991,376 with the District for a preliminary capacity of six million gallons per day. SMWSA will ultimately pay its pro-rata portion of the entire cost of the pipeline plus 10%. The capacity owned by SMWSA will ultimately be determined by their contributions toward the total cost of the project. The District will own, operate, maintain, repair and replace the pipeline and charge the Authority a reasonable rate for its capacity that it uses by conveyance and/or delivery of water to, or acceptance of water from, the pipeline.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Commitments

The District had unexpended construction related contract commitments of approximately \$258,614 and \$226,795 as of December 31, 2016 and 2015, respectively.

Master Tap Purchase Agreement

The District entered into a Master Tap Purchase Agreement with South Quincy Residential Developers, Inc. (the Owner) or (SQR) on February 15, 2006. The agreement calls for no less than 4,600 residential single family equivalent water taps to be supplied from District water systems and not less than 4,600 single family residential equivalent sanitary sewer taps to be served by the District. The Owner guarantees the purchase of not less than 100 of each type of tap with 50 of each type of tap to be sold on or before November 30, 2006, and 50 of each type of tap to be sold on or before November 30, 2007. The District received payment for 39 water and sewer taps on or before November 30, 2006. The balance of the November 30, 2006, obligation was received in February 2007. SQR purchased more than 50 water and 50 sewer taps on or before November 30, 2007. Water tap fees in 2007 were \$19,000, and the District may increase that fee no more than \$1,250 per year until January 1, 2014.

On February 25, 2011, the District entered into the First Amendment of the Master Tap Purchase Agreement with SQR (First Amendment). The First Amendment changes the timing of payments for the 12-inch equivalent costs. The amendment requires SQR to pay a share of the 12-inch equivalent costs as lots are conveyed, on a pro rata basis. The amendment establishes new irrigation rates which escalate starting January 1, 2011, through January 1, 2016. Commencing January 1, 2017, and thereafter, the irrigation rate shall be the same rate applied throughout the District.

On August 23, 2011, the District entered into the Second Amendment of the Master Tap Purchase Agreement with SQR (Second Amendment). Cherry Creek School District No. 5 (School) wishes to construct and install certain infrastructure within the District with an estimated total cost of \$852,335. The District agrees to fund the construction. The School agrees to pay the District certain fees according to the District's fee schedules in effect at the time of payment. A portion of these fees, as described in the Second Agreement, will be available for funding the construction. SQR agrees to fund the remaining balance of the construction costs through the guarantee of tap purchases. The District and SQR agree that \$8,000 of the purchase of each tap purchase for use in the Copperleaf project on or after the date of the Second Agreement shall be applied to the remaining balance of the construction costs. SQR agrees that a sufficient number of taps (or their equivalent) will be purchased in the Copperleaf project on or before thirty-six (36) months from the date of execution of this Second Amendment. The District and SQR also agree that 100% of all 12-inch equivalency payments, 100% of all drainage fee payments and 20% of all irrigation taps purchased by SQR and/or builders, developers and others users subsequent to the date of this Second Agreement with respect to the Copperleaf project shall apply against and reduce SQR's tap purchase requirements.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreement with Adams County

On April 2, 2007, the District entered into a first amendment to the August 3, 2005, Agreement with Adams County, Colorado, in which the County has requested that the District make available to the County potable water at the same rates as the District makes potable water available within the District. The District will be constructing a 12" water line (the Airport Waterline) to deliver water from the Denver Water Department's water line at Denver International Airport to the District's 48" pipeline. Under this amendment, the County can elect to tap into either the 48" pipeline or into the Airport Waterline, with written consent of the Denver Water Department. The County agrees to purchase a tap at the then current District rate, but not exceeding a 2" tap. The District is willing to lease approximately 50% of the annual capacity to South Adams County Water and Sanitation District (South Adams) for its use as set forth in paragraph 6 of the First Amendment to the August 3, 2005, Agreement. The District also offered to allow South Adams to expand the size of the Airport Waterline from 12" up to 24". South Adams determined that it did not want to increase the size of the Waterline.

Emergency Interconnect Agreement

On August 27, 2014, the District entered into Agreement with the City and County of Denver acting by the through its Board of Water Commissioners (Denver Water), in which Denver Water agrees to allow ECCV to make physical interconnections with Denver Water's water system to allow Denver Water's water to be delivered to the District on an emergency basis. The interconnection shall only be used in the event of an emergency, and if Denver Water is capable of providing water service. An emergency for the purposes of this Agreement is a main break, pump, motor, power or other system failure which causes partial or total inability of the District's system to provide fire protection or municipal service.

The Agreement shall have a term of five years. At the end of five years, this Agreement shall automatically be extended for additional one-year periods unless terminated in writing at least 60 days prior to the automatic extension.

The District shall pay Denver Water for all water delivered through the emergency interconnection at Denver Water's then current treated water service rate for customers outside Denver Water's service area.

Employment Contracts

In April 2016, the District entered into three year employment contracts with the District Manager and the Assistant District Manager. The District's financial obligation under these contracts is to pay salary totaling \$307,000 per year and a car allowance of \$300 per pay period.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 - PENSION AND BENEFIT PLANS

The District has a general policy that employee benefits shall equal 30.85% of the employee's salary. These benefits include all employer costs related to the employee compensation such as health insurance, other related insurance programs that may be either mandatory or elected by the employee and the retirement programs described below. Should the benefits charged to the employee not equal the maximum, the employee may direct the District to have the difference deposited into the deferred compensation plan.

Defined Contribution Plan

The employees of the District participate in a money purchase pension plan and trust, which is a defined contribution plan which was established by the District and is maintained and administered by Voya. At December 31, 2016, there were 71 plan members. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become plan members on their first day of employment. Under this plan, an amount equal to 7% of the plan members' compensation is remitted to the Plan Administrator by the District. The District's contributions, plus earnings, become vested at a rate of 20% for each year of participation in the plan. District contributions for plan members who leave employment before they are fully vested are used to reduce the District's current period contribution requirement. 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.

The District contributed \$185,341 and \$176,610 for the years ended December 31, 2016 and 2015, respectively.

Deferred Compensation Plan

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Voya. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement or death or unforeseen emergencies.

Post Employment Health Plan

Effective January 1, 2002, the District adopted a mandatory post employment health plan. The District is required to contribute 2.0% of each eligible employee's annual salary into a defined contribution plan administered by Voya. Contributions vest with the employee immediately for qualified medical expenses at termination of employment and no additional contributions are required of the District at termination of employment. Employer contributions were \$54,653 for 2016 and \$52,322 for 2015, respectively.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 10 - RELATED PARTY

A member of the District's Board of Directors has an investment interest in a development project within the District and may have conflicts of interest when dealing with business transactions as they relate to the project and has filed a disclosure statement pursuant to statute.

NOTE 11 - 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 maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 12 - 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 as well as those of the Enterprise qualify 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 Enterprise qualification will require judicial interpretation.

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

SUPPLEMENTARY INFORMATION

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULES OF EXPENSES
Years Ended December 31, 2016 and 2015

	2016	2015
DIRECT WATER EXPENSES		
Communications	\$ 68,391	\$ 61,674
Customer billing	143,454	158,551
Engineering and plan review	573,635	662,389
Legal	121,681	152,129
Operating expenses	864,244	823,476
Repairs and maintenance	5,049,612	4,670,108
Testing	85,291	72,027
Utilities	2,996,899	2,763,821
Water conservation rebates	27,988	51,153
Water lease payment	3,302	76
Water services	878,956	694,562
Total direct water expenses	\$ 10,813,453	\$ 10,109,966
DIRECT SEWER EXPENSES		
Aurora tap fees	\$ 96,624	\$ 101,520
Customer billing	47,648	52,639
Engineering and plan review	256,574	258,819
Repairs and maintenance	912,718	654,538
Sewage treatment	5,945,930	5,977,800
Total direct sewer expenses	\$ 7,259,494	\$ 7,045,316
DIRECT STORM DRAINAGE EXPENSES		
Engineering and plan review	\$ 53,476	\$ 46,406
Repairs and maintenance	7,917	29,743
Total direct storm drainage expenses	\$ 61,393	\$ 76,149
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 89,667	\$ 98,304
Communications	52,206	55,990
Directors' fees	6,700	7,500
Election costs	2,795	-
Insurance	176,776	166,305
Investment expense/bank charges	120,734	150,795
Legal	49,980	27,102
Management	46,949	50,975
Miscellaneous/contingency	9,273	26,419
Office supplies	269,013	335,176
Public information	44,691	44,529
Repairs and maintenance	131,154	123,482
Salaries, benefits and payroll taxes	1,013,531	1,043,619
Travel, training and meetings	91,419	81,056
Utilities	48,062	52,671
Total general and administrative expenses before depreciation and amortization	2,152,950	2,263,923
Depreciation and amortization	279,564	382,620
Total general and administrative expenses	\$ 2,432,514	\$ 2,646,543

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL FUNDS COMBINED
Year Ended December 31, 2016**

	Budget		Actual	Variance with Budget Positive (Negative)
	Original	Final		
REVENUES				
Water service fees	\$ 14,834,000	\$ 14,834,000	\$ 14,532,117	\$ (301,883)
Northern Project Construction Fund charges	6,500,000	6,500,000	6,418,734	(81,266)
Sewer service fees	8,350,000	8,620,000	8,621,874	1,874
Administrative fees	1,500,000	1,500,000	1,496,327	(3,673)
Connection and inspection charges	54,000	56,500	88,705	32,205
Construction observation fees	52,600	69,000	96,675	27,675
Penalties and late charges	202,400	202,400	214,979	12,579
Other income	168,000	323,000	392,705	69,705
Miscellaneous income	6,000	6,000	19,418	13,418
Utility refunds	-	-	48,554	48,554
Property taxes	2,463,000	2,463,000	2,462,932	(68)
Specific ownership taxes	184,000	184,000	188,830	4,830
Net investment income	52,000	52,000	211,510	159,510
Water tap fees	5,300,000	5,300,000	6,805,630	1,505,630
Sewer tap fees	555,000	735,000	734,869	(131)
Storm drainage fees	580,000	580,000	676,787	96,787
Lease income	86,000	86,000	90,705	4,705
Contributions of capital outlay	350,000	3,300,000	4,262,546	962,546
Total revenues	<u>41,237,000</u>	<u>44,810,900</u>	<u>47,363,897</u>	<u>2,552,997</u>
EXPENDITURES				
Direct water expenses	12,937,500	12,937,500	10,813,453	2,124,047
Direct sewer expenses	7,499,500	7,544,500	7,259,494	285,006
Direct storm drainage expenses	90,000	90,000	61,393	28,607
General and administrative expenses	2,589,400	2,589,400	2,152,950	436,450
County Treasurer's fees	37,000	37,000	36,970	30
Capital outlay	12,421,500	14,221,500	12,248,299	1,973,201
Debt service	10,236,690	10,236,690	10,858,383	(621,693)
Total expenditures	<u>45,811,590</u>	<u>47,656,590</u>	<u>43,430,942</u>	<u>4,225,648</u>
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	<u>(4,574,590)</u>	<u>(2,845,690)</u>	<u>3,932,955</u>	<u>6,778,645</u>
OTHER FINANCING SOURCES AND (USES)				
Transfer from Water Fund	2,000,000	2,000,000	2,000,000	-
Transfer to Sewer Fund	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUNDS AVAILABLE - BEGINNING				
OF YEAR	<u>54,644,062</u>	<u>54,923,511</u>	<u>57,962,980</u>	<u>3,039,469</u>
FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 50,069,472</u></u>	<u><u>\$ 52,077,821</u></u>	<u><u>\$ 61,895,935</u></u>	<u><u>\$ 9,818,114</u></u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
DISTRICT ACTIVITY
Year Ended December 31, 2016**

	<u>Budget</u>		<u>Actual</u>	Variance with Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
DISTRICT REVENUES				
Property taxes	\$ 2,463,000	\$ 2,463,000	\$ 2,462,932	\$ (68)
Specific ownership taxes	184,000	184,000	188,830	4,830
Net investment income	2,000	2,000	1,708	(292)
Storm drainage fees	580,000	580,000	676,787	96,787
Lease income	86,000	86,000	90,705	4,705
Miscellaneous income	6,000	6,000	19,418	13,418
Utility refunds	-	-	41,710	41,710
Total district revenues	<u>3,321,000</u>	<u>3,321,000</u>	<u>3,482,090</u>	<u>161,090</u>
DISTRICT EXPENDITURES				
Direct storm drainage expenses	90,000	90,000	61,393	28,607
General and administrative expenses	2,589,400	2,589,400	2,152,950	436,450
County Treasurer's fees	37,000	37,000	36,970	30
Capital outlay	2,037,000	2,037,000	294,241	1,742,759
Debt service	81,740	81,740	80,826	914
Total district expenditures	<u>4,835,140</u>	<u>4,835,140</u>	<u>2,626,380</u>	<u>2,208,760</u>
EXCESS DISTRICT REVENUES OVER (UNDER) DISTRICT EXPENDITURES	<u>(1,514,140)</u>	<u>(1,514,140)</u>	<u>855,710</u>	<u>2,369,850</u>
DISTRICT FUNDS AVAILABLE - BEGINNING OF YEAR	<u>6,112,786</u>	<u>6,112,786</u>	<u>6,299,860</u>	<u>187,074</u>
DISTRICT FUNDS AVAILABLE - END OF YEAR	<u>\$ 4,598,646</u>	<u>\$ 4,598,646</u>	<u>\$ 7,155,570</u>	<u>\$ 2,556,924</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER ENTERPRISE ACTIVITY
Year Ended December 31, 2016**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
WATER ENTERPRISE REVENUES				
Water service fees	\$ 14,834,000	\$ 14,834,000	\$ 14,532,117	\$ (301,883)
Northern Project Construction Fund charges	6,500,000	6,500,000	6,418,734	(81,266)
Administrative fees	1,500,000	1,500,000	1,496,327	(3,673)
Connection and inspection charges	50,000	50,000	82,180	32,180
Construction observation fees	26,000	26,000	53,525	27,525
Penalties and late charges	202,400	202,400	214,979	12,579
Other income	168,000	168,000	237,023	69,023
Utility refunds	-	-	6,844	6,844
Net investment income	50,000	50,000	209,802	159,802
Water tap fees	5,300,000	5,300,000	6,805,630	1,505,630
Contributions of capital outlay	200,000	200,000	1,162,142	962,142
Total water enterprise revenues	<u>28,830,400</u>	<u>28,830,400</u>	<u>31,219,303</u>	<u>2,388,903</u>
WATER ENTERPRISE EXPENDITURES				
Water operations	12,262,500	12,262,500	10,289,476	1,973,024
Water conservation rebates	65,000	65,000	27,988	37,012
Water meters purchased	610,000	610,000	495,989	114,011
Capital outlay	5,984,500	5,984,500	5,776,987	207,513
Debt service	10,154,950	10,154,950	10,777,557	(622,607)
Total water enterprise expenditures	<u>29,076,950</u>	<u>29,076,950</u>	<u>27,367,997</u>	<u>1,708,953</u>
EXCESS WATER ENTERPRISE REVENUES OVER (UNDER) WATER ENTERPRISE EXPENDITURES				
	<u>(246,550)</u>	<u>(246,550)</u>	<u>3,851,306</u>	<u>4,097,856</u>
OTHER FINANCING SOURCES AND (USES)				
Transfer to Sewer Fund	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	
Total other financing sources and (uses)	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>
WATER ENTERPRISE FUNDS AVAILABLE - BEGINNING OF YEAR				
	<u>45,418,673</u>	<u>45,418,673</u>	<u>48,271,068</u>	<u>2,852,395</u>
WATER ENTERPRISE FUNDS AVAILABLE - END OF YEAR				
	<u>\$ 43,172,123</u>	<u>\$ 43,172,123</u>	<u>\$ 50,122,374</u>	<u>\$ 6,950,251</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
SEWER ENTERPRISE ACTIVITY
Year Ended December 31, 2016**

	Budget		Actual	Variance with Budget Positive (Negative)
	Original	Final		
SEWER ENTERPRISE REVENUES				
Sewer service fees	\$ 8,350,000	\$ 8,620,000	\$ 8,621,874	\$ 1,874
Connection and inspection charges	4,000	6,500	6,525	25
Construction observation / plan review fees	26,600	43,000	43,150	150
Other income	-	155,000	155,682	682
Contributions of capital outlay	150,000	3,100,000	3,100,404	404
Sewer tap fees	555,000	735,000	734,869	(131)
Total sewer enterprise revenues	<u>9,085,600</u>	<u>12,659,500</u>	<u>12,662,504</u>	<u>3,004</u>
SEWER ENTERPRISE EXPENDITURES				
Sewer operations	7,445,500	7,445,500	7,162,870	282,630
Aurora tap fees	54,000	99,000	96,624	2,376
Capital outlay	4,400,000	6,200,000	6,177,071	22,929
Total sewer enterprise expenditures	<u>11,899,500</u>	<u>13,744,500</u>	<u>13,436,565</u>	<u>307,935</u>
EXCESS SEWER ENTERPRISE REVENUES OVER (UNDER) SEWER ENTERPRISE EXPENDITURES				
	(2,813,900)	(1,085,000)	(774,061)	310,939
OTHER FINANCING SOURCES AND (USES)				
Transfer from Water Fund	2,000,000	2,000,000	2,000,000	-
Total other financing sources and (uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
SEWER ENTERPRISE FUNDS AVAILABLE BEGINNING OF YEAR				
	<u>3,112,603</u>	<u>3,392,052</u>	<u>3,392,052</u>	<u>-</u>
SEWER ENTERPRISE FUNDS AVAILABLE - END OF YEAR				
	<u>\$ 2,298,703</u>	<u>\$ 4,307,052</u>	<u>\$ 4,617,991</u>	<u>\$ 310,939</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL)
TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2016**

	Actual
Funds available are defined as follows:	
Current assets	\$ 68,248,607
Restricted current assets	2,940,180
Less current liabilities	(6,054,974)
Less current liabilities payable from restricted assets	(3,965,943)
Less deferred inflow of resources	(2,529,209)
Plus current portion of long-term obligations	3,257,274
Funds available	\$ 61,895,935
Reconciliation of budgetary basis (actual) to Statement of Revenues, Expenses and Changes in Net Position:	
Revenues (budgetary basis)	\$ 47,363,897
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	47,363,897
Expenditures (budgetary basis)	43,430,942
Depreciation and amortization	9,744,883
Amortization of debt refunding costs	203,273
Amortization of debt premium	(240,234)
Capitalized interest	(221,516)
Capital outlay	(12,026,783)
Bond and lease principal payments	(6,927,721)
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	33,962,844
Change in net assets per Statement of Revenues, Expenses and Changes in Net Position	\$ 13,401,053

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

<u>December 31,</u>	\$20,840,000 Variable Rate Water Revenue Refunding Bonds, Series 2009A (A) Original Date March 30, 2009 Restructure Date June 1, 2012 Variable Interest Rate Payable 1st Business Day of Each Month Principal due November 15		\$18,970,000 Variable Rate Water Revenue Refunding Bonds, Series 2009B (B) Original Date May 28, 2009 Restructure Date November 15, 2012 Interest Rate - 2.75% Interest Payable May 15 and November 15 Principal due November 15	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	Principal	Interest	Principal	Interest
2017	\$ -	\$ 556,428	\$ 1,500,000	\$ 276,375
2018	-	556,428	1,565,000	235,125
2019	-	556,428	1,635,000	192,088
2020	-	556,428	1,710,000	147,125
2021	-	556,428	1,780,000	100,100
2022	-	556,428	1,860,000	51,150
2023	1,130,000	556,428	-	-
2024	1,435,000	526,257	-	-
2025	1,495,000	487,943	-	-
2026	1,555,000	448,026	-	-
2027	1,620,000	406,508	-	-
2028	1,685,000	363,254	-	-
2029	1,755,000	318,264	-	-
2030	1,870,000	271,406	-	-
2031	1,950,000	221,476	-	-
2032	2,030,000	169,411	-	-
2033	2,115,000	115,210	-	-
2034	2,200,000	58,740	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
Total	<u>\$ 20,840,000</u>	<u>\$ 7,281,491</u>	<u>\$ 10,050,000</u>	<u>\$ 1,001,963</u>

SUPPLEMENTAL INFORMATION

(A) Series 2009A bonds principal payment amounts are calculated assuming an interest rate of 2.67%. Bonds are remarketed and actual interest rates change monthly. The monthly rate at December 31, 2016 was 2.08%.

(B) Series 2009B bonds are subject to optional redemption, without redemption premium, on any date.

December 31,	\$2,360,000 Tax-Exempt Water Revenue Bonds Series 2010A (C) Dated September 7, 2010 Interest Rate - 2.00%-4.00% Interest Payable May 15 and November 15		\$8,620,000 Taxable Water Revenue Bonds (Build America Bonds) Series 2010B (D) Dated September 7, 2010 Interest Rate - 4.50%-5.82% Interest Payable May 15 and November 15	
	Principal due November 15		Principal due November 15	
	Principal	Interest	Principal	Interest
2017	\$ 250,000	\$ 34,100	\$ -	\$ 479,792
2018	250,000	27,850	-	479,792
2019	265,000	21,600	-	479,792
2020	275,000	11,000	-	479,792
2021	-	-	285,000	479,792
2022	-	-	300,000	466,966
2023	-	-	300,000	452,866
2024	-	-	315,000	438,166
2025	-	-	325,000	422,258
2026	-	-	335,000	405,358
2027	-	-	345,000	386,866
2028	-	-	360,000	367,822
2029	-	-	375,000	347,951
2030	-	-	385,000	327,251
2031	-	-	400,000	305,999
2032	-	-	420,000	283,119
2033	-	-	435,000	259,095
2034	-	-	450,000	234,213
2035	-	-	465,000	208,473
2036	-	-	485,000	181,875
2037	-	-	500,000	153,648
2038	-	-	520,000	124,548
2039	-	-	540,000	94,284
2040	-	-	1,080,000	62,856
Total	<u>\$ 1,040,000</u>	<u>\$ 94,550</u>	<u>\$ 8,620,000</u>	<u>\$ 7,922,574</u>

SUPPLEMENTAL INFORMATION

(C) Series 2010A bonds are not subject to redemption prior to maturity.

(D) Series 2010B bonds are subject to optional redemption, on November 15, 2021 without redemption premium.

(Continued)

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016
(Continued)

\$41,885,000			
Water Revenue Refunding Bonds			
Series 2015 (E)			
Dated August 19, 2015			
Interest Rate - 3.00%-5.00%			
Interest Payable May 15			
and November 15			
December 31,	Principal due November 15		Total Debt
	Principal	Interest	Service
			Requirements (F)
2017	\$ 1,205,000	\$ 1,744,700	\$ 6,046,395
2018	1,235,000	1,708,550	6,057,745
2019	1,280,000	1,659,150	6,089,058
2020	1,330,000	1,607,950	6,117,295
2021	1,395,000	1,541,450	6,137,770
2022	1,460,000	1,471,700	6,166,244
2023	1,800,000	1,427,900	5,667,194
2024	1,890,000	1,337,900	5,942,323
2025	1,980,000	1,243,400	5,953,601
2026	2,080,000	1,144,400	5,967,784
2027	2,170,000	1,061,200	5,989,574
2028	2,250,000	974,400	6,000,476
2029	2,340,000	884,400	6,020,615
2030	2,420,000	808,350	6,082,007
2031	2,535,000	687,350	6,099,825
2032	2,660,000	560,600	6,123,130
2033	2,795,000	427,600	6,146,905
2034	2,910,000	315,800	6,168,753
2035	4,985,000	199,400	5,857,873
2036	-	-	666,875
2037	-	-	653,648
2038	-	-	644,548
2039	-	-	634,284
2040	-	-	1,142,856
Total	\$ 40,720,000	\$ 20,806,200	\$ 118,376,778

SUPPLEMENTAL INFORMATION

(E) Series 2015 bonds are subject to optional redemption, on November 15, 2026 without redemption premium.

(F) The actual amounts of principal and interest payments on the Subordinate Water Revenue Exchange Bonds, Series 2004, and the 2007 Subordinate Lease Purchase Agreement are payable from future water tap fee revenue and cannot be predicted with certainty. Therefore, the total debt service requirements do not include payments on the Series 2004 bonds or the 2007 Lease.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for</u>		<u>Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
	<u>Current Year Property Tax Levy</u>		<u>Parcel A</u>	<u>Parcel B</u>	<u>Levied</u>	<u>Collected</u>	
	<u>Parcel A</u>	<u>Parcel B</u>					
2011	\$ 483,731,270	\$ 3,958,760	5.045 (A)	3.639	\$ 2,454,830	\$ 2,443,212	99.53%
2012	\$ 472,797,060	\$ 3,654,370	4.999 (B)	3.639	\$ 2,376,811	\$ 2,346,693	98.73%
2013	\$ 473,004,410	\$ 3,637,740	5.014 (C)	3.639	\$ 2,384,882	\$ 2,372,010	99.46%
2014	\$ 472,074,240	\$ 3,668,560	5.008 (D)	3.639	\$ 2,377,498	\$ 2,373,294	99.82%
2015	\$ 477,729,008	\$ 3,668,473	4.983 (E)	3.639	\$ 2,393,874	\$ 2,384,048	99.59%
2016	\$ 580,478,037	\$ 4,286,658	4.220 (F)	3.170	\$ 2,463,206	\$ 2,462,932	99.99%
Estimated for the year ending December 31, 2017	\$ 589,599,153	\$ 4,292,020	4.266 (G)	3.257	\$ 2,529,209		

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy if delinquent taxes are collected.

NOTE:

In Parcel A, the mills are levied for water and sewer operations and debt service. No mills were levied for debt service for collection years 2004 and beyond.

In Parcel B, the mills are levied for water operations and debt service. No mills were levied for debt service for collection years 2004 and beyond.

(A) Includes a refund/abatement mill levy of 0.077 mills in Parcel A to effectively collect refunded/abated revenue from prior years.

(B) Includes a refund/abatement mill levy of 0.031 mills in Parcel A to effectively collect refunded/abated revenue from prior years.

(C) Includes a refund/abatement mill levy of 0.046 mills in Parcel A to effectively collect refunded/abated revenue from prior years.

(D) Includes a refund/abatement mill levy of 0.040 mills in Parcel A to effectively collect refunded/abated revenue from prior years.

(E) Includes a refund/abatement mill levy of 0.015 mills in Parcel A to effectively collect refunded/abated revenue from prior years.

(F) Includes temporary reduction of 0.783 mills in Parcel A and 0.469 mills in Parcel B to effect refund of revenue received during 2014 in excess of TABOR limits. Parcel A also includes a refund/abatement mill levy of 0.035 mills to effectively collect refunded/abated revenue from prior years.

(G) Includes temporary reduction of 0.702 mills in Parcel A and 0.382 mills in Parcel B to effect refund of revenue received during 2015 in excess of TABOR limits.

CONTINUING DISCLOSURE
ANNUAL FINANCIAL INFORMATION

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
Year Ended December 31, 2016**

**Enterprise Water System Revenues Bond Coverage
Senior Bonds and Loan Agreement**

	Year Ended December 31, 2016
Net Water Revenues (1)	<u>\$ 18,420,986</u>
Maximum Annual Debt Service	
Senior Bonds (2)	<u>\$ 6,168,753</u>
Debt Coverage Ratio	<u>2.99</u>
Adjusted Net Water Revenues Less Water Tap Fees	<u>\$ 11,615,356</u>
Debt Coverage Ratio of Adjusted Net Water Revenues Less Water Tap Fees	<u>1.88</u>

(1) From the Table on the following page.

(2) Includes Series 2009A & B Bonds and 2010A & B Bonds, with the variable interest rate calculated based on the Bond Buyer 25 Bond Revenue Index of 3.78% as of December 31, 2016.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
Year Ended December 31, 2016

Enterprise Water System Revenues

	Budget		Actual
	Original	Final	
WATER SYSTEM			
Water System Revenues			
Water Operating Revenues:			
Water service fees	\$ 14,810,000	\$ 14,810,000	\$ 14,510,577
Administration fees	1,500,000	1,500,000	1,496,327
New service fees	24,000	24,000	21,540
Late charges	200,000	200,000	212,079
Total Water Operating Revenues	<u>16,534,000</u>	<u>16,534,000</u>	<u>16,240,523</u>
Less: Water Operations Expenses			
Customer billing	165,000	165,000	143,454
Engineering	788,000	788,000	519,837
General administration - Allocated (1)	1,555,088	1,539,986	1,270,801
Insurance	21,000	21,000	-
Salaries	2,695,000	2,695,000	2,711,966
Legal	235,000	235,000	121,681
OAR Water Lease - Water purchase	30,000	30,000	3,302
Other operating expenses	1,704,000	1,704,000	1,617,527
Plan review fees	85,000	85,000	53,798
Repairs and maintenance	1,523,500	1,523,500	1,088,376
Testing	131,000	131,000	85,291
Utilities and communications	3,755,000	3,755,000	3,065,290
Water conservation rebates	65,000	65,000	27,988
Water services - Denver water purchases	1,130,000	1,130,000	878,956
Total Water Operations Expenses	<u>13,882,588</u>	<u>13,867,486</u>	<u>11,588,267</u>
Net Water Operating Revenues	<u>2,651,412</u>	<u>2,666,514</u>	<u>4,652,256</u>
Other Water System Revenues:			
Water tap fees	5,300,000	5,300,000	6,805,630
Water connection and inspection fees	50,000	50,000	82,180
Northern Project Construction Fund charges	6,500,000	6,500,000	6,418,734
Investment income (allocated to water)	50,000	50,000	209,802
Utilities refunds	-	-	6,844
Other revenues	168,000	168,000	233,838
Penalties/fines	2,400	2,400	2,900
Plan review / construction observation fees - Water	26,000	26,000	53,525
Total Other Water System Revenues	<u>12,096,400</u>	<u>12,096,400</u>	<u>13,813,453</u>
Less: Cost of meters	<u>(60,000)</u>	<u>(60,000)</u>	<u>(44,723)</u>
Net Other Water System Revenues	<u>12,036,400</u>	<u>12,036,400</u>	<u>13,768,730</u>
Net Water Revenues	<u>\$ 14,687,812</u>	<u>\$ 14,702,914</u>	<u>\$ 18,420,986</u>

- (1) General administration is allocated to Water Services based on the percentage of water operating revenue divided by the total of water and sewer operating revenue and the property and specific ownership taxes times the total applicable administrative expenses.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
December 31, 2016**

Water Enterprise Operational Data

Year	Water Tap Connections Single Family Equivalents		Water Consumption in Thousands of Gallons					Total
	During	End of	Residential	Commercial	Parks	Schools	ACWWA	
	Year	Year						
2007	184	19,289	2,235,550	98,450	307,351	116,575	-	2,757,926
2008	103	19,392	2,196,574	102,444	345,522	117,486	-	2,762,026
2009	56	19,448	1,903,013	103,100	240,477	93,616	-	2,340,206
2010	110	19,558	2,146,041	97,516	302,249	94,557	-	2,640,363
2011	55	19,613	2,105,185	99,171	312,191	95,672	-	2,612,219
2012	109	19,722	2,199,628	104,899	336,260	109,050	-	2,749,837
2013	158	19,880	1,887,395	188,745	278,312	84,570	194,335	2,633,357
2014	178	20,058	1,859,916	102,233	251,024	79,041	-	2,589,612
2015	209	20,267	1,921,514	112,760	268,665	94,370	439,127	2,836,436
2016	264	20,531	2,131,900	121,219	328,381	77,168	424,309	3,082,977
2016 Percentage of Total Consumption			69%	4%	11%	3%	14%	100%

Water Wells Connected and On Line Well Field

December 31,	In District	SBLC	Western	Northern	Total
2007	65	8	16	6	95
2008	65	8	16	6	95
2009	65	8	16	6	95
2010	65	8	16	6	95
2011	64	8	16	12	100
2012	64	8	16	12	100
2013	64	0	16	12	92
2014	64	0	16	12	92
2015	64	0	16	12	92
2016	64	0	16	12	92
In process	0	0	0	0	0

SBLC is the well field contiguous to the District on the State Board of Land Commissioners (OAR Lease). These wells have been leased to and are being operated by Purcycle.

Western is the well field in the Willows Water District and connected by the Western Water Line and Project.

Water Service Fees - Residential

	Admin Fee	Per Thousand Gallons Consumption per Month					Northern Project Construction Fund
		0 - 5,000	6,000 to 20,000	21,000 to 30,000	31,000 to 40,000	41,000 and up	
		2007	\$ 5.00	\$ 2.25	\$ 3.85	\$ 6.70	
2008	\$ 5.00	\$ 2.40	\$ 4.10	\$ 7.05	\$ 8.80	\$ 11.90	\$ 22.00
2009	\$ 5.00	\$ 2.50	\$ 4.45	\$ 7.55	\$ 9.20	\$ 12.50	\$ 22.00
2010	\$ 5.00	\$ 2.80	\$ 4.90	\$ 8.10	\$ 10.00	\$ 12.50	\$ 22.00
2011	\$ 5.00	\$ 2.90	\$ 5.00	\$ 8.30	\$ 10.30	\$ 12.50	\$ 25.00
2012	\$ 5.00	\$ 3.10	\$ 5.20	\$ 8.50	\$ 10.50	\$ 12.50	\$ 25.00
2013	\$ 5.00	\$ 3.10	\$ 5.20	\$ 8.50	\$ 10.50	\$ 12.50	\$ 25.00
2014	\$ 5.50	\$ 3.20	\$ 5.40	\$ 8.50	\$ 10.50	\$ 12.50	\$ 25.00
2015	\$ 6.00	\$ 3.35	\$ 5.45	\$ 8.50	\$ 10.75	\$ 12.50	\$ 25.00
2016	\$ 6.00	\$ 3.60	\$ 5.55	\$ 8.50	\$ 11.00	\$ 12.50	\$ 25.00
2017	\$ 6.00	\$ 3.60	\$ 5.55	\$ 8.50	\$ 11.00	\$ 12.50	\$ 25.00

Water rates for residential one acre and over, commercial, schools, and irrigation for parks are separately priced based on separate consumption levels.

Water Tap Fees

	Single Family Detached	Multi-Family per Unit	Irrigation per Square Foot				Water Tap Revenue	Number of Tap Fees Collected
			Turf	Low Water Turf	Native Grasses	Non-Turf		
			2007	\$ 19,000.00	\$ 9,500.00	\$ 0.83		
2008	\$ 20,250.00	\$ 10,125.00	\$ 0.88	\$ 0.70	\$ 0.18	\$ 0.30	\$ 1,525,363	75
2009	\$ 21,500.00	\$ 10,750.00	\$ 0.93	\$ 0.74	\$ 0.19	\$ 0.32	\$ 2,232,516	101
2010	\$ 22,750.00	\$ 11,375.00	\$ 0.99	\$ 0.78	\$ 0.20	\$ 0.34	\$ 2,204,115	105
2011	\$ 24,000.00	\$ 12,000.00	\$ 1.04	\$ 0.82	\$ 0.21	\$ 0.36	\$ 847,614	32
2012	\$ 25,250.00	\$ 12,625.00	\$ 1.09	\$ 0.86	\$ 0.22	\$ 0.38	\$ 4,068,324	118
2013	\$ 26,500.00	\$ 13,250.00	\$ 1.20	\$ 0.95	\$ 0.24	\$ 0.42	\$ 4,198,116	149
2014	\$ 26,500.00	\$ 13,250.00	\$ 1.20	\$ 0.95	\$ 0.24	\$ 0.42	\$ 5,306,780	212
2015	\$ 26,500.00	\$ 13,250.00	\$ 1.20	\$ 0.95	\$ 0.24	\$ 0.42	\$ 7,196,478	276
2016	\$ 26,500.00	\$ 13,250.00	\$ 1.25	\$ 0.99	\$ 0.25	\$ 0.44	\$ 6,805,630	259
2017	\$ 26,500.00	\$ 13,250.00	\$ 1.25	\$ 0.99	\$ 0.25	\$ 0.44		

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
BUDGET TO ACTUAL (NON-GAAP) COMPARISON OF RESULTS OF OPERATIONS
WATER ENTERPRISE
Year Ended December 31, 2016

	Budget		Actual	Variance with Budget Positive (Negative)
	Original	Final		
SERVICE REVENUES (EXPENDITURES)				
Rate related customer service fees	\$ 16,334,000	\$ 16,334,000	\$ 16,028,444	\$ (305,556)
Operating expenditures	<u>(12,262,500)</u>	<u>(12,262,500)</u>	<u>(10,289,476)</u>	<u>1,973,024</u>
Net service revenues over expenditures	<u>4,071,500</u>	<u>4,071,500</u>	<u>5,738,968</u>	<u>1,667,468</u>
CAPITAL RELATED REVENUES (EXPENDITURES)				
Water tap fees	5,300,000	5,300,000	6,805,630	1,505,630
Northern Projection Construction Fund charges	6,500,000	6,500,000	6,418,734	(81,266)
Other capital related revenue	528,400	528,400	1,729,472	1,201,072
Other revenue	168,000	168,000	237,023	69,023
Water conservation rebates	(65,000)	(65,000)	(27,988)	37,012
Water meters purchased	(610,000)	(610,000)	(495,989)	114,011
Capital outlay	<u>(5,984,500)</u>	<u>(5,984,500)</u>	<u>(5,776,987)</u>	<u>207,513</u>
Net capital related revenues over (under) expenditures	<u>5,836,900</u>	<u>5,836,900</u>	<u>8,889,895</u>	<u>3,052,995</u>
DEBT SERVICE	<u>(10,154,950)</u>	<u>(10,154,950)</u>	<u>(10,777,557)</u>	<u>(622,607)</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Sewer Fund	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(2,246,550)	(2,246,550)	1,851,306	4,097,856
WATER ENTERPRISE FUNDS AVAILABLE - BEGINNING OF YEAR	<u>45,418,673</u>	<u>45,418,673</u>	<u>48,271,068</u>	<u>2,852,395</u>
WATER ENTERPRISE FUNDS AVAILABLE - END OF YEAR	<u>\$ 43,172,123</u>	<u>\$ 43,172,123</u>	<u>\$ 50,122,374</u>	<u>\$ 6,950,251</u>

NOTE: This schedule is reflective of data on the Schedule of Revenues, Expenditures and Funds Available - Budget and Actual (Budgetary Basis) on page 38, but is presented in a manner that is consistent with the schedule presented in the original offering document.