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UNITED WATER & SANITATION DISTRICT
Elbert County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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SCHILLING & COMPANY, INC.

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Independent Auditor's Report

Board of Directors
United Water & Sanitation District
Elbert County, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 30, 2017

BASIC FINANCIAL STATEMENTS

UNITED WATER & SANITATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents - restricted	\$ 7,747,736
Cash and cash equivalents - unrestricted	9,447,769
Prepaid expenditures	68,956
Deposits	13,000
Accounts receivable	600,386
Interest receivable	139,188
Total current assets	18,017,035

CAPITAL ASSETS

Capital assets not being depreciated	71,197,614
Capital assets being depreciated, net of accumulated depreciation	51,490,354
Total capital assets	122,687,968

OTHER ASSETS

Deposits	610,000
Long-term receivable - Phase II	16,794,324
Long-term receivable - Phase I	11,136,924
Total other assets	28,541,248

TOTAL ASSETS

\$ 169,246,251

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 1,524,402
Accrued interest payable - bonds and note	320,695
Unpaid accrued interest payable - bonds	2,970,554
Total current liabilities	4,815,651

LONG-TERM LIABILITIES

Deferred revenue - Phase II	16,794,324
Notes payable	
Due within one year	554,838
Due in more than one year	1,151,640
Bonds payable	
Due within one year	14,256,031
Due in more than one year	24,477,000
Developer advances, due in more than one year	
United District Water Providers	12,375,000
Bromley District Water Providers	1,321,765
Farmers Reservoir and Irrigation Company	1,000,000
Englewood Exchange Services	202,700
Red Tierra Equities, L.L.C.	2,400,000
Accrued interest payable - developer advances	14,840,274
Total long-term liabilities	89,373,572

NET POSITION

Net investment in capital assets	83,115,512
Restricted	2,951,768
Unrestricted	(11,010,252)
Total net position	75,057,028

TOTAL LIABILITIES AND NET POSITION

\$ 169,246,251

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

UNITED WATER & SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended December 31, 2016

WATER SALES	
Revenues	
Water sales	\$ 3,000,000
Option payment	1,635,477
Water certificates sales	1,187,163
Operations	660,026
Miscellaneous	21,918
Total revenues	<u>6,504,584</u>
Direct expenses	
District management and accounting	159,938
Advertising	97,873
Audit	17,400
Cost of water rights sold	3,136,305
Depreciation and amortization	1,319,961
Engineering and consulting	81,799
IGA expenses	26,000
Insurance and bonds	39,707
Legal	693,838
Miscellaneous	28,539
On-site maintenance	172,739
FRICO payment - water shares	1,442,995
Repairs and maintenance	136,245
Small tools and equipment/rentals	4,442
Support services	729,765
Systems operation and maintenance	386,254
Water assessment fees and well permits	94,632
Utilities	91,913
Total direct expenses	<u>8,660,345</u>
Gross income from water sales	<u>(2,155,761)</u>
GENERAL AND ADMINISTRATIVE EXPENSES	
Directors' fees	6,600
District management and accounting	6,486
Dues and subscriptions	6,386
Insurance and bonds	4,599
Legal	2,193
Licenses and fees	1,738
Miscellaneous	1,810
Support services	24,312
Total general and administrative expenses	<u>54,124</u>
INCOME FROM OPERATIONS	<u>(2,209,885)</u>
NONOPERATING REVENUES (EXPENSES)	
IGA revenue	2,400,021
Interest income	1,257,938
Interest expense - developer advances	(1,047,213)
Interest expense - bonds and note	(2,616,405)
Loss on disposal of assets	(21,358)
Paying agent fees	(16,460)
Total nonoperating revenues (expenses)	<u>(43,477)</u>
CHANGE IN NET POSITION	<u>(2,253,362)</u>
NET POSITION - BEGINNING OF YEAR	<u>77,310,390</u>
NET POSITION - END OF YEAR	<u>\$ 75,057,028</u>

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

UNITED WATER & SANITATION DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Sale of water rights/leases	\$ 5,822,640
Operations charges received	671,478
Miscellaneous receipts	20,918
Payment for general, administrative and operating expenses	(4,046,098)
Net cash provided by operating activities	<u>2,468,938</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
IGA revenue received	<u>2,400,021</u>
Net cash provided by noncapital and related financing activities	<u>2,400,021</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
ECCV payment - Phase I received	1,199,706
Purchase of water rights/water storage	(1,681,273)
Purchase of capital assets	(2,203,625)
Principal paid on capital debt	(4,371,307)
Interest and other related costs paid on capital debt	(1,523,219)
Net cash used in capital and related financing activities	<u>(8,579,718)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,277,262</u>
Net cash provided by investing activities	<u>1,277,262</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,433,497)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>19,629,002</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 17,195,505</u>
 Reconciliation of loss from operations to net cash used in operating activities	
Income from operations	\$ (2,209,885)
Adjustments to income from operations to net cash flows provided by operating activities:	
Depreciation and amortization expense	1,319,961
Decrease in accounts receivable	11,452
Increase in deposits	(1,000)
Increase in prepaid expenses	(66,514)
Increase in accounts payable	278,619
Cost of water rights sold	3,136,305
Net cash provided by operating activities	<u>\$ 2,468,938</u>

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

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

United Water & Sanitation District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 20, 2002 and is governed pursuant to provisions of the Colorado Special District Act.

The District was established to acquire, construct, finance and maintain public water, sewer and storm drainage improvements for the use and benefit of users of the District's systems. The District provides for the construction, operation and maintenance of water, sewer and storm drainage facilities. The District provides water to various special districts and municipalities throughout the State and serves as a wholesaler of water. The District has no residents and does not provide any services directly to individuals.

The District has created several separate enterprise activities to support the acquisition, construction, operation and maintenance of the facilities, pursuant to the Water Activity Enterprise Statute to be an "enterprise" within the meaning of Article X, Section 20 of the Colorado Constitution (TABOR). The financial activities of the enterprises are combined for reporting purposes as part of the financial statements of the District and are reported as a single-purpose government with one enterprise fund.

United Water Acquisition Project - Water Activity Enterprise was established for the purpose of conducting the business represented by all of the District's water facilities and properties for the United Water Acquisition Project, consisting of certain water pipelines and facilities to facilitate the acquisition, diversion, storage, carriage, delivery, treatment, transmission, distribution and provision of water to properties not served by other water facilities.

United Pipeline Acquisition Project - Water Activity Enterprise was established for the purpose of conducting the business represented by all of the District's water facilities and properties for the United Water Pipeline Acquisition Project, consisting of certain water pipelines and facilities to facilitate the acquisition, diversion, storage, carriage, delivery, treatment, transmission, distribution, and provision of water to properties not served by other water facilities.

Ravenna Project - Water Activity Enterprise was established for the purpose of financing the acquisition of water rights and the acquisition, construction and installation of the facilities necessary for the delivery of potable water to the Ravenna Metropolitan District in Douglas County, Colorado.

South Adams Project - Water Activity Enterprise was established for the purpose of conducting the business represented by all of the District's water facilities and properties for the South Adams Project.

Lupton Lakes Water Storage Project - Water Activity Enterprise was established for the purpose of conducting the business represented by all of the District's water facilities and properties for the development of certain facilities for the storage of water in Weld County, Colorado, including all present or future improvements, extensions, enlargements, betterments, replacements or additions to the Lupton Lakes System.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

Arapahoe County Water and Wastewater Authority (ACWWA) – Water Activity Enterprise was established for the purpose of financing the acquisition of water rights and the acquisition, construction and installation of the facilities necessary for the delivery of water to the areas determined by the Authority.

Silver Peaks – Water Activity Enterprise was established for the purpose of financing the acquisition of the water resource certificates purchased from the Silver Peaks Metropolitan District No. 1 and the subsequent accounting of the sale of the water resource certificates and the capital assets transferred to United from the Silver Peaks Metropolitan District No. 1.

Castle Rock – Water Activity Enterprise was established for the purpose of financing the acquisition of water rights and the acquisition, construction and installation of the facilities necessary for delivery of water to the Castle Rock service area.

Milliken – Water Activity Enterprise (formerly known as Gilcrest) was established for the purpose of financing the acquisition of water rights and the acquisition, construction and installation of the facilities necessary for delivery of water to the Milliken service area.

Serfer Pit Project – Water Activity Enterprise was established for the purpose of financing the acquisition of water rights and the acquisition, construction and installation of the facilities necessary for delivery of water to the properties not served by other water facilities.

The District has no employees and all operations and administrative functions are contracted.

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 District organization, nor is the District a component unit of any other primary governmental entity.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the Statement of Revenues, Expenses and Change in Net Position. Operating revenues and expenses generally result from providing goods or services in connection with the District's purpose of providing water services to other entities. Operating revenues consist of charges to other entities for goods or services 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 non-operating revenues and expenses or capital contributions.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation 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 2016 budget included appropriations for Castle Pines North - Water Activity Enterprise, Sedalia Reservoir - Water Activity Enterprise, Plum Creek - Water Activity Enterprise and 70 Ranch Venture - Water Activity Enterprise; however, no expenditures were incurred during 2016 for these funds. In accordance, budget schedules are not presented. The Castle Pines North - Water Activity Enterprise was dissolved effective March 22, 2016.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended December 31, 2016, the following supplementary appropriations approved by the Board of Directors modified the appropriations for the following funds:

Fund	Original Budget	Final Budget
United Water Acquisition Project - Water Activity Enterprise	\$ 4,165,560	\$ 4,404,500
South Adams Project - Water Activity Enterprise	\$ 4,524,500	\$ 5,103,000
Lupton Lakes Water Storage Project - Water Activity Enterprise	\$ 2,962,750	\$ 3,431,050
Castle Rock Project - Water Activity Enterprise	\$ -	\$ 25,600
Serfer Pit Project - Water Activity Enterprise	\$ -	\$ 90,750

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of its enterprise funds 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.

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.

Contributed Capital

The District receives contributions of capital assets from various sources. Capital assets are recorded at the appraised value of the asset or estimated fair value when contributed.

Capital Assets

Capital assets, which include land and improvements, building and improvements, vehicles, furniture and equipment, leasehold improvements and infrastructure assets (e.g. pipelines, roads, wells and similar items) with a cost or value exceeding \$5,000 are recorded at cost except for those assets that have been contributed, which are stated at estimated fair value at the date of contribution or at the developer's cost.

The costs of water rights include acquisition and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for protection of those rights, are expensed.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Any construction in process that will be dedicated to another entity is not depreciated. Leasehold improvements are amortized over the life of the lease. Any capital assets that will be owned and maintained by the District will be depreciated using the straight-line method over the following estimated economic useful lives:

Pipelines and water systems	50 years
Leasehold improvements	40 years
Streets and roads	40 years
Equipment and vehicles	5-10 years
Office equipment and furniture	5 years

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. There was no net interest expense capitalized during the year ended December 31, 2016.

Bond Issue Costs and Original Issue Discount

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recorded as a period expense in the year incurred.

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:	
Cash and cash equivalents - restricted	\$ 7,747,736
Cash and cash equivalents - unrestricted	9,447,769
Total cash and cash equivalents	<u>\$ 17,195,505</u>

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

Cash deposits	\$ 10,453,984
Investments	6,741,521
	<u>\$ 17,195,505</u>

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 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, the District's cash deposits had a bank balance of \$12,391,817 and a carrying balance of \$10,453,984.

Investments

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

Colorado revised statutes limit investment maturities to three 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 and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities and lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The local government investment pools, which includes the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colotrust) are both rated AAAM by S&P Global. The Morgan Stanley Institutional Liquidity Funds Treasury Securities Portfolio # 8305 (Morgan Stanley) is rated AAAM by S&P Global and Aaa-mf by Moody's.

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
CSAFE	Weighted average under 60 days	\$ 3,712,074
ColoTrust	Weighted average under 60 days	2,528,007
Morgan Stanley	Weighted average under 60 days	501,440
		<u>\$ 6,741,521</u>

CSAFE

During 2016, the District invested in CSAFE, which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE.

COLOTRUST

During 2016, the District invested in Colotrust, which is 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 Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

The custodian acts as safekeeping agent for Colotrust'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 Colotrust.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Morgan Stanley

During 2016, the District held investments in Morgan Stanley. This fund is comprised entirely of U.S. Treasury Debt Securities. The weighted average maturity of the portfolio is 24 days.

Cash and investments are reflected on the December 31, 2016 statement of net position as follows:

Cash and cash equivalents - unrestricted	\$ 9,447,769
Cash and cash equivalents - restricted	
Bond reserves, debt service and cost of issuance	2,463,404
Water rights escrow funds	2,255,113
Note reserve fund	501,440
Escrow for well field/facilities	2,527,779
Total cash and cash equivalents - restricted	7,747,736
Total cash and investments	\$ 17,195,505

Cash and investments are restricted for the following purposes:

Bond Reserve Fund

Cash and investments in the amount of \$625,785 at December 31, 2016 are restricted for the reserve funds of the District's Series 2012 Refunding bonds.

Bond Funds

Cash and investments in the amount of \$4,475 at December 31, 2016 are restricted for payment of debt service on the District's Series 2012 Refunding bonds.

Ravenna Project Bond Funds

Cash and investments in the amount of \$421,976 at December 31, 2016 are restricted for the payment of related project costs and debt service on the District's Series 2009 Capital Appreciation Revenue Refunding bonds and the District's Series 2007 Capital Special Utility Revenue bonds. The reserve fund amount has been expended due to funds being utilized to pay litigation legal expenses upon the approval of the bondholder.

Lupton Lakes Water Storage Project Bond Funds

Cash and investments in the amount of \$1,411,168 at December 31, 2016 are restricted for the payment of related project costs and debt service on the District's Lupton Lakes Series 2006 Revenue bonds.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Water Rights Escrow Fund

Cash and investments in the amount of \$2,255,113 at December 31, 2016 are held in trust and are restricted for the acquisition of water rights which will enable the District to make water deliveries of Phase 2 Water (see Note 5 - Water Supply Agreement).

Silver Peaks Water System Project Note Funds

Cash and investments in the amount of \$501,440 at December 31, 2016 are restricted for the payment of related project improvement costs and the debt service on the District's Silver Peaks Series 2010 Water Activity Enterprise Revenue Note.

Arapahoe County Water Wastewater Project Funds

Cash and investments in the amount of \$2,527,779 at December 31, 2016 are restricted for the infrastructure costs related to Well Field/Facilities projects.

Investment Valuation

Certain investments that are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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.

The District has invested in COLOTRUST which is an external investment pool that records investments at fair value and measure fair using Level 2 inputs.

CSAFE and Morgan Stanley are not measured at fair value and is therefore not categorized within the fair value hierarchy. These investments are 2a7-like external investment pool or mutual funds which are recorded at amortized cost. The District is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - CAPITAL ASSETS AND WATER RIGHTS

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

	Balance December 31, 2015	Additions	Retirements/ Adjustments	Balance December 31, 2016
Capital assets, not being depreciated				
CIP				
Water Acquisition Project	\$ 7,632,408	\$ 499,079	\$ -	\$ 8,131,487
ACWWA Projects	10,835,726	2,334,420	(1,432,148)	11,737,998
Castle Rock Water Project	530,766	10,230	-	540,996
Castle Pines North Water Project	21,358	-	(21,358)	-
Silver Peaks Water Project	19,790	-	-	19,790
Milliken	50,986	-	-	50,986
Sedalia	9,961	-	-	9,961
Serfer Pit Project	-	27,111	650,995	678,106
Scada Monitoring Upgrade	21,021	-	(21,021)	-
Land	2,243,530	-	-	2,243,530
Water Rights	41,702,988	1,681,273	(2,455,880)	40,928,381
Water Resource Credit Certificates	7,486,794	-	(680,425)	6,806,369
Water Storage	50,010	-	-	50,010
Total Capital assets not being depreciated	<u>70,605,338</u>	<u>4,552,113</u>	<u>(3,959,837)</u>	<u>71,197,614</u>
Capital assets, being depreciated				
Water Acquisition Project	20,510,247	-	-	20,510,247
Ravenna Project	8,411,615	-	-	8,411,615
Chambers Reservoir Water Project	14,183,827	-	-	14,183,827
Streets and roads	8,455	-	-	8,455
Leasehold improvements	166,727	-	-	166,727
Office furniture	3,219	-	-	3,219
Vehicles and equipment	272,415	-	-	272,415
Pipeline-Ravenna	473,620	-	-	473,620
Pump station	2,135,373	-	-	2,135,373
Water tank	1,537,548	-	-	1,537,548
Well pivot	34,000	-	-	34,000
Flumes	-	-	299,040	299,040
Brannan Pit Pumps	-	-	378,549	378,549
Alles Recharge	-	-	103,564	103,564
SCADA monitoring system	15,605	-	21,021	36,626
Vac System	41,282	-	-	41,282
Pipeline	5,690,000	-	-	5,690,000
Water lines	4,908,889	-	-	4,908,889
Reservoir improvements	156,404	-	-	156,404
Water wells	1,290,556	-	-	1,290,556
Total historical cost	<u>59,839,782</u>	<u>-</u>	<u>802,174</u>	<u>60,641,956</u>
Less accumulated depreciation for:				
Water acquisition project	(3,079,003)	(410,206)	-	(3,489,209)
Ravenna Project	(504,696)	(168,232)	-	(672,928)
Chambers Reservoir Water Project	(851,031)	(283,677)	-	(1,134,708)
Streets and roads	(1,922)	(211)	-	(2,133)
Leasehold improvements	(45,369)	(4,168)	-	(49,537)
Office furniture	(3,219)	-	-	(3,219)
Vehicles and equipment	(153,904)	(20,603)	-	(174,507)
Pipeline-Ravenna	(75,776)	(9,472)	-	(85,248)
Pump station	(340,773)	(42,707)	-	(383,480)
Water tank	(246,008)	(30,751)	-	(276,759)
Well pivot	(18,040)	(3,400)	-	(21,440)
Flumes	-	(14,952)	-	(14,952)
Brannan Pit Pumps	-	(18,927)	-	(18,927)
Alles Recharge	-	(5,178)	-	(5,178)
SCADA monitoring system	(3,120)	(2,612)	-	(5,732)
Vac System	(21,559)	(4,128)	-	(25,687)
Pipeline	(1,365,600)	(113,800)	-	(1,479,400)
Water lines	(866,274)	(144,379)	-	(1,010,653)
Reservoir improvements	(27,600)	(4,600)	-	(32,200)
Water wells	(227,747)	(37,958)	-	(265,705)
Total accumulated depreciation	<u>(7,831,641)</u>	<u>(1,319,961)</u>	<u>-</u>	<u>(9,151,602)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>52,008,141</u>	<u>(1,319,961)</u>	<u>802,174</u>	<u>51,490,354</u>
Total capital assets, net	<u>\$ 122,613,479</u>	<u>\$ 3,232,152</u>	<u>\$ (3,157,663)</u>	<u>\$ 122,687,968</u>

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM RECEIVABLE

Water Supply Agreement

The District entered into a Water Supply Agreement with Farmers Reservoir and Irrigation Company (FRICO) and East Cherry Creek Valley Water and Sanitation District (ECCV) acting through the East Cherry Creek Valley Water and Sanitation District Water Activity Enterprise, Inc. (ECCV Water Activity Enterprise) on December 18, 2003, for the purpose of developing an integrated water supply project in the Beebe Draw Alluvium. The agreement anticipates a reverse osmosis treatment plant to be constructed, owned and operated by ECCV Water Activity Enterprise. During 2003, the District sold water and delivery rights to 3,000 acre feet of fully consumable water per year at a price of \$18,500,000 received in cash and \$26,500,000 in the form of Subordinate Water Revenue Bonds, Series 2003 from ECCV Water Activity Enterprise, which were exchanged with Subordinate Water Revenue Exchange Bonds, Series 2004 on May 6, 2004.

Additional projects contemplated by the agreement will divert water and return flows from the South Platte River and deliver it to ECCV Water Activity Enterprise's future treatment plant and will give ECCV Water Activity Enterprise a right of first purchase of yield in excess of 5,500 acre feet from additional tributary water rights from the South Platte River that were acquired by the District (Phase 2 Water).

The District entered into an Amended and Restated Water Supply Agreement with FRICO and ECCV Water Activity Enterprise in May 2007 to develop an integrated water supply project, including the Phase 1, Phase 2 and Phase 3 of the ECCV Water Project.

ECCV Water Activity Enterprise 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 ECCV and ECCV Water Activity Enterprise, 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 ECCV Water Activity Enterprise payable solely from the portion of the net revenues comprising 40% of water tap fees collected by ECCV or ECCV Water Activity Enterprise (Net Revenues). 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. ECCV and ECCV Water Activity Enterprise have covenanted that a minimum water tap fee of \$15,000 per single family equivalent will be maintained.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM RECEIVABLE (CONTINUED)

The actual amounts of principal and interest payments to be made in the future will depend on future water tap fee revenue of ECCV and ECCV Water Activity Enterprise and cannot be predicted with certainty. At December 31, 2016, the outstanding amount of these bonds was \$11,136,924 which is reflected as Long-term receivable - Phase I on the Statement of Net Position. During the year ended December 31, 2016, the District received principal and interest payments of \$1,199,706 and \$617,044, respectively.

2007 Lease Purchase Agreement

The District, acting through its United Water Acquisition Project Water Activity Enterprise, entered into a Lease Purchase Agreement with ECCV Water Activity Enterprise, acting on behalf of ECCV, on July 27, 2007 (effective May 25, 2007) in the original amount of \$31,250,000, for the lease of Phase 2 Water from the District. During the term of this Agreement the District agrees, among other things, to construct certain facilities, to provide additional storage and to acquire 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 deliver such water to the ECCV Water Treatment Plant (as provided in the Water Supply Agreement). 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 ECCV on and after November 1, 2004). The agreement terminates the earlier of November 15, 2017 or upon payment of all amounts due and the conveyance of all the Phase 2 Water to ECCV. This Agreement was amended by the Supplemental Lease Purchase Agreement entered into effective December 12, 2012 which extended the termination date from November 15, 2014 to November 15, 2017 and provided for an additional payment by ECCV to the District of \$400,000 each November 15 following the payment of operation, maintenance and senior bond expenses. At December 31, 2016, the outstanding amount under this agreement was \$16,794,324 which is reflected as Long-term receivable - Phase II and Deferred revenue – Phase II on the Statement of Net Position. During the year ended December 31, 2016, the District received principal and interest payments of \$2,400,021 and \$615,902, respectively.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations of the District for the year ended December 31, 2016.

	Balance at December 31, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
United District Water Providers					
Advance and Reimbursement Agreements	\$ 12,375,000	\$ -	\$ -	\$ 12,375,000	\$ -
Bromley District Water Providers					
Advance and Reimbursement Agreement	1,321,765	-	-	1,321,765	-
Farmers Reservoir and Irrigation Company					
Advance and Reimbursement Agreement	1,000,000	-	-	1,000,000	-
Englewood Exchange Services					
Advance and Reimbursement Agreement	202,700	-	-	202,700	-
Red Tierra Equities, L.L.C.					
Advance and Reimbursement Agreement	2,400,000	-	-	2,400,000	-
Accrued interest on advances	13,793,061	1,047,213	-	14,840,274	-
Series 2006 Revenue Bonds-Lupton Lakes	16,515,000	-	2,495,000	14,020,000	2,220,000
Series 2006B Subordinate Capital Appreciation					
Revenue Bonds - Ravenna	2,286,031	-	-	2,286,031	2,286,031
Series 2007 Special Utility					
Revenue Bonds - Ravenna	6,875,000	-	-	6,875,000	835,000
Series 2009 Capital Appreciation Revenue					
Refunding Bonds - Ravenna	8,382,351	532,649	-	8,915,000	8,915,000
Series 2010 Revenue Note - Silver Peaks	2,247,785	-	541,307	1,706,478	554,838
Series 2012 Revenue Refunding Bonds-					
ECCV	7,972,000	-	1,335,000	6,637,000	-
	<u>\$ 75,370,693</u>	<u>\$ 1,579,862</u>	<u>\$ 4,371,307</u>	<u>\$ 72,579,248</u>	<u>\$ 14,810,869</u>

Advance and Reimbursement Agreements

United District Water Providers, LLC, Bromley District Water Providers, LLC, Englewood Exchange Services, Ltd., RAL Holdings, LLC, Red Tierra Equities, LLC, Elbert/Douglas Exchange Company, LLC, The Bromley Companies, LLC, Colorado Water Network, LLC, CAW Equities, LLC, 70 Ranch, LLC, RAL Equities, LLC, South Park Water Providers, LLC, and Robert A. Lembke are related entities and are collectively referred to as the Developers.

Advance and Reimbursement Agreements - United District Water Providers, LLC

The District, acting by and through the United Water Acquisition Project Water Activity Enterprise, and United District Water Providers, LLC (UDWP) agreed to recognize an advance made by UDWP for the purchase of water rights. The Board is empowered to acquire water rights and construct and operate lines and facilities within and outside of the boundaries of the District. UDWP was the holder of a certain Water Rights Purchase and Sale Agreement (Water Rights Agreement) dated September 11, 2003, between Perkins Land & Livestock, LLC and

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

UDWP which governed the purchase of certain water rights. Concurrent with the execution of the Water Rights Agreement, UDWP assigned to the District a portion of its rights in the Water Rights Agreement. The total consideration received by UDWP for said assignment was \$21,700,000 with \$1,200,000 paid to UDWP by the District concurrent with the closing of the Water Rights Agreement and the remaining \$20,500,000 evidenced through an advance and reimbursement agreement dated December 18, 2003, which was subsequently amended on February 14, 2006, to include an interest rate of 6% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2016 the outstanding advances under the 2003 agreement were \$7,008,000, in addition to \$9,039,355 of accrued interest.

In addition, during 2004, UDWP advanced \$5,367,000 to the District, which is evidenced by an advance and reimbursement agreement effective May 24, 2004, with an interest rate of 6% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2016 the outstanding advances under the 2004 agreement were \$5,367,000, in addition to \$4,059,217 of accrued interest.

Advance and Reimbursement Agreements - Bromley District Water Providers, LLC

The District and Bromley District Water Providers, LLC (BDWP) entered into an advance and reimbursement agreement on January 28, 2003 to recognize advances that may be made by BDWP to fund certain construction, maintenance and operating costs of the District. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. Reimbursement is to include interest at a rate of 7% per annum. At December 31, 2016, there were no outstanding advances under the 2003 agreement.

In addition, the District and BDWP entered into an advance and reimbursement on June 26, 2012 evidencing the advance made by BDWP through the assignment of any and all rights to payments BDWP will receive under the Water Lease Agreement between BDWP and ND, LLC (BDWP owns certain water rights that it has leased to ND, LLC). The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. Reimbursement is to include interest at the rate of 7% per annum. At December 31, 2016, outstanding advances under the 2012 agreement totaled \$1,321,765, in addition to accrued interest of \$955,881.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreement - FRICO

On December 18, 2003, the District and FRICO entered into a Stock Purchase and Use Agreement whereby the District was to acquire one share of capital stock of FRICO at a cost of \$1,000,000. On September 30, 2004, the District, acting through its United Water Acquisition Project Water Activity Enterprise, entered into an advance and reimbursement agreement with FRICO as payment for the FRICO share. The District shall reimburse FRICO for the advance, together with interest at the rate of 3% per annum. The District shall make payment for the advance, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs of the District. In lieu of payment of the advance and accrued interest from available revenues, the District may make payment to FRICO by transferring to FRICO tax-exempt municipal bonds, the par amount of which bonds shall be equal to the advance and the bond interest rate shall not be less than 3% per annum. At December 31, 2016, the outstanding advance under the 2004 agreement was \$1,000,000, in addition to \$367,562 of accrued interest.

Advance and Reimbursement Agreement - Englewood Exchange Services, Ltd. (Assigned to Robert A. Lembke on January 1, 2016, and further assigned by Robert A. Lembke to RAL Holdings, LLC on June 8, 2016)

The District and Englewood Exchange Services, Ltd. (Englewood Exchange) entered into an advance and reimbursement agreement on November 15, 2005 to recognize advances that may be made by Englewood Exchange to fund certain construction, maintenance and operating costs of the District. The District shall reimburse Englewood Exchange for the advances, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. As of December 31, 2016, outstanding advances totaled \$202,700, in addition to accrued interest of \$250,035.

On January 1, 2016, the District, Englewood Exchange and Robert A. Lembke entered into the Assignment Re Advance and Reimbursement Agreement whereby Englewood Exchange assigned the rights arising out of the terms and conditions of the 2005 advance and reimbursement agreement (described above) to Robert A. Lembke. On June 8, 2016, the District, Robert A. Lembke and RAL Holdings, LLC, entered into the Assignment Re Advance and Reimbursement Agreement whereby Robert A. Lembke further assigned the rights arising out of the terms and conditions of the 2005 advance and reimbursement agreement (described above) which were assigned to him on January 1, 2016, to RAL Holdings, LLC.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreement – Red Tierra Equities, LLC

Red Tierra Equities, LLC (Red Tierra) agreed to the conveyance of 2,000 Series B shares of Colorado Augmentation Canal Company (CACC shares) to the District so that the District could further its water infrastructure development projects. The District and Red Tierra agreed to recognize the conveyance of the CACC shares as an advance of funds of \$2,400,000 to the District and entered into an advance and reimbursement agreement effective December 30, 2015. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. Reimbursement is to include interest at the rate of 7% per annum. As of December 31, 2016, outstanding advances totaled \$2,400,000, in addition to accrued interest of \$168,461.

Advance and Reimbursement Agreement - Elbert/Douglas Exchange Company, LLC

The District entered into an advance and reimbursement agreement with Elbert/Douglas Exchange Company, LLC, on November 22, 2002. The agreement stipulates that the District shall reimburse Elbert/Douglas Exchange Company, LLC, for any advances made to the District for construction, maintenance and operating costs, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2016, the District had no outstanding advances under this agreement. Pursuant to board action taken at a regular meeting held February 28, 2017, this agreement was terminated.

Advance and Reimbursement Agreement - The Bromley Companies, LLC

The District entered into an advance and reimbursement agreement with The Bromley Companies, LLC, on January 28, 2003. The agreement stipulates that the District shall reimburse The Bromley Companies, LLC, for any advances made to the District for construction, maintenance and operating costs, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2016, the District had no outstanding advances under this agreement. Pursuant to board action taken at a regular meeting held February 28, 2017, this agreement was terminated.

Advance and Reimbursement Agreement - Colorado Water Network, LLC

The District entered into an advance and reimbursement agreement with Colorado Water Network, LLC, on January 28, 2003. The agreement stipulates that the District shall reimburse Colorado Water Network, LLC, for any advances made to the District for construction, maintenance and operating costs, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2016, the District had no outstanding advances under this agreement. Pursuant to board action taken at a regular meeting held February 28, 2017, this agreement was terminated.

Advance and Reimbursement Agreement – CAW Equities, LLC

The District entered into an advance and reimbursement agreement with CAW Equities, LLC, on February 17, 2006. The agreement stipulates that the District shall reimburse CAW Equities, LLC, for any advances made to the District for construction, maintenance and operating costs, together with interest at the rate of 6% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2016, the District had no outstanding advances under this agreement. Pursuant to board action taken at a regular meeting held February 28, 2017, this agreement was terminated.

Advance and Reimbursement Agreement – 70 Ranch, LLC

The District entered into an advance and reimbursement agreement with 70 Ranch, LLC, on October 18, 2006. The agreement stipulates that the District shall reimburse 70 Ranch, LLC, for any advances made to the District for construction, maintenance and operating costs, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2016, the District had no outstanding advances under this agreement. Pursuant to board action taken at a regular meeting held February 28, 2017, this agreement was terminated.

Advance and Reimbursement Agreement – RAL Equities, LLC

The District entered into an advance and reimbursement agreement with RAL Equities, LLC, on June 12, 2007. The agreement stipulates that the District shall reimburse RAL Equities, LLC, for any advances made to the District for construction, maintenance and operating costs, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2016, the District had no outstanding advances under this agreement. Pursuant to board action taken at a regular meeting held February 28, 2017, this agreement was terminated.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreement – South Park Water Providers, LLC

The District entered into an advance and reimbursement agreement with South Park Water Providers, LLC, on July 23, 2009. The agreement stipulates that the District shall reimburse South Park Water Providers, LLC, for any advances made to the District for construction, maintenance and operating costs, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2016, the District had no outstanding advances under this agreement. Pursuant to board action taken at a regular meeting held February 28, 2017, this agreement was terminated.

Capital Appreciation Revenue Bonds, Subordinate Series 2006B

On June 29, 2006, the District, acting through its Ravenna Project Water Activity Enterprise, issued \$1,570,000 in Subordinate Capital Appreciation Bonds, Series 2006B (2006B Bonds) for the purpose of financing a portion of the acquisition of water rights. The 2006B Bonds were purchased by Bromley Park Water Providers, LLC, and are subordinate to and not payable until such time as the Capital Appreciation Revenues Bonds, Series 2006 (Senior Bonds), as refunded on February 2, 2009, are no longer outstanding. The Ravenna Project Water Activity Enterprise Capital Appreciation Revenue Bonds, Series 2009 mature on December 15, 2016 (see below). The 2006B Bonds matured on December 15, 2011, and accreted in value from June 29, 2006 at an accretion rate of 7.0%, compounding semi-annually on each June 15 and December 15, commencing December 15, 2006 until December 31, 2011. Any portion of the 2006B Bonds outstanding as of the maturity date shall bear interest at the rate of 7.0%, compounded semi-annually, to accrue on the unpaid accreted value as of the maturity date from the maturity date until the bonds are paid in full. Such interest, together with any unpaid accreted value, will be payable each June 15 and December 15 to the extent pledged revenues are available. The 2006B Bonds had no scheduled payments prior to December 15, 2013. The accreted value at December 31, 2016 is \$2,286,031. Since the maturity of the 2006B Bonds on December 31, 2011, the 2006B Bonds have accrued interest in a current interest mode, and as of December 31, 2016, \$147,638 of current interest has accrued on the bonds. Refer to Note 14 for additional information regarding the Ravenna development.

The 2006B Bonds are special, limited revenue obligations of United Water & Sanitation District acting by and through its Ravenna Project Water Activity Enterprise, payable solely from and secured solely by the pledged revenue and are not and shall not be deemed or construed as creating a debt of multiple fiscal year direct or indirect debt or other financial obligation of United Water & Sanitation District.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The estimated debt service payment schedule for the principal and interest on the bonds cannot be determined at this time due to these bonds being subordinate to the Capital Appreciation Bonds, Series 2006. Therefore, the payments of principal and interest are reported below as being paid in 2017.

	Principal	Accrued and Unpaid Interest	Total
2017	\$ 2,286,031	\$ 947,748	\$ 3,019,047

The accrued and unpaid interest above, at December 31, 2016 includes unpaid current interest of \$800,111.

Revenue Bonds, Series 2006 – LUPTON LAKES

On September 27, 2006, the District, acting through its Lupton Lakes Water Storage Project Water Activity Enterprise, issued \$20,400,000 in Revenue Bonds, Series 2006 for the purpose of financing the purchase of water, funding a debt service reserve for the bonds, capitalizing a portion of the interest to accrue on the bonds and paying the costs of issuing the bonds. The bonds are term bonds and mature on March 1, 2021. Interest is payable March 1 and September 1 at an interest rate of 6% per annum beginning March 1, 2007. The bonds are subject to mandatory sinking fund redemption as determined by the Trustee prior to the maturity date of the bonds, upon payment of the principal amount so redeemed together with accrued interest. The bonds are subject to extraordinary mandatory redemption as determined by the Trustee on any interest payment date, at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date, without premium, but only from and to the extent of amounts on deposit in the bond fund constituting “excess pledged revenue” and the reserve fund have been fully funded and the mandatory sinking fund requirements applicable to the bonds have been satisfied and amounts released from the reserve fund or amounts received by Lupton Lakes Water Storage Project Water Activity Enterprise under the Pledge and Security Agreement or from FRICO Revenue Sub-Account under the Escrow Agreement.

The bonds constitute special, limited revenue obligations of Lupton Lakes Water Storage Project Water Activity Enterprise payable solely from and secured by an irrevocable pledge of and first lien on the Trust Estate created by the Indenture, including Pledged Revenue comprised primarily of a portion of the amounts, if any, paid by the South Adams County Water District and South Adams Water and Sanitation District (SAWSD), acting by and through its Water and Sewer Enterprise, to maintain and exercise its options to purchase certain shares of stock in the Municipal Division of FRICO, pursuant to an Amended Stock Purchase Agreement entered into among FRICO, SAWSD and certain other entities. It is expected that SAWSD will maintain and exercise these option rights primarily from and to the extent of amounts payable by various owners of land within its boundaries who have entered into Participation Agreements with SAWSD. However, SAWSD is not obligated directly or indirectly to pay the bonds and is under no obligation to maintain or exercise its option rights under the Stock Purchase Agreement,

**UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

except as provided in the Participation Agreements. The pledged revenue also includes amounts loaned to Lupton Lakes Water Storage Project Water Activity Enterprise by FRICO. To the extent that Pledged Revenue, capitalized interest, and amounts on deposit in the reserve fund are not sufficient to meet the debt service requirements on the bonds, the bonds will be payable by FRICO pursuant to the Amended and Restated Pledge and Security Agreement to be entered into by and among Lupton Lakes Water Storage Project Water Activity Enterprise, the District acting by and through it South Adams Project Enterprise, FRICO, and the Trustee, which obligation is secured by a portion of the Shares that are not acquired by SAWSD.

These bonds have a required debt service reserve equal to 10% of the outstanding balance of the bonds. The required reserve as of December 31, 2016 was \$1,402,000. As of December 31, 2016 the balance of the debt service reserve account was \$1,408,420.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,220,000	\$ 789,300	\$ 3,009,300
2018	2,935,000	619,950	3,554,950
2019	3,180,000	436,500	3,616,500
2020	3,440,000	237,900	3,677,900
2021	2,245,000	67,350	2,312,350
	<u>\$14,020,000</u>	<u>\$ 2,151,000</u>	<u>\$ 16,171,000</u>

Convertible Capital Appreciation Special Utility Revenue Bonds Series 2007

On July 10, 2007, the District, acting through its Ravenna Project Water Activity Enterprise, issued \$5,988,558 (Value at Issuance) or \$7,130,000 (Value at Conversion to Current Interest Bonds) of Convertible Capital Appreciation Special Utility Revenue Bonds Series 2007. The bonds mature on December 1, 2037. The bonds were initially convertible capital appreciation term bonds bearing no interest prior to conversion. The bonds were sold for the original principal amount of \$5,988,558, and accreted in value at an accretion rate of 6.125% compounding semiannually on each June 15 and December 15. The bonds transitioned to interest bearing bonds on June 1, 2010, the conversion date, upon reaching full accretion.

The bonds were issued for the purpose of providing funds to (i) finance the acquisition of water rights and the acquisition, construction and installation of facilities necessary to deliver potable water to the Ravenna Metropolitan District, in Douglas County, Colorado, (ii) fund a debt service reserve fund for the bonds, and (iii) pay the costs of issuing the bonds. The bonds constitute special, limited revenue obligations of the Ravenna Project Water Activity Enterprise, payable solely from and secured by an irrevocable pledge of and first lien on the Trust Estate created by the Indenture, comprised primarily of lease payments received by Ravenna Project Water Activity Enterprise for connection to the water facilities and services to be provided by Ravenna Project Water Activity Enterprise to Ravenna Metropolitan District.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The bonds have a required debt service reserve of \$450,000. As of December 31, 2016 the balance in the debt service reserve was \$833, which is lower than the required balance. Refer to Note 14 for additional information regarding the Ravenna development.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the bonds, including unpaid principal and interest as of December 31, 2016 of \$695,000 and \$1,987,040, respectively:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 835,000	\$ 2,331,265	\$ 3,166,265
2018	150,000	369,950	519,950
2019	160,000	360,763	520,763
2020	170,000	350,963	520,963
2021	180,000	340,550	520,550
2022 - 2026	1,075,000	1,523,901	2,598,901
2027 - 2031	1,445,000	1,152,113	2,597,113
2032 - 2036	1,945,000	651,395	2,596,395
2037	915,000	56,044	971,044
	<u>\$ 6,875,000</u>	<u>\$ 7,136,944</u>	<u>\$ 14,011,944</u>

Ravenna Project Water Activity Enterprise Capital Appreciation Revenue Refunding Bonds Series 2009

On February 2, 2009, the District issued \$10,535,000 Capital Appreciation Revenue Refunding Bonds, Series 2009 in the original principal amount of \$6,371,568 for the purpose of refunding all of the outstanding Ravenna Project Water Activity Enterprise Capital Appreciation Bonds, Series 2006 (extending the final maturity of the Series 2006 bonds an additional five years to 2016) and paying the costs of issuance of the bonds. The bonds accrete in value at a rate of 6.5% compounding semi-annually on each June 15 and December 15, commencing June 15, 2009. The bonds are subject to mandatory redemption beginning June 15, 2009 and each June 15 and December 15 thereafter until final maturity on December 15, 2016. Any bond not fully paid when due shall continue to accrete in value at the rate of 6.5%, compounded semi-annually on June 15 and December 15 of each year. The bonds are also subject to mandatory sinking fund and extraordinary mandatory redemption prior to maturity. The bonds are secured by and payable from pledged revenue which consists of water tap fees and water resource fees. In order to alleviate the issues related to the delinquency, the District and the Bondholder, Colorado Bondshares, have entered into a Consent Agreement to allow the amounts due and owing to be paid on a monthly basis if and when the District collects delinquent tap fees and water resource fees.

These bonds have a required debt service reserve of \$637,157. As of December 31, 2016 the balance of the debt service reserve was \$0, which is lower than the required reserve. Refer to Note 14 for additional information regarding the Ravenna development.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The following table sets forth the estimated debt service payment schedule for the principal and interest on the bonds based on the original principal amounts and the interest to be paid being accreted interest, including unpaid principal and accreted interest as of December 31, 2016 of \$3,523,208:

	Principal	Interest	Total
2017	\$ 8,915,000	\$ -	\$ 8,915,000

Silver Peaks Water Activity Enterprise Revenue Note Series 2010

On June 30, 2010, the District, acting through its Silver Peaks Water Activity Enterprise, issued its \$5,250,000 Revenue Note Series 2010 (2010 Note). Principal and interest on the 2010 Note is payable annually on December 1 each year commencing December 1, 2010 until all principal and interest has been paid. The interest rate on the 2010 Note is 5.0% per annum. The 2010 Note was issued for the purpose of providing funds to (i) finance improvements related to its water system and (ii) fund a debt service reserve for the 2010 Note.

The 2010 Note required a debt service reserve of \$500,000. As of December 31, 2016 the balance of the debt service reserve account was \$501,440.

The following table sets forth the estimated debt service payment schedule for the 2010 Note as of December 31, 2016:

	Principal	Interest	Total
2017	\$ 554,838	\$ 85,324	\$ 640,162
2018	568,710	57,582	626,292
2019	582,930	29,145	612,075
	\$ 1,706,478	\$ 172,051	\$ 1,878,529

Subsequent to December 31, 2016, the note was paid off with the issuance of new debt (see Note 15).

Revenue Refunding Bonds, Series 2012

On December 19, 2012, the District, acting through its United Water Acquisition Project Water Activity Enterprise, issued \$10,780,000 in Revenue Refunding Bonds, 2013 to refund the District's Revenue Refunding and Improvement Bonds, Series 2004A. The bonds will mature on December 1, 2019, and are payable from pledged revenues which are amounts received from the ECCV Water Activity Enterprise Subordinate Water Exchange Bonds (see Note 5). Interest is payable annually on December 1 at a rate of 6% per annum. To the extent that interest is not paid when due, such interest shall compound annually on each interest payment date, at the rate then borne by the bonds. The bonds are subject to mandatory redemption on any interest payment date to the extent funds are available.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

These bonds have a required debt service reserve of \$623,422. As of December 31, 2016 the balance of the debt service reserve account was \$625,785.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the bonds. This schedule is based upon projected water tap sales of ECCV and ECCV Water Activity Enterprise; however, there is no assurance that water taps will be sold in the amounts projected.

	Principal	Interest	Total
2017	\$ 3,248,000	\$ 398,220	\$ 3,646,220
2018	1,343,000	203,340	1,546,340
2019	2,046,000	122,760	2,168,760
	\$ 6,637,000	\$ 724,320	\$ 7,361,320

Authorized Debt

On November 4, 2014, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness in an amount not to exceed \$680,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

Storm sewer and drainage	\$ 100,000,000
Regional water improvements	240,000,000
Debt refunding	340,000,000
	\$ 680,000,000

NOTE 7 - NET POSITION

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

The net investment in capital assets consists of capital assets that will be owned by the District, 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, the District had a net investment in capital assets in the amount of \$83,115,512 calculated as follows:

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - NET POSITION (CONTINUED)

Net investment in capital assets:	
Capital assets, net	\$ 122,687,968
Capital related to portion of debt	(39,572,456)
	<u>\$ 83,115,512</u>

Restricted net position includes amounts 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 amounts of \$2,951,768 as of December 31, 2016.

NOTE 8 - RELATED PARTIES

The members of the Board of Directors of the District are employees, owners or associated with the Developers and may have conflicts of interest in dealing with the District (see Note 6).

NOTE 9 – INTERFUND TRANSFERS

During 2016, transfers were made between funds to provide for operating, administrative and capital expenses. South Adams Project – Water Activity Enterprise made transfers to Lupton Lakes Water Storage Project – Water Activity Enterprise for debt-related expenses. ACWWA made transfers to the General Operations Fund, Capital Projects Fund, Silver Peaks Project – Water Activity Enterprise, Castle Rock Project – Water Activity Enterprise, Milliken Reservoir Project – Water Activity Enterprise and to the Sedalia Reservoir Project – Water Activity Enterprise Fund.

<u>Fund / Enterprise</u>	<u>Transfer In (Out)</u>	<u>Amount</u>
General Operations	Transfer In	\$ 53,924
South Adams Project	Transfer Out	(3,421,699)
Lupton Lakes Water Storage Project	Transfer In	3,421,699
ACWWA	Transfer Out	(177,655)
Castle Rock Project	Transfer In	25,113
Milliken Reservoir Project	Transfer In	8,044
Serfer Pit Project	Transfer In	90,574
		<u>\$ -</u>

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 10 – INTERGOVERNMENTAL AGREEMENTS

In 2009, the District entered into an agreement with ACWWA and ECCV to provide ACWWA and ECCV an integrated system for the diversion, accretion, collection, storage, transmission and treatment of each of the parties water rights.

United Water & Sanitation District, Sand Hills Metropolitan District (Sand Hills), South Beebe Draw Metropolitan District (South Beebe Draw) and Platte River Water Development Authority (Platte River Water) entered into a Funding and Construction Agreement for 70 Ranch Reservoir on July 28, 2015. The agreement provides for funding and construction of the 70 Ranch Reservoir by the three districts. Platte River Water received the construction funding and is obligated to effectuate the construction of the reservoir. The combined maximum construction contribution amount from Sand Hills and South Beebe Draw is, in aggregate, \$16,500,000. United Water & Sanitation District is obligated to advance funds for construction in excess of the Sand Hills and South Beebe Draw amounts in an amount sufficient to fully fund the construction costs. The reservoir is expected to be constructed in two phases and Phase I began construction in or around April 2015. Platte River Water shall own the reservoir upon completion for the benefit of the funding entities. During the year ended December 31, 2015, United Water & Sanitation District contributed \$8,500,000 to Platte River Water pursuant to the funding agreement. There were no contributions made during the year ended December 31, 2016.

NOTE 11 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 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.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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

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.

On November 5, 2002, and on November 4, 2014, a majority of the District's electors authorized the District to collect, retain and spend any and all amounts annually from any revenue sources whatsoever other than ad valorem taxes, and such revenues are to be collected and spent by the District as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District. 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 qualification as an Enterprise will require judicial interpretation.

NOTE 13 - WATER COURT CASES

Under Colorado law, any change of water rights is adjudicated through a specialized District Water Court. During 2016, the District, in association with the East Cherry Creek Water and Sanitation District (ECCV) and the Arapahoe County Water and Wastewater Authority (ACWWA), were applicants in three pending change of water right cases, one of which has now been resolved. These cases were filed to change certain water rights from irrigation to municipal use and to change the location of use from historically irrigated acres to municipal use within the ECCV and ACWWA service areas. The District, in conjunction with ACWWA and ECCV also filed two cases for new exchanges and junior water rights. These cases are not traditional civil actions, in that no damages or any other civil judgments may be entered by the District Water Court. Therefore, these court actions cannot result in any monetary judgment or other civil judgment other than the adjudication of the change of water rights requested.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 - WATER COURT CASES (CONTINUED)

In addition, the District was an applicant for its own water rights in two cases involving rights to water for storage and ultimately municipal and other uses. Again, there are no damages or any other civil judgments that may be entered by the Water Court and the court actions cannot result in any monetary judgement or other civil judgement other than the adjudication of the water rights.

Finally, in addition to being an applicant in the cases discussed above, the District has filed statements of opposition in various applications filed by other parties seeking changes of use in other contexts. These cases are of the same nature as the District's applications, but from the inverse side. At issue in those cases are the terms and conditions that will be imposed on the changes of water rights sought by other parties.

In Colorado, participation in water court applications is considered to be standard business proceedings. As the District continues to develop its water supply system, it is likely that it will continue to be both an applicant and an objector in future proceedings.

NOTE 14 – LITIGATION

Ravenna Metropolitan District/River Canyon Real Estate Investments, Inc.

On May 23, 2012, River Canyon Real Estate Investments, Inc. (RCREI), the developer and owner of the majority of property within Ravenna Metropolitan District (Ravenna), filed a petition in bankruptcy (United States Bankruptcy Court District of Colorado Case number 12-20763 EEB) for reorganization of its debts (Chapter 11). The District asserted secured creditor status with regard to facilities fees, tap fees and water resource fees (Fees) due from the property owned by RCREI and filed a claim with the bankruptcy court for \$10,254,880.61. The tap fees and water resource fees are pledged to the District's Ravenna Project Water Activity Enterprise Capital Appreciation Revenue Refunding Bonds Series 2009 and the Capital Appreciation Revenue Bonds, Subordinate Series 2006B. The facilities fees are pledged to the District's Convertible Capital Appreciation Special Utility Revenue Bonds Series 2007. RCREI disputed the District's claim, asserting, in part, that the District and Ravenna's claims with regard to the Fees were duplicative and asserting that the District could not impose the Fees within the boundaries of Ravenna.

The bankruptcy court approved the removal of the dispute regarding the Fees to the Douglas County District Court. Prior to the resolution of the Douglas County case, the bankruptcy court approved the RCREI Plan on July 31, 2013. The effect of the RCREI Plan is that any amounts paid for the Fees (together with a Ravenna fee called the Operations Fee) will be paid to Ravenna and not to the District. The total amount of the Fees (including the Operations Fee) that will be paid by RCREI is \$2,142,984.55. Nothing in the Plan requires Ravenna to pay over any of the Fees to the District. The District appealed two of the decisions in the bankruptcy plan to the District Court for the District of Colorado; however, those appeals were in abeyance pending the outcome of the appeal of the Douglas County District Court case. Since, as set forth below, the state court matter has concluded, the stated purpose of the abeyance has expired, and it is not known if the appeals will be pursued or abandoned as the appellant's counsel has withdrawn.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 14 – LITIGATION (CONTINUED)

In the Douglas County District Court case (2012CV2440), the court ruled that the District could not assert a lien on property outside its boundaries but did not rule on the issue of whether the tap fee was due to the District. The effect of the ruling on liens was to remove the District from secured creditor status in the RCREI bankruptcy case. RCREI and the District stipulated to entry of Judgment on the undecided claim in order for the District to appeal the court's ruling on liens. The court granted the order on February 5, 2014. The District filed a notice of appeal and oral arguments occurred before the Court of Appeals on June 24, 2015 and issued an opinion on July 2, 2015. The opinion stated that because the District did not proceed to trial at the District Court level, it was barred from appealing the issue of the tap fee lien because the settlement document failed to preserve the right to appeal in the opinion of the court.

As a result of the RCREI bankruptcy, Colorado BondShares, the holder of the bonds, significantly wrote down the value of the bonds in 2013. The District has not elected to write down the bonds pending the outcome of the appeals. The District's obligation with regard to the bonds is to remit to the applicable trustee any Fees which it receives. The District did not pledge full faith and credit to the bonds. On April 2, 2014, Ravenna filed a petition for bankruptcy (United States Bankruptcy Court District of Colorado Case Number 14-14207 EEB) for reorganization of its debts (Chapter 9). The District and Colorado BondShares objected to the petition on the basis that Ravenna is ineligible to file bankruptcy. The Ravenna bankruptcy was dismissed by the bankruptcy court on December 15, 2014. Ravenna appealed the dismissal but briefing has been delayed by the Tenth Circuit Bankruptcy Appellate Panel and no schedule has been ordered by that Court.

Sand Hills Metropolitan District

On November 1, 2013, Bill Barrett Corporation and Bonanza Creek Energy, Inc. filed a complaint in Weld County District Court (2013CV30928) against Sand Hills alleging that Sand Hills was improperly assessing taxes against the plaintiffs' leasehold oil and gas interests. The plaintiffs later amended the complaint to include the District due to intergovernmental agreements between the District and Sand Hills to jointly cooperate and fund certain facilities. Both plaintiffs and Sand Hills/the District filed motions for partial summary judgment and plaintiffs also motioned for a preliminary injunction to require Sand Hills to escrow all tax receipts pending resolution of the case. On June 5, 2014, the court denied plaintiffs' motion for a preliminary injunction. On June 26, 2014, the court ruled that summary judgment could not be granted as to whether the statute of limitations bars the plaintiffs' claims until it decided whether a constitutional violation pursuant to TABOR is found. A final order of the district court was issued July 14, 2015. The Court of Appeals issued its decision on October 6, 2016. The COA affirmed the trial court in part, reversed the trial court in part and remanded the case with directions to order the release of the preserved funds for 2011-2013 and to enter a judgment for funds collected from April 29, 2009 until April 28, 2011, consistent with the finding of the COA that the inclusion of the 70 Ranch constituted a material modification of the District's Service Plan requiring the consent of Weld County. The Districts filed a petition for writ of certiorari to the Colorado Supreme Court regarding the decision of the Court of Appeals in November 15, 2016. The decision of the Colorado Court of Appeals did not contain any orders or remands directed at the District. The Supreme Court had not acted on the writ by December 31, 2016.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 14 – LITIGATION (CONTINUED)

If the plaintiffs are successful, they could potentially recover taxes paid by them to Sand Hills for the years 2009 through 2013. The District's management believes that success by the plaintiffs in the case will not cause the District to default on any obligations or impair the District's operational capacity.

NOTE 15 - SUBSEQUENT EVENTS

Sand Hills - The Colorado Supreme Court denied the petition for writ certiorari on November 11, 2017. The decision of the Court of Appeals was thereafter remanded to the trial court on September 14, 2017. On September 21, 2017, the Weld County District Court proposed to release the preserved funds for the 2011-2013 period to the plaintiff and to enter judgment for the plaintiff for funds collected from April 29, 2009 until April 28, 2011. No orders of the courts have been directed to the United Water and Sanitation District.

Weld Adams Water Development Authority - On September 6, 2017, the District and South Beebe Draw created Weld Adams Water Development Authority (WAWDA), a water resource authority. WAWDA was created for the purpose of establishing a process for the financing, design, construction, acquisition, operation, maintenance and use of water facilities and services.

Under the establishing contract for WAWDA, the District and South Beebe Draw agreed to transfer certain assets to WAWDA in acknowledgement for certain assets, contracts and budgeted projects assigned to WAWDA from PRWDA. The District agreed to transfer to WAWDA certain ECCV Water Activity Enterprise Subordinate Water Revenue Exchange Bonds, Series 2004, dated May 6, 2004, in the approximate amount of \$5.1 million. Future contributions by the District and South Beebe Draw will be agreed upon from time to time by all parties based on project funding needs.

Water Certificate Refunding and Improvement Revenue Note, Series 2017 - On June 1, 2017, the District issued its \$13,174,000 Water Certificate Refunding and Improvement Revenue Note, Series 2017 (2017 Note). Principal and interest on the 2017 Note is payable semi-annually on June 1 and December 1 each year commencing on December 1, 2017 with a maturity date of June 1, 2027. The interest rate on the 2017 Note is 4.02% per annum. The 2017 Note was issued for the purpose of providing funds to (i) refinance the 2010 Note (see Note 6), (ii) purchase water certificates for the planning, design and construction of various projects and (iii) purchase water resource credit certificates to be used to provide water to residents of the Town of Lochbuie.

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

SUPPLEMENTAL INFORMATION

The following Schedules of Revenues, Expenditures and Changes in Funds Available of the General Operations, Capital Projects, United Water Acquisition Project - Water Activity Enterprise, Ravenna Project – Water Activity Enterprise, South Adams Project - Water Activity Enterprise, Lupton Lakes Water Storage Project - Water Activity Enterprise, ACWWA - Water Activity Enterprise, Silver Peaks Project - Water Activity Enterprise, Castle Rock Project - Water Activity Enterprise, Milliken Reservoir Project - Water Activity Enterprise and Serfer Pit Project - Water Activity Enterprise are presented to demonstrate compliance with a resolution of the Board of Directors of the United Water & Sanitation District adopting and establishing water activity enterprises pursuant to Article 45.1, Title 37, Colorado Revised Statutes, 1973, as amended. For basic financial statement presentation purposes the District is reported as a single enterprise fund. For budgetary purposes the District separately budgets for specific components of this enterprise fund.

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
GENERAL OPERATIONS
Year Ended December 31, 2016

	<u>Budget Amounts</u>		<u>Variance with</u>
	<u>Original and Final</u>	<u>Actual</u>	<u>Final Budget</u>
			<u>Positive</u>
			<u>(Negative)</u>
REVENUES			
Interest	\$ -	\$ 200	\$ 200
Total revenues	<u>-</u>	<u>200</u>	<u>200</u>
EXPENDITURES			
<u>General</u>			
District management and accounting	8,000	6,486	1,514
Conferences and training	25,000	-	25,000
Directors' fees	8,000	6,600	1,400
Dues and subscriptions	45,000	6,386	38,614
Election	6,000	-	6,000
Insurance and bonds	3,000	4,599	(1,599)
Legal	8,000	2,193	5,807
Licenses and fees	500	1,738	(1,238)
Miscellaneous	3,500	1,810	1,690
Support services	30,000	24,312	5,688
Total expenditures	<u>137,000</u>	<u>54,124</u>	<u>82,876</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(137,000)</u>	<u>(53,924)</u>	<u>83,076</u>
OTHER FINANCING SOURCES			
Transfer from other funds	137,000	53,924	(83,076)
Total other financing sources	<u>137,000</u>	<u>53,924</u>	<u>(83,076)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds available is computed as follows:			
Current assets		\$ 226,306	
Current liabilities		(226,306)	
		<u>\$ -</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
CAPITAL PROJECTS
Year Ended December 31, 2016

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Mountainside pond licenses	\$ 1,600	\$ -	\$ (1,600)
Total revenues	<u>1,600</u>	<u>-</u>	<u>(1,600)</u>
EXPENDITURES			
District management and accounting	10,000	-	10,000
Engineering	9,000	-	9,000
Legal	8,000	-	8,000
Miscellaneous	1,500	-	1,500
Support services	26,000	-	26,000
Total expenditures	<u>54,500</u>	<u>-</u>	<u>54,500</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(52,900)</u>	<u>-</u>	<u>52,900</u>
OTHER FINANCING SOURCES			
Transfer from other funds	52,900	-	(52,900)
Total other financing sources	<u>52,900</u>	<u>-</u>	<u>(52,900)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>-</u>	<u>100</u>	<u>100</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 100</u>
Funds available is computed as follows:			
Current assets		<u>\$ 100</u>	
		<u>\$ 100</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
UNITED WATER ACQUISITION PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Operation charges	\$ 250,000	\$ 250,000	\$ 333,787	\$ 83,787
ECCV payment - phase 1	2,457,080	1,200,000	1,199,706	(294)
ECCV payment - phase 2	755,000	2,400,000	2,400,021	21
Water lease	4,000	4,000	-	(4,000)
Interest	750,000	1,216,000	1,216,602	602
Miscellaneous	6,000	6,000	14,237	8,237
Total revenues	<u>4,222,080</u>	<u>5,076,000</u>	<u>5,164,353</u>	<u>88,353</u>
EXPENDITURES				
<u>General</u>				
District management and accounting	56,000	41,000	41,005	(5)
Advertising	1,000	4,200	4,192	8
Audit	7,000	7,000	7,000	-
Dues and subscriptions	5,500	-	-	-
Insurance and bonds	16,000	12,500	12,457	43
Legal	50,000	14,000	13,757	243
Licenses and fees	500	500	830	(330)
Miscellaneous	1,000	1,000	480	520
Water engineer	60,000	136,500	136,439	61
SCADA monitoring	20,000	58,000	58,167	(167)
Support services	335,000	265,500	265,488	12
System operations, repair and maintenance	120,000	280,000	279,646	354
Utilities	230,000	52,000	52,090	(90)
Water assessments	75,000	61,500	61,355	145
70 Ranch irrigation	7,500	-	-	-
Revegetation/irrigation	5,000	-	-	-
Small tools and equipment	8,500	4,500	4,442	58
<u>Capital Outlay</u>				
Engineering and consulting	120,000	298,000	298,138	(138)
Engineering and consulting - water court	75,000	8,200	8,284	(84)
Flumes	-	188,000	187,581	419
Legal - water court	100,000	145,000	145,191	(191)
Permits	1,300	-	-	-
Support services	15,000	-	-	-
Surveying and mapping	10,000	5,800	5,860	(60)
TH Ranch	7,500	7,500	7,500	-
Water rights	10,000	1,000,000	1,000,000	-
<u>Debt Service</u>				
Bond principal	2,405,000	1,335,000	1,335,000	-
Bond interest	419,760	478,500	478,320	180
Paying agent fees	4,000	300	298	2
Total expenditures	<u>4,165,560</u>	<u>4,404,500</u>	<u>4,403,520</u>	<u>980</u>
NET CHANGE IN FUND BALANCE	56,520	671,500	760,833	89,333
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>905,405</u>	<u>3,034,430</u>	<u>3,034,430</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 961,925</u>	<u>\$ 3,705,930</u>	<u>\$ 3,795,263</u>	<u>\$ 89,333</u>
Funds available is computed as follows:				
Current assets			\$ 3,503,554	
Deposits			623,000	
Current liabilities			<u>(331,291)</u>	
Funds available			<u>\$ 3,795,263</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
RAVENNA PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2016

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Water resource fees	\$ 94,000	\$ -	\$ (94,000)
Operations charges	150,000	97,344	(52,656)
Facilities acquisition fees	498,150	-	(498,150)
Bondholder reimbursement	50,000	-	(50,000)
Interest	150	2,321	2,171
Miscellaneous	1,000	2,681	1,681
Total revenues	<u>793,300</u>	<u>102,346</u>	<u>(690,954)</u>
EXPENDITURES			
<u>General</u>			
District management and accounting	25,000	23,663	1,337
Audit	4,000	3,900	100
Engineering and consulting	8,000	12,084	(4,084)
Legal	100,000	13,708	86,292
Mapping and surveying	3,000	3,780	(780)
Miscellaneous	1,000	4,041	(3,041)
Permits	1,000	-	1,000
Repairs and maintenance	50,000	38,037	11,963
Support services	50,000	40,519	9,481
Utilities	40,000	36,490	3,510
<u>Debt Service</u>			
Bond principal	94,000	-	94,000
Bond interest	493,150	-	493,150
Paying agent fees	5,500	5,919	(419)
Total expenditures	<u>874,650</u>	<u>182,141</u>	<u>692,509</u>
NET CHANGE IN FUND BALANCE	(81,350)	(79,795)	1,555
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>94,714</u>	<u>94,926</u>	<u>212</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 13,364</u>	<u>\$ 15,131</u>	<u>\$ 1,767</u>
Funds available is computed as follows:			
Current assets		\$ 653,840	
Current liabilities		<u>(638,709)</u>	
		<u>\$ 15,131</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
SOUTH ADAMS PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Water sales	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ -
Option payment	1,635,477	1,635,477	1,635,477	-
Interest	1,000	1,000	10,248	9,248
Total revenues	<u>4,636,477</u>	<u>4,636,477</u>	<u>4,645,725</u>	<u>9,248</u>
EXPENDITURES				
<u>General</u>				
District management and accounting	12,500	10,200	10,135	65
Audit	2,000	1,500	1,300	200
Legal	10,000	3,000	2,742	258
Miscellaneous	-	1,000	785	215
<u>Debt Service</u>				
Paying agent fees	-	3,000	2,880	120
FRICO payment - water shares	1,500,000	1,662,300	1,442,995	219,305
Total expenditures	<u>1,524,500</u>	<u>1,681,000</u>	<u>1,460,837</u>	<u>220,163</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,111,977</u>	<u>2,955,477</u>	<u>3,184,888</u>	<u>229,411</u>
OTHER FINANCING USES				
Transfer to other funds	(3,000,000)	(3,422,000)	(3,421,699)	301
Total other financing uses	<u>(3,000,000)</u>	<u>(3,422,000)</u>	<u>(3,421,699)</u>	<u>301</u>
NET CHANGE IN FUND BALANCE	111,977	(466,523)	(236,811)	229,712
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>2,130,208</u>	<u>1,893,194</u>	<u>1,893,194</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 2,242,185</u>	<u>\$ 1,426,671</u>	<u>\$ 1,656,383</u>	<u>\$ 229,712</u>
Funds available is computed as follows:				
Current assets			<u>\$ 1,656,383</u>	
			<u>\$ 1,656,383</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
LUPTON LAKES WATER STORAGE PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 6,000	\$ 6,000	\$ 9,068	\$ 3,068
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>9,068</u>	<u>3,068</u>
EXPENDITURES				
<u>General</u>				
District management and accounting	12,500	10,000	10,135	(135)
Audit	2,000	1,500	1,300	200
Legal	7,000	2,000	1,919	81
<u>Debt Service</u>				
Bond principal	2,005,000	2,495,000	2,495,000	-
Bond interest	930,750	916,050	916,050	-
Paying agent fees	5,500	6,500	6,363	137
Total expenditures	<u>2,962,750</u>	<u>3,431,050</u>	<u>3,430,767</u>	<u>283</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(2,956,750)</u>	<u>(3,425,050)</u>	<u>(3,421,699)</u>	<u>3,351</u>
OTHER FINANCING SOURCES				
Transfer from other funds	3,000,000	3,425,050	3,421,699	(3,351)
Total other financing sources	<u>3,000,000</u>	<u>3,425,050</u>	<u>3,421,699</u>	<u>(3,351)</u>
NET CHANGE IN FUND BALANCE	43,250	-	-	-
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>1,603,199</u>	<u>1,875,218</u>	<u>1,875,218</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 1,646,449</u>	<u>\$ 1,875,218</u>	<u>\$ 1,875,218</u>	<u>\$ -</u>
Funds available is computed as follows:				
Current assets			<u>\$ 1,875,218</u>	
			<u>\$ 1,875,218</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
ACWWA - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2016

	Budget		Variance with Final Budget Positive (Negative)
	Amounts		
	Original and Final	Actual	
REVENUES			
IGA revenue - water court costs	\$ 500,000	\$ -	\$ (500,000)
Operations charges	200,000	228,895	28,895
Water leases	30,000	-	(30,000)
Interest	20,000	18,695	(1,305)
Miscellaneous	5,000	5,000	-
Total revenues	<u>755,000</u>	<u>252,590</u>	<u>(502,410)</u>
EXPENDITURES			
General			
District management and accounting	80,000	64,864	15,136
Advertising	200,000	93,681	106,319
Audit	4,000	3,900	100
Cost sharing - ACWWA	500,000	-	500,000
Dues and subscriptions	30,000	-	30,000
Engineering and consulting	350,000	66,757	283,243
Engineering - water court	245,000	-	245,000
Engineering - water engineer	100,000	36,300	63,700
IGA			
IGA - DCWA	15,000	8,000	7,000
IGA - RWA	15,000	8,000	7,000
IGA - WCWA	26,500	10,000	16,500
Insurance and bonds	35,000	27,250	7,750
Legal	75,000	657,835	(582,835)
Miscellaneous	20,000	18,623	1,377
Repairs and maintenance	30,000	31,344	(1,344)
Support services	500,000	418,490	81,510
Utilities	-	3,333	(3,333)
SCADA monitoring	1,000	48,441	(47,441)
Water assessments	100,000	33,277	66,723
Capital Outlay			
Legal - water court	1,000,000	518,943	481,057
Licenses and fees - augmentation stations	75,000	-	75,000
Equipment and vehicles	10,000	-	10,000
Support services - water court	50,000	8,855	41,145
Surveying and mapping	50,000	-	50,000
Haren	750,000	-	750,000
St Vrain	125,000	-	125,000
Water easements	50,000	-	50,000
Water permits	2,000	-	2,000
Water purchases	1,000,000	-	1,000,000
Water projects			
Brannan Pit/Pump station	500,000	23,009	476,991
Brighton Lateral	175,000	10,388	164,612
Cherokee Ranch	50,000	-	50,000
DeSanti Recharge	625,000	2,206,585	(1,581,585)
FIDCO Lateral	50,000	-	50,000
Flumes	-	94,438	(94,438)
Highlands Reservoir	175,000	-	175,000
I-76 Recharge	375,000	-	375,000
Serfer Diversion	125,000	-	125,000
Teague Recharge Pond/Fort Morgan Water	125,000	-	125,000
Willow Creek	25,000	-	25,000
Total expenditures	<u>7,663,500</u>	<u>4,392,313</u>	<u>3,271,187</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(6,908,500)</u>	<u>(4,139,723)</u>	<u>2,768,777</u>
OTHER FINANCING USES			
Transfer to other funds	(311,400)	(177,655)	133,745
Total other financing uses	<u>(311,400)</u>	<u>(177,655)</u>	<u>133,745</u>
NET CHANGE IN FUND BALANCE	(7,219,900)	(4,317,378)	2,902,522
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>17,599,932</u>	<u>13,046,931</u>	<u>(4,553,001)</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 10,380,032</u>	<u>\$ 8,729,553</u>	<u>\$ (1,650,479)</u>
Funds available is computed as follows:			
Current assets		\$ 9,567,412	
Current liabilities		(837,859)	
		<u>\$ 8,729,553</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
SILVER PEAKS PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2016

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Water resource certificate sales	\$ 672,000	\$ 1,187,163	\$ 515,163
Interest	10	804	794
Total revenues	<u>672,010</u>	<u>1,187,967</u>	<u>515,957</u>
EXPENDITURES			
<u>General</u>			
District management and accounting	2,500	2,028	472
Legal	2,500	685	1,815
Miscellaneous	500	-	500
<u>Capital Outlay</u>			
Engineering	1,000	-	1,000
<u>Debt Service</u>			
Note principal	541,306	541,307	(1)
Note interest	112,389	112,389	-
Paying agent fees	3,000	1,000	2,000
Total expenditures	<u>663,195</u>	<u>657,409</u>	<u>5,786</u>
NET CHANGE IN FUND BALANCE	8,815	530,558	521,743
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>501,382</u>	<u>500,427</u>	<u>(955)</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 510,197</u>	<u>\$ 1,030,985</u>	<u>\$ 520,788</u>
Funds available is computed as follows:			
Current assets		<u>\$ 1,030,985</u>	
		<u>\$ 1,030,985</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
CASTLE ROCK PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
<u>General</u>				
District management	-	4,500	4,054	446
Engineering and consulting	-	1,600	1,555	45
Legal	-	1,400	1,371	29
Repairs and maintenance	-	3,900	3,851	49
Support services	-	4,000	4,052	(52)
<u>Capital Outlay</u>				
Surveying and mapping	-	10,200	10,230	(30)
Total expenditures	-	25,600	25,113	487
EXCESS OF EXPENDITURES OVER REVENUES	-	(25,600)	(25,113)	487
OTHER FINANCING SOURCES				
Transfer from other funds	-	25,600	25,113	(487)
Total other financing sources	-	25,600	25,113	(487)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUNDS AVAILABLE - BEGINNING OF YEAR	-	-	-	-
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds available is computed as follows:				
Current assets			\$ -	
Current liabilities			-	
			<u>\$ -</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
MILLIKEN RESERVOIR PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2016

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
<u>General</u>			
District management and accounting	5,000	4,054	946
Engineering and consulting	-	1,403	(1,403)
Legal	5,000	1,371	3,629
Support services	1,500	1,216	284
Repairs and maintenance	15,000	-	15,000
<u>Capital Outlay</u>			
Water storage	25,000	-	25,000
Total expenditures	<u>51,500</u>	<u>8,044</u>	<u>43,456</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(51,500)</u>	<u>(8,044)</u>	<u>43,456</u>
OTHER FINANCING SOURCES			
Transfer from other funds	51,500	8,044	(43,456)
Total other financing sources	<u>51,500</u>	<u>8,044</u>	<u>(43,456)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUNDS AVAILABLE - BEGINNING OF YEAR	-	-	-
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds available is computed as follows:			
Current assets		\$ 714	
Current liabilities		(714)	
		<u>\$ -</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
SERFER PIT PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
<u>General</u>				
Legal	-	450	450	-
Repairs and maintenance	-	63,100	63,013	87
<u>Capital Outlay</u>				
Road construction	-	27,200	27,111	89
Total expenditures	-	90,750	90,574	176
EXCESS OF EXPENDITURES OVER REVENUES	-	(90,750)	(90,574)	176
OTHER FINANCING SOURCES				
Transfer from other funds	-	90,750	90,574	(176)
Total other financing sources	-	90,750	90,574	(176)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUNDS AVAILABLE - BEGINNING OF YEAR	-	-	-	-
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds available is computed as follows:				
Current assets			\$ -	
Current liabilities			-	
			<u>\$ -</u>	

UNITED WATER & SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS - ACTUAL TO STATEMENT OF NET POSITION
Year Ended December 31, 2016

	General Operations	Capital Projects	United Water Acquisition Project	Ravenna Project	South Adams Project	Lupton Lakes Water Storage Project	ACWWA	Silver Peaks Project	Castle Rock Project	Millican Reservoir Project	Serfer Pit Project	Totals
Revenue and other financing sources (budgetary basis)	\$ 54,124	\$ -	\$ 5,164,353	\$ 102,346	\$ 4,645,725	\$ 3,430,767	\$ 252,590	\$ 1,187,967	\$ 25,113	\$ 8,044	\$ 90,574	\$ 14,961,603
Adjustments:												
ECCV Payment - Phase I Transfers	(53,924)	-	(1,199,706)	-	-	(3,421,699)	-	-	-	-	-	(1,199,706)
Revenues (GAAP)	200	-	3,964,647	102,346	4,645,725	9,068	252,590	1,187,967	(25,113)	(8,044)	(90,574)	(3,599,354)
Expenditures and other financing uses (budgetary basis)	54,124	-	4,403,520	182,141	4,882,536	3,430,767	4,569,968	657,409	25,113	8,044	90,574	\$ 18,304,196
Adjustments:												
Purchase of capital assets including water rights and storage	-	-	(1,652,554)	-	-	-	(2,862,218)	-	(10,230)	-	(27,111)	(4,552,113)
Bond principal payments	-	-	(1,335,000)	-	-	(2,495,000)	-	-	-	-	-	(3,830,000)
Note principal payments	-	-	(6,675)	635,827	-	(49,900)	-	(541,307)	-	-	-	(541,307)
Increase (decrease) in bond and note interest payable	-	-	-	-	2,455,880	-	-	(2,255)	-	-	-	576,997
Cost of water sold	-	-	940,500	92,524	-	-	-	680,425	-	-	-	3,136,305
Current year developer advances interest accrued	-	-	-	532,649	-	-	-	14,189	-	-	-	1,047,213
Accreted and accrued interest	-	-	537,030	251,163	-	-	336,263	186,937	-	8,568	-	532,649
Depreciation	-	-	21,358	-	(3,421,699)	-	(177,655)	-	-	-	-	21,358
Loss on disposal of assets	-	-	-	-	-	-	-	-	-	-	-	(3,599,354)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Expenses (GAAP)	54,124	-	2,908,179	1,694,304	3,916,717	885,867	1,866,358	995,398	14,883	16,612	63,463	12,415,905
Change in net position per statement of revenues, expenses and changes in net position	\$ (53,924)	\$ -	\$ 1,056,468	\$ (1,591,958)	\$ 729,008	\$ (876,799)	\$ (1,613,768)	\$ 192,569	\$ (14,883)	\$ (16,612)	\$ (63,463)	\$ (2,253,362)

UNITED WATER & SANITATION DISTRICT
BALANCE SHEET SCHEDULE
GOVERNMENTAL FUNDS
 December 31, 2016

	General Operations	Capital Projects	United Water Acquisition Project	Ravenna Project	South Adams Project	Lupton Lakes Water Storage Project	ACWWA	Silver Peaks Project	Castle Rock Project	Milliken Reservoir Project	Serfer Pit Project	Total Governmental Funds
ASSETS												
Cash and cash equivalents - restricted	\$ -	\$ -	\$ 630,259	\$ 421,976	\$ 2,255,114	\$ 1,411,168	\$ 2,527,779	\$ 501,440	\$ -	\$ -	\$ -	\$ 7,747,736
Cash and cash equivalents - unrestricted	180,220	100	2,629,960	255	(818,036)	464,050	6,460,961	529,545	-	714	-	9,447,769
Prepaid expenditures	46,086	-	11,332	3,188	-	-	8,350	-	-	-	-	68,956
Accounts receivable	-	-	92,815	228,421	219,305	-	59,845	-	-	-	-	600,386
Interest receivable	-	-	139,188	-	-	-	-	-	-	-	-	139,188
Due from other funds	-	-	-	-	-	-	510,477	-	-	-	-	510,477
Deposits	-	-	623,000	-	-	-	-	-	-	-	-	623,000
Total assets	\$ 226,306	\$ 100	\$ 4,126,554	\$ 653,840	\$ 1,656,383	\$ 1,875,218	\$ 9,567,412	\$ 1,030,985	\$ -	\$ 714	\$ -	\$ 19,137,512

LIABILITIES AND FUND BALANCES

LIABILITIES												
Accounts payable	\$ 226,306	\$ -	\$ 331,291	\$ 128,232	\$ -	\$ -	\$ 837,859	\$ -	\$ -	\$ 714	\$ -	\$ 1,524,402
Due to other funds	-	-	-	510,477	-	-	-	-	-	-	-	510,477
Total liabilities	226,306	-	331,291	638,709	-	-	837,859	-	-	714	-	2,034,879
FUND BALANCES												
Nonspendable												
Prepaid expenditures	46,086	-	11,332	3,188	-	-	8,350	-	-	-	-	68,956
Restricted												
Debt service	-	-	-	-	1,656,383	1,875,218	-	1,030,985	-	-	-	4,562,586
Assigned												
Capital projects fund	-	100	-	-	-	-	-	-	-	-	-	100
Unassigned	(46,086)	-	3,783,931	11,943	-	-	8,721,203	-	-	-	-	12,470,991
Total fund balances	-	100	3,795,263	15,131	1,656,383	1,875,218	8,729,553	1,030,985	-	-	-	17,102,633
TOTAL LIABILITIES AND FUND BALANCES	\$ 226,306	\$ 100	\$ 4,126,554	\$ 653,840	\$ 1,656,383	\$ 1,875,218	\$ 9,567,412	\$ 1,030,985	\$ -	\$ 714	\$ -	\$ -

Amounts reported for governmental activities in the statement of net position are difference because:

- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds
- Long-term receivables used in governmental activities are not financial resources and, therefore, are not reported in the funds
- Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds
- Long-term obligations
- Accrued interest on long-term obligations

Net position of business-type activities

	122,687,968
	11,136,924
	(72,579,248)
	(3,291,249)
	\$ 75,057,028

UNITED WATER AND SANITATION DISTRICT
SCHEDULE OF BOND DEBT SERVICE REQUIREMENTS TO MATURITY
 December 31, 2016

December 31,	\$1,570,000 Ravenna Project Capital Appreciation Revenue Bonds Dated June 29, 2006 Subordinate Series 2006B Interest Rate of 7% Payable June 15 and December 15 Principal Due June 15 and December 15		\$20,400,000 Lupton Lakes Revenue Bonds Dated September 28, 2006 Series 2006 Interest Rate-variable Payable March 1 and September 1 Principal Due March 1		\$7,130,000 Ravenna Water Project Capital Appreciation Special Utility Revenue Bonds Dated July 10, 2007 Series 2007 Interest Rate of 6.125% Paid June 1 and December 1 Principal Due December 1		\$10,535,000 Ravenna Water Project Capital Appreciation Revenue Refunding Bonds Dated February 1, 2009 Series 2009 Interest Rate of 6.5% Mandatory Sinking Fund Paid June 15 and December 15		\$10,780,000 United Water Acquisition Project Revenue Refunding Bonds Dated December 19, 2012 Series 2012 Interest Rate of 6% Payable December 1 Principal due on December 1		Total
	Principal	Unpaid Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 2,286,031	\$ 947,748	\$ 2,220,000	\$ 789,300	\$ 835,000	\$ 2,331,265	\$ 8,915,000	\$ 579,475	\$ 3,248,000	\$ 398,220	\$ 22,550,039
2018	-	-	2,935,000	619,950	150,000	369,950	-	-	1,343,000	203,340	5,621,240
2019	-	-	3,180,000	436,500	160,000	360,763	-	-	2,046,000	122,760	6,306,023
2020	-	-	3,440,000	237,900	170,000	350,963	-	-	-	-	4,198,863
2021	-	-	2,245,000	67,350	180,000	340,550	-	-	-	-	2,832,900
2022	-	-	-	-	190,000	329,525	-	-	-	-	519,525
2023	-	-	-	-	200,000	317,888	-	-	-	-	517,888
2024	-	-	-	-	215,000	305,638	-	-	-	-	520,638
2025	-	-	-	-	230,000	292,469	-	-	-	-	518,381
2026	-	-	-	-	240,000	278,381	-	-	-	-	518,681
2027	-	-	-	-	255,000	263,681	-	-	-	-	518,063
2028	-	-	-	-	270,000	248,063	-	-	-	-	521,525
2029	-	-	-	-	290,000	231,525	-	-	-	-	518,763
2030	-	-	-	-	305,000	213,763	-	-	-	-	520,081
2031	-	-	-	-	325,000	195,081	-	-	-	-	519,044
2032	-	-	-	-	345,000	175,175	-	-	-	-	521,688
2033	-	-	-	-	365,000	154,044	-	-	-	-	517,800
2034	-	-	-	-	390,000	131,688	-	-	-	-	517,688
2035	-	-	-	-	410,000	107,800	-	-	-	-	517,044
2036	-	-	-	-	435,000	82,688	-	-	-	-	517,800
2037	-	-	-	-	915,000	56,044	-	-	-	-	971,044
	\$ 2,286,031	\$ 947,748	\$ 14,020,000	\$ 2,151,000	\$ 6,875,000	\$ 7,136,944	\$ 8,915,000	\$ 579,475	\$ 6,637,000	\$ 724,320	\$ 50,272,518

NOTE:

The estimated debt service payment schedule for the principal and interest on the Series 2012 bonds is based upon projected tap sales of East Cherry Creek and subsequent note payments to the District which, in turn, support the District's outstanding bonds. However, there is no assurance that water taps will be sold in the amounts projected.

- (1) After June 1, 2007, interest payment dates shifted to March 1 and September 1
- (2) After June 1, 2007, principal payment dates shifted to March 1