

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

**FINANCIAL STATEMENTS
December 31, 2017 and 2016**

E

RECEIVED

Office of the State Auditor

May 2, 2018

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	I
MANAGEMENT’S DISCUSSION AND ANALYSIS (Executive Summary)	IV
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	1
Statements of Revenues, Expenses and Change in Net Position	2
Statements of Cash Flows.....	3
Notes to Financial Statements.....	5
SUPPLEMENTARY INFORMATION	29
Schedule of Revenues, Expenses and Change in Net Position	30
Schedule of Revenues, Expenditures and Change in Funds Available - Budget and Actual (Budgetary Basis)	33
Schedule of Revenues, Expenditures and Change in Funds Available - (Budgetary Basis) - Enterprise Activity.....	39
Schedule of Revenues, Expenditures and Change in Funds Available - (Budgetary Basis) - General Government Activity	40
Schedule of Debt Service Requirements to Maturity.....	41
OTHER SUPPLEMENTARY INFORMATION	44
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY CLEAN WATER REVENUE BONDS, SERIES 2002A and 2005A	52
SINGLE AUDIT REPORTS AND SCHEDULES	
Schedule of Expenditures of Federal Awards	58
Notes to the Schedule of Expenditures of Federal Awards	59
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	60
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	62
Schedule of Findings and Questioned Costs.....	64

Board of Directors
Denver Southeast Suburban Water and Sanitation District
Douglas County, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Denver Southeast Suburban Water and Sanitation District (the "District") as of and for the year ended December 31, 2017, 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 general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Denver Southeast Suburban Water and Sanitation District as of December 31, 2017, and the respective changes in financial position and cash flows for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of Denver Southeast Suburban Water and Sanitation District for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on June 19, 2017.

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

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

Other Matters (continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Denver Southeast Suburban Water and Sanitation District taken as a whole. The accompanying schedule of expenditures of federal awards and related notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and the records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2018, on our consideration of Denver Southeast Suburban Water and Sanitation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* in considering Denver Southeast Suburban Water and Sanitation District's internal control over financial reporting and compliance.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

April 25, 2018

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

The management of Denver Southeast Suburban Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2017.

District Operations

The composition of District staff increased by one FTE in 2017 to begin the creation of an in-house maintenance crew. Over time the District intends to reduce its reliance on contracted labor for routine and preventative maintenance. This crew will expand by an additional member (one new FTE) in 2018. The FTE count at the end of 2017 was eighteen full time employees and one part-time employee. The Board of Directors has also approved an additional FTE for 2018 to bolster the District's in-house SCADA and Instrumentation abilities. The District continued to grow slowly, selling only 36 water and sewer taps to new homes. That is a 36% decrease over the amount of taps sold in 2016 (56).

The District completed an update to the District Rates and Fees Study. While most of the previous rate structure (inclining block) remained consistent, the Board decided to expand the first tier threshold from 3,000 gallons to 5,000 gallons in one month.

The total precipitation and pattern of precipitation in 2017 was dry. 2017 saw a dry spring until May, when the area received over 70% more precipitation than average. That was followed by several weeks of hot dry weather. Late summer and fall began with some needed moisture and then finished up hot and dry. Total precipitation experienced in the area in 2017 was only 11.7 inches, 8.4 inches less than 2015, 1.1 less than in 2016 and 5.4 inches less than the annual average.

Customers' water usage in 2017 was slightly down from the demand in 2016. The main factor is that although there was less total precipitation in 2017, it was timed better, especially in late summer/early fall so that it helped reduce irrigation demands. By the end of 2017, total gallons pumped (year-to-date) was approximately 972 million gallons, 2.3% less than water pumped in 2016.

In 2016, the District settled a multi-year dispute with Hydro Resources by executing an agreement for a replacement of Well A-16. In 2017, Hydro along with the District completed the construction of the new well facility. This new water supply facility adds almost 300 acre-feet per year to the District's operating water supply.

In 2004, the District entered into an agreement for wholesale wastewater treatment service for the Canyons property. The Developer agreed to pay the principal amount of \$3,100,000 over 20 years (until 2024). In 2017, the Developer paid the remaining balance of the original \$3.1 million commitment (\$1,674,781). This along with the years' previous payments secured a total of 973 single-family equivalents of treatment capacity in the District's wastewater treatment plant.

Through a low interest loan from the Colorado Water Resources and Power Development Authority, the District began construction in 2016 of a new pump station to replace the original Pump Station #1 (47 years old). The new facility was completed in August 2017. Also funded through this loan was the Chloramine Conversion project. As part of the WISE project and through these new facilities, the District will convert its disinfection system from free chlorine to chloramines. The construction of those facilities was completed in fall 2017. The actual conversion will take place in March 2018.

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

The District continued to work on long-term regional water supply projects through its membership in the Cherry Creek Project Water Authority and the South Metro WISE Authority. The South Metro WISE Authority made significant progress on the water delivery project and 5 of the 10 members are now receiving WISE water delivered through the core and local infrastructure. The District is one of five WISE project members participating in the Ridgeway Pipeline project (local infrastructure) and the construction finished in 2017. The District began engineering design on a pipeline to connect the District to Parker Water and Sanitation District local infrastructure to wheel the WISE water from the core infrastructure to the District's service area. The District will be online to receive WISE water in May 2018.

The Cherry Creek Project Water Authority is monitoring a purchase agreement with Meritage Homes to purchase property owned by the Authority. Meritage Homes is finalizing the planning and entitlement efforts with the Town of Parker to develop the property. The closing was expected at the end of 2017 but has been pushed due to schedule expansion in the review process with the Town of Parker. Closing on the property is now expected in April 2018. Meritage will pay the Authority for the property and the Authority will distribute the proceeds to the members.

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

Financial Highlights

- Net position increased \$2,384,007 while revenues increased 4.89% and expenses increased 6.85%.
- The net operating profit of \$424,097 was an increase of \$26,947 from last year. Excluding depreciation, the net operating income was \$4,044,323.
- Operating revenues increased 3.90% from the prior year.
- Operating expenses exclusive of depreciation decreased 3.87% from the prior year.
- Customers on line for water service at year end increased by 26 single-family residential equivalent units to 4,384 at year end.
- Funds available (current assets plus other assets less current liabilities exclusive of the current portion of long-term obligations) increased \$2,854,585 to \$12,091,380 at December 31, 2017.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The District's net position increased \$2,384,007 in 2017. Current assets increased \$2,067,328 and capital assets increased \$5,222,755.

Statement of Net Position

	December 31,		
	2017	2016	2015
Current assets	\$ 12,903,315	\$ 10,835,987	\$ 8,415,057
Other assets	315,231	315,231	1,518,057
Capital assets	104,421,939	99,199,184	95,609,529
Total assets	<u>117,640,485</u>	<u>110,350,402</u>	<u>105,542,643</u>
Current liabilities	2,854,263	3,608,611	2,911,132
Long-term liabilities	22,754,950	17,094,526	15,405,729
Total liabilities	<u>25,609,213</u>	<u>20,703,137</u>	<u>18,316,861</u>
Net position invested in capital assets	79,939,892	80,410,470	78,549,825
Restricted net position	3,306,472	3,296,055	3,290,603
Unrestricted net position	8,784,908	5,940,740	5,385,354
Total net position	<u>\$ 92,031,272</u>	<u>\$ 89,647,265</u>	<u>\$ 87,225,782</u>

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

Review of Change in Net Position

	December 31,		
	2017	2016	2015
Revenues			
Operating revenue			
Water services	\$ 5,762,506	\$ 5,582,882	\$ 4,968,957
Sewer services	2,362,852	2,237,631	2,085,750
Total operating revenue	<u>8,125,358</u>	<u>7,820,513</u>	<u>7,054,707</u>
Nonoperating revenue			
Investment income	63,639	23,925	14,188
Other	209,738	194,529	200,652
Contributions			
Tap fees, net of cost recovery payments	1,293,746	1,905,526	2,859,025
Contributed facilities	1,045,949	-	-
Other	122,417	410,334	72,431
Total other revenue	<u>2,735,489</u>	<u>2,534,314</u>	<u>3,146,296</u>
Total revenue	<u>10,860,847</u>	<u>10,354,827</u>	<u>10,201,003</u>
Expenses			
Operating expenses			
Water	1,882,748	2,080,589	1,988,424
Sewer	941,046	856,914	924,753
	<u>2,823,794</u>	<u>2,937,503</u>	<u>2,913,177</u>
General and administrative	1,257,241	1,350,554	1,310,217
Depreciation	3,620,226	3,135,306	2,700,890
Total operating expenses	<u>7,701,261</u>	<u>7,423,363</u>	<u>6,924,284</u>
Nonoperating expenses	<u>775,579</u>	<u>509,981</u>	<u>205,139</u>
Total expenses	<u>8,476,840</u>	<u>7,933,344</u>	<u>7,129,423</u>
Change in net position	2,384,007	2,421,483	3,071,580
Net position - Beginning	<u>89,647,265</u>	<u>87,225,782</u>	<u>84,154,202</u>
Net position - Ending	<u>\$ 92,031,272</u>	<u>\$ 89,647,265</u>	<u>\$ 87,225,782</u>

Operating revenue increased by \$304,845. Revenue from the sale of tap fees, net of cost recovery payments decreased \$611,780. Additionally, water services increased \$179,624 primarily due to the increase in water sales and irrigation fees in 2017.

Total operating expenses increased \$277,898 in 2017.

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

Budgetary Highlights

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

Actual revenue of the District was below the budgeted revenue by \$6,178,528 due to \$9,500,000 of loan proceeds and \$6,160,000 of developer contributions being budgeted for 2017 when actual loan proceeds came in at \$7,387,521 and developer contributions came in at \$1,045,949. Without this variance, actual revenue was above budgeted revenue by \$1,048,002 primarily as a result of more water and sewer charges.

Total actual expenditures of the District were less than the appropriation by \$9,790,689, which includes a positive variance of \$9,105,353 for capital expenditures, of which \$5,114,051 was related to developer contributions which did not occur due to delays in project approvals and commencement.

Capital Assets Activity

The activity related to capital assets is as follows:

	<u>December 31, 2016</u>	<u>Net Changes</u>	<u>December 31, 2017</u>
Land and easements	\$ 827,262	\$ -	\$ 827,262
Construction in process	6,112,867	2,505,703	8,618,570
Water system			
Water rights	12,177,082	-	12,177,082
Water facilities	65,973,071	5,504,457	71,477,528
Bingham Lake and Dam	542,502	-	542,502
Sewer system			
Sewer facilities	34,141,501	48,556	34,190,057
Wastewater treatment plant	13,799,079	654,072	14,453,151
Buildings	1,813,702	-	1,813,702
Equipment and vehicles	1,175,812	130,193	1,306,005
Total capital assets	<u>136,562,878</u>	<u>8,842,981</u>	<u>145,405,859</u>
Accumulated depreciation	<u>(37,363,694)</u>	<u>(3,620,226)</u>	<u>(40,983,920)</u>
Net capital assets	<u>\$ 99,199,184</u>	<u>\$ 5,222,755</u>	<u>\$ 104,421,939</u>

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

The 2017 activity relating to capital assets reflects costs incurred by the District relating to the construction of water wells, sewer lines, replacement of equipment at the wastewater treatment plant, and capitalization of net interest expense on water projects.

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

	December 31, 2015	Net Changes	December 31, 2016
Land and easements	\$ 827,262	\$ -	\$ 827,262
Construction in process	10,916,544	(4,803,677)	6,112,867
Water system			
Water rights	11,849,384	327,698	12,177,082
Water facilities	54,887,523	11,085,548	65,973,071
Bingham Lake and Dam	542,502	-	542,502
Sewer system			
Sewer facilities	34,056,945	84,556	34,141,501
Wastewater treatment plant	13,784,285	14,794	13,799,079
Buildings	1,813,702	-	1,813,702
Equipment and vehicles	1,159,770	16,042	1,175,812
Total capital assets	<u>129,837,917</u>	<u>6,724,961</u>	<u>136,562,878</u>
Accumulated depreciation	<u>(34,228,388)</u>	<u>(3,135,306)</u>	<u>(37,363,694)</u>
Net capital assets	<u>\$ 95,609,529</u>	<u>\$ 3,589,655</u>	<u>\$ 99,199,184</u>
	December 31, 2014	Net Changes	December 31, 2015
Land and easements	\$ 827,262	\$ -	\$ 827,262
Construction in process	9,783,806	1,132,738	10,916,544
Water system			
Water rights	11,492,515	356,869	11,849,384
Water facilities	49,721,676	5,165,847	54,887,523
Bingham Lake and Dam	542,502	-	542,502
Sewer system			
Sewer facilities	34,016,133	40,812	34,056,945
Wastewater treatment plant	13,694,675	89,610	13,784,285
Buildings	1,813,702	-	1,813,702
Equipment and vehicles	1,099,211	60,559	1,159,770
Total capital assets	<u>122,991,482</u>	<u>6,846,435</u>	<u>129,837,917</u>
Accumulated depreciation	<u>(31,547,754)</u>	<u>(2,680,634)</u>	<u>(34,228,388)</u>
Net capital assets	<u>\$ 91,443,728</u>	<u>\$ 4,165,801</u>	<u>\$ 95,609,529</u>

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

Long-Term Debt

All scheduled payments of principal and interest on the District's outstanding debt were paid as required during 2017.

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

Economic Factors and Next Year's Budgets and Rates

For 2018, the District has budgeted revenue from water and sewer charges of \$7,566,500, which is \$282,300 higher compared with 2017 budgeted figures. The District has also budgeted \$690,000 of water project fees that are intended to help fund the construction of future water improvement projects. \$3,870,000 of loan proceeds has been budgeted to fund planned capital outlay in 2018. 2018 operating expenses are budgeted at \$4,236,440, which is \$611,790 higher compared with 2017 budget amounts.

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

Request for Information

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

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

BASIC FINANCIAL STATEMENTS

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,932,983	\$ 6,415,551
Cash and cash equivalents - Restricted	3,306,472	3,296,055
Certificates of deposits	-	502,780
Accounts receivable	481,410	588,083
Prepaid expenses	182,450	33,518
Total current assets	12,903,315	10,835,987
OTHER ASSETS		
Unutilized taps service charge receivable	315,231	315,231
Total other assets	315,231	315,231
CAPITAL ASSETS - NET	104,421,939	99,199,184
TOTAL ASSETS	\$ 117,640,485	\$110,350,402
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts and retainage payable	\$ 778,644	\$ 1,607,006
Accrued payroll	62,395	50,586
Interest payable	286,127	256,831
Current maturities of long-term obligations	1,727,097	1,694,188
Total current liabilities	2,854,263	3,608,611
LONG-TERM OBLIGATIONS	22,754,950	17,094,526
NET POSITION		
Net investment in capital assets	79,939,892	80,410,470
Restricted	3,306,472	3,296,055
Unrestricted	8,784,908	5,940,740
Total net position	92,031,272	89,647,265
TOTAL LIABILITIES AND NET POSITION	\$ 117,640,485	\$110,350,402

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended December 31, 2017 and 2016

	2017	2016
WATER OPERATIONS		
Revenues	\$ 5,762,506	\$ 5,582,882
Direct water expenses	1,882,748	2,080,589
Depreciation - Water	2,575,902	2,070,092
Gross profit from water operations	1,303,856	1,432,201
SEWER OPERATIONS		
Revenues	2,362,852	2,237,631
Direct sewer expenses	941,046	856,914
Depreciation - Sewer	945,743	935,568
Gross profit from sewer operations	476,063	445,149
Total gross profit from operations	1,779,919	1,877,350
GENERAL AND ADMINISTRATIVE EXPENSES		
General and administrative	1,257,241	1,350,554
Depreciation	98,581	129,646
INCOME FROM OPERATIONS	424,097	397,150
NONOPERATING REVENUES	273,377	218,454
NONOPERATING EXPENSES	775,579	509,981
INCOME (LOSS) BEFORE CONTRIBUTIONS	(78,105)	105,623
CAPITAL CONTRIBUTIONS	2,462,112	2,315,860
CHANGE IN NET POSITION	2,384,007	2,421,483
TOTAL NET POSITION - BEGINNING OF YEAR	89,647,265	87,225,782
TOTAL NET POSITION - END OF YEAR	\$ 92,031,272	\$ 89,647,265

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 8,196,486	\$ 7,731,422
Payments to suppliers	(2,722,946)	(2,525,260)
Payments to employees and related expenses	(1,607,937)	(1,614,794)
Other (payments)	36,105	40,247
Net cash provided by operating activities	3,901,708	3,631,615
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ready to serve fees	52,928	61,616
Other income	138,310	132,913
Net cash provided by noncapital financing activities	191,238	194,529
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of assets	18,500	-
Loan proceeds	7,387,521	3,382,985
Contributions in aid of construction		
Tap fees	1,410,850	2,024,730
Other contributed capital	1,045,949	-
Receipts from unutilized taps service charges	122,417	-
Receipts from notes receivable	-	1,743,058
Acquisition of property, plant and equipment	(9,675,722)	(6,352,788)
Interest and paying agent fees	(759,892)	(528,717)
Debt principal reduction	(1,680,580)	(1,639,502)
Net cash (required) by capital and related financing activities	(2,130,957)	(1,370,234)

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016
(Continued)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments matured	502,780	-
Net investment income received	63,080	19,929
Net cash provided by investing activities	565,860	19,929
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 2,527,849	 2,475,839
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 9,711,606	 7,235,767
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ 12,239,455	 \$ 9,711,606
 Reconciliation of operating income to net cash provided by operating activities		
Income from operations	\$ 424,097	\$ 397,150
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation	3,620,226	3,135,306
Decrease (increase) in accounts receivable	107,233	(48,844)
Increase (decrease) in accounts payable	(100,916)	170,152
Decrease (increase) in prepaid expenses	(148,932)	(22,149)
Net cash provided by operating activities	\$ 3,901,708	\$ 3,631,615

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

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

Budgets

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

Cash Equivalents

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

Property Taxes

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

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

The District filed a zero mill levy certification for collection in 2017.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

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

Tap Fees and Contributed Lines

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

Cost Recovery Contracts

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

Water Rights

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

Amortization – Original Issue Discount/Premium

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

Board Designations

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

	<u>2017</u>	<u>2016</u>
Ground water protection	\$ 333,549	\$ 307,842
Rate stabilization reserve	1,000,000	1,000,000
Medical benefits reserve	56,686	56,686
Well rehab	389,501	400,000
Total Board designated amounts	<u>\$ 1,779,736</u>	<u>\$ 1,764,528</u>

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2017 and 2016 are classified in the accompanying financial statements as follows:

	<u>2017</u>	<u>2016</u>
Statement of net position:		
Cash and cash equivalents	8,932,983	\$ 6,415,551
Cash and cash equivalents - Restricted	3,306,472	3,296,055
Certificates of deposits	-	502,780
Total cash and investments	<u>\$ 12,239,455</u>	<u>\$ 10,214,386</u>

Cash and cash equivalents as of December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Deposits with financial institutions	\$ 6,259,290	\$ 5,586,366
Cash on hand	100	100
Investments	5,980,065	4,627,920
Less: Certificates of deposit	-	(502,780)
Total cash and cash equivalents	<u>\$ 12,239,455</u>	<u>\$ 9,711,606</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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

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

At December 31, 2017 and 2016 the District had the following deposits with financial institutions:

	<u>2017</u>	<u>2016</u>
Bank balance		
Insured deposits	\$ 250,000	\$ 250,000
Deposits collateralized in single institution pools	<u>6,156,357</u>	<u>5,494,099</u>
	<u>\$ 6,406,357</u>	<u>\$ 5,744,099</u>
Carrying balance		
Insured deposits	\$ 250,000	\$ 250,000
Deposits collateralized in single institution pools	<u>6,009,290</u>	<u>5,336,366</u>
	<u>\$ 6,259,290</u>	<u>\$ 5,586,366</u>

Investments

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

As of December 31, 2017 and December 2016, the District had the following investments:

Investment	Maturity	Amount	
		2017	2016
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 3,914,982	\$ 3,874,763
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	2,065,083	753,157
		<u>\$ 5,980,065</u>	<u>\$ 4,627,920</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 - LONG-TERM RECEIVABLES

Long-term receivable activity for the years ended December 31, 2017 and 2016 was as follows:

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Amounts Due Within One Year
Unutilized taps service charge receivable	\$ 315,231	\$ -	\$ -	\$ 315,231	\$ -
Total long-term receivables	<u>\$ 315,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,231</u>	<u>\$ -</u>
	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Amounts Due Within One Year
Canyons agreement	\$ 1,674,781	\$ -	\$ 1,674,781	\$ -	\$ -
Unutilized tap service charge receivable	-	315,231	-	315,231	-
Total long-term receivables	<u>\$ 1,674,781</u>	<u>\$ 315,231</u>	<u>\$ 1,674,781</u>	<u>\$ 315,231</u>	<u>\$ -</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4 - LONG-TERM RECEIVABLES (CONTINUED)

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

Intergovernmental Agreement - Canyons

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

Pursuant to the second amendment that District signed with the Developer on November 16, 2016. The Developer paid \$1,674,781 for the purchase of 507 taps and \$33,800 for the purchase of five (5) additional single family equivalent sewer taps. Furthermore, the total amount due as of December 1, 2017 for service charges and accrued interest of \$315,231 is deferred until the earlier of December 1, 2019 or such time as the construction of the interceptor.

Pursuant to the third amendment that the District signed with the Developer on July 19, 2017, the Developer paid \$122,417 for service charge for 367 unutilized taps using the current year's wholesale wastewater service rate as published by the District.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2017 and 2016 was as follows:

	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Retirements/ Reclassi- fications</u>	<u>Balance December 31, 2017</u>
Capital assets, not being depreciated				
Land and easements	\$ 827,262	\$ -	\$ -	\$ 827,262
Water rights	12,177,082	-	-	12,177,082
Construction in progress	6,112,867	4,888,325	(2,382,622)	8,618,570
Capital assets, being depreciated				
Water facilities	65,973,071	5,504,457	-	71,477,528
Bingham Lake and Dam	542,502	-	-	542,502
Sewer facilities	34,141,501	48,556	-	34,190,057
Wastewater treatment plant	13,799,079	654,072	-	14,453,151
Buildings	1,813,702	-	-	1,813,702
GIS program	215,595	18,867	-	234,462
Office and field equipment	271,408	12,938	-	284,346
Vehicles	688,809	98,388	-	787,197
Total historical cost	<u>136,562,878</u>	<u>11,225,603</u>	<u>(2,382,622)</u>	<u>145,405,859</u>
Less accumulated depreciation for:				
Water facilities	(19,260,845)	(2,562,095)	-	(21,822,940)
Bingham Lake and Dam	(291,708)	(13,807)	-	(305,515)
Sewer facilities	(7,493,377)	(534,397)	-	(8,027,774)
Wastewater treatment plant	(7,960,453)	(411,346)	-	(8,371,799)
Buildings	(1,360,554)	(27,605)	-	(1,388,159)
GIS program	(134,303)	(15,547)	-	(149,850)
Office and field equipment	(242,235)	(17,567)	-	(259,802)
Vehicles	(620,219)	(37,862)	-	(658,081)
Total accumulated depreciation	<u>(37,363,694)</u>	<u>(3,620,226)</u>	<u>-</u>	<u>(40,983,920)</u>
Total capital assets, net	<u>\$99,199,184</u>	<u>\$ 7,605,377</u>	<u>\$ (2,382,622)</u>	<u>\$ 104,421,939</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Depreciation expense for the years ended December 31, 2017 and 2016 was charged to the following operations:

	<u>2017</u>	<u>2016</u>
Water	\$ 2,575,902	\$ 2,070,092
Sewer	945,743	935,568
General and administrative	98,581	129,646
Total	<u>\$ 3,620,226</u>	<u>\$ 3,135,306</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the years ended December 31, 2017 and 2016 was as follows:

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Amounts Due Within One Year
CWRPDA loan - 2002	\$ 2,675,000	\$ -	\$ 350,000	\$ 2,325,000	\$ 355,000
CWRPDA loan - 2005	2,665,000	-	230,000	2,435,000	240,000
Refinancing note - 2010	8,045,669	-	440,174	7,605,495	457,734
CWCB loan A - 2014	1,806,484	-	39,950	1,766,534	41,148
CWCB loan B - 2014	394,470	1,331,441	-	1,725,911	-
CWCB loan D - 2014	152,981	57,684	-	210,665	-
CWRPDA loan - 2015	2,958,970	5,998,397	620,456	8,336,911	620,491
	<u>18,698,574</u>	<u>7,387,522</u>	<u>1,680,580</u>	<u>24,405,516</u>	<u>1,714,373</u>
Plus loan premium	90,140	-	13,609	76,531	12,724
Total long-term obligations	<u>\$ 18,788,714</u>	<u>\$ 7,387,522</u>	<u>\$ 1,694,189</u>	<u>\$ 24,482,047</u>	<u>\$ 1,727,097</u>

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

Loan Agreements

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The components of the loan interest expense for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Interest	\$ 27,095	\$ 45,460
Administrative fee	<u>57,274</u>	<u>57,274</u>
	<u>\$ 84,369</u>	<u>\$ 102,734</u>

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

The components of this loan interest expense for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Interest	\$ 39,440	\$ 53,206
Administrative fee	<u>38,400</u>	<u>38,400</u>
	<u>\$ 77,840</u>	<u>\$ 91,606</u>

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

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

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

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

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The components of this loan interest expense for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Interest	\$ 81,611	\$ 85,369
Administrative fee	117,563	117,563
	<u>\$ 199,174</u>	<u>\$ 202,932</u>

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,714,373	\$ 720,002	\$ 2,434,375
2019	1,756,895	682,197	2,439,092
2020	1,790,183	646,089	2,436,272
2021	1,832,261	603,636	2,435,897
2022	1,895,164	539,860	2,435,024
2023-2027	8,139,757	1,983,906	10,123,663
2028-2032	5,866,516	1,051,624	6,918,140
2033-2037	3,486,192	333,997	3,820,189
2038-2042	394,566	76,155	470,721
2043-2045	266,297	16,135	282,432
Total payments	27,142,204	6,653,601	33,795,805
Less amounts due within one year	(1,714,373)	(720,002)	(2,434,375)
Long-term portion	<u>\$ 25,427,831</u>	<u>\$ 5,933,599</u>	<u>\$ 31,361,430</u>

Note: The schedule assumes that all of the 2015 CWRPDA available loan proceeds are drawn.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 7 - NET POSITION

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

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017 and 2016, the District had the following net investment in capital assets, calculated as follows:

	2017	2016
Net investment in capital assets:		
Capital assets, net	\$ 104,421,939	\$ 99,199,184
Current portion of long-term obligations	(1,727,097)	(1,694,188)
Noncurrent portion of long-term obligations	(22,754,950)	(17,094,526)
Net investment in capital assets	\$ 79,939,892	\$ 80,410,470

The restricted component of net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of \$3,306,472 and \$3,296,055 as of December 31, 2017 and 2016, respectively, for payment of future debt service requirements, capital improvements and emergency reserves as required by Article X, Section 20 of the Constitution of the State of Colorado.

NOTE 8 - EMPLOYEE BENEFIT PLAN

Deferred Compensation Plan

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

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS

Intergovernmental Agreement - Pinery West

On October 30, 2002, the District entered into an agreement with Pinery West Metropolitan District No. 1 (Pinery West), whereby the Developer will construct certain infrastructure improvements and subsequently convey the improvements to Pinery West, who in turn conveyed the improvements to the District. The cost of certain improvements are eligible for reimbursement to the Developer through a portion of the tap fees collected from the property owners, but shall not exceed the actual costs without interest, of such improvements. Pinery West subsequently assigned its reimbursement rights to the Developer. The amount to be allocated from tap fees towards such reimbursable items is \$7,584 per tap. The District remitted \$53,088 and \$45,504, respectively, for 7 and 6 tap fees, respectively, collected during 2017 and 2016 related to this agreement.

During 2007, and with the infrastructure improvements completed, the District performed an analysis of the actual costs incurred. Based upon the analysis, the District will make a reimbursement of \$7,584 per tap for a total of 816 taps or \$6,188,544. From 2002 through 2017, the District reimbursed \$5,566,656 for 734 taps; therefore, remaining future reimbursement is \$621,888 for 82 taps.

The District also agreed to collect an additional fee from property owners in the amount of \$800 per dwelling unit, the proceeds of which will be used to reimburse the Developer the cost of constructing a golf course well. During 2017 and 2016 the District collected 7 and 6 taps, respectively, and paid \$5,600 and \$4,800 in 2017 and 2016, respectively.

Intergovernmental Agreement - Town of Castle Rock

On August 11, 2004, the District amended and restated, in its entirety, the original agreement by and between the District and the Town of Castle Rock (Town). The Town shall construct (or cause others to construct), at no cost to the District, the interceptor required to connect the point of individual discharge within the Town limits to the southern-most point on the "Pinery West Line". The Town shall own and maintain that portion of the Town Interceptor between the points of individual discharge and the Flow Metering Station. The District shall own and maintain all lines and appurtenances from and including the Flow Metering Station to the Plant. During 2007, the Flow Metering Station was contributed to the District at a value of \$163,000. The District agrees to treat up to 0.29 million gallons per day average annual flow of wastewater discharged from the Town's sanitary sewer system exclusively from the Liberty Village Service Area. A flow metering station to measure the wastewater flows from the Liberty Village Service Area (FMS) shall be installed by the Town, at the Town's expense, in conjunction with the Town's construction and connection of the Town Interceptor.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

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

Each tap shall continue to be charged such fee until one of the following occurs: 1) such tap is placed in service and a monthly service charge is paid to the District, or 2) all right, title and interest to such tap is transferred to the District, free and clear of liens and encumbrances which transfer the District shall accept, provided, however, that the District shall not be required to accept transfer of more than 150 single family residential sewer taps without the express consent of the District. The District will impose and collect user charges for the services provided by the District under the Agreement (the Service Charges). The service charges shall be based upon the wastewater flows measured at the FMS, applying the current schedule of rates set forth by the District. As of December 31, 2017, 80 certificates of occupancy have been issued.

Intergovernmental Agreement - Canyons

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

The parties acknowledge and agree that the property located immediately to the east and north of the Property is to be served with sanitary sewer services by the District through an agreement by and between the District and Pinery West Metropolitan District No. 1 (Pinery West). Based upon the anticipated construction by the Developer, the District shall sell and the Developer has agreed to purchase 968 single family equivalent units of wastewater treatment capacity.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

The District agrees to treat up to 0.24 million gallons per day (mgd) average annual flow of wastewater, but not more than 0.27 mgd monthly average flow of wastewater discharged from the Developer's sanitary sewer system from the Property.

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

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

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

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

On July 19, 2017, the District entered into the third amendment to this agreement with the Developer which was satisfied as of December 31, 2017. Pursuant to the third amendment, the Developer has agreed to pay \$122,417, on or before January 1, 2018, for monthly service charge of unutilized taps using the current year's wholesale wastewater service rate as published by the District.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

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

- 2017 – 367
- 2018 – 413
- 2019 – 461
- 2020 – 461
- 2021 – 461
- 2022 – 461
- 2023 – 461
- 2024 – 461
- 2025 – 461
- 2026 – 461
- 2027 – 968
- 2028 and for each calendar year thereafter – 968 or such lesser amount calculated as described above, until all taps fully utilized

In addition to the payment indicated above, the Developer agreed to purchase five (5) additional single family equivalent sewer taps, totaling \$33,800, by December 1, 2016. Both payments, \$1,674,781 and \$33,800, were received by the District in November 2016.

Intergovernmental Agreement - The Timbers

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

During 2005, the District constructed Reservoir 4 and the Developer has paid the agreed upon sum of \$800,000 to the District. This amount is eligible for reimbursement through a portion of the tap fees paid by the owners of lots within the property from and after January 1, 2005. The amount to be allocated from tap fees towards such reimbursable items shall be set at \$4,500 per tap and will not be subject to adjustments at the time the District initiates an increase in its tap fee structure.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

On December 13, 2017, the agreement was amended to acknowledge Timbers Development Group, Inc and Timbers Investment 2015, LLC as the successors in interest to the Pinery Joint Venture and shall be deemed as the "Developer" and the lawful owners of all benefits and entitlements under the SIA, including, but not limited to the right to receive reimbursements under the Agreement. From April 2005 through January 2015, the District has reimbursed a total amount of \$544,500. In 2017, the District has paid an additional \$121,500, as agreed by all Parties as the reimbursement due for the 27 taps that the District has collected between January 2015 and August 2017. The remaining balance of \$134,500 will become due and payable to the Developer as tap fees are received by the District after August 31, 2017.

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

Developer Service Agreement – Stone Creek Ranch

On August 17, 2016, the District entered into an agreement with Choke Cherry Investors, LLC (the Developer) in connection with a development known as the "Stone Creek Ranch" (the Property). Pursuant to the agreement, the Developer intends to develop a residential community and has requested approval for 335 SFEs on the Property (to serve 329 new residential units, 2 existing residential units and a community center). The Developer has also requested an amount of water, not to exceed 100 acre feet annually, for common area irrigation. The District shall provide water service to the Property through central collection and distribution system of the District, with sewage collection, treatment and disposal to be provided through the District's central wastewater systems.

The Parties acknowledge that the Developer shall convey all water and water rights, interests in land, and well site easements and pipeline easements related to the Property to the District. In addition, the Developer shall grant to the District such additional perpetual non-exclusive easements as required by the District for the construction, operation, use, maintenance, replacement and/or removal of well facilities, water lines, water mains, sewer mains, sewer lines and related facilities and appurtenances.

Furthermore, all facilities required in order to provide water and sewer services to the Property must be paid for by the Developer and dedicated to the District. All water lines extending from a water meter pit to a residence, building or other structure being furnished with water service, and all sanitary sewer lines extending from a public sewer main to a residence, building or other source of sanitary wastes, shall be collectively referred to as "Service Lines". Such Service Lines are typically installed by the builder(s) and remain the property and responsibility of such owner(s) and shall not be dedicated to, accepted, owned or maintained by the District.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

The Parties also acknowledge that the District will pay for the cost of upsizing of waterline in Interlocken Street from 12" to 16". In addition, the District will pay for the increased cost to the Developer for the installation of fiber optic in Interlocken Street and Scott Road. According to the District's rules and regulations, which shall apply to the Property – (1) no person may use water supplied by the District without first obtaining a certificate of occupancy, building permit or the written permission of the District to do so; (2) all water provided by the District shall be used only for "domestic purposes"; and (3) no water well may be drilled on the Property except by the District or with the written consent of the District.

NOTE 10 - WATER PROJECT FEE

On January 12, 2011, the Board of Directors of the District established a water project fee to fund necessary water supply projects within the District. The water supply projects anticipated to be funded by the water project fee include, but are not limited to, additional Denver Basin wells to offset the declining production in the Denver Basin aquifers, investment and development of renewable water supply projects, and other projects as approved by the Board of Directors. The fee was effective March 1, 2011, and will continue until further resolution of the Board of Directors. During 2017 and 2016, the District collected \$696,744 and \$680,725 of water project fees, respectively.

NOTE 11 - AUTHORITY PARTICIPATION

The District is a member of the Cherry Creek Project Water Authority and the South Metro Water Supply Authority. Capital projects of the respective authorities are documented via project participation agreements. Operating contributions to these organizations were \$45,348 in 2017 and \$37,479 in 2016.

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

There are engineering design and construction contracts that have been entered into by WISE in order to begin taking deliveries of water in 2018. It is currently anticipated that the District will be responsible for approximately \$2,000,000 of the capital costs to transport water, in addition to an annual water purchase cost of approximately \$917,000 for 500 acre-feet of water. Additionally, there will be WISE operations, maintenance, and capital costs. The variable pumping costs and the District's share of operating and maintenance costs will be billed based upon the volume of water received by the District.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. 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 13 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 14 – SUBSEQUENT EVENTS

Cielo Agreement

The District, Parker Water and Sanitation District (PWSD) and Cielo Metropolitan District (CMD) are finalizing an intergovernmental agreement, which is anticipated to be executed in the Spring of 2018. Pursuant to the agreement, the District desires to acquire dedicated capacity in a PWSD water pipeline through property located in the boundaries of CMD (Cielo Service Area) and PWSD and CMD desire to obtain wastewater treatment services from the District.

According to the agreement, CMD shall design and construct the 16” diameter water pipeline extending from a point of connection with PWSD’s existing pipeline located at a point near Stroh Road to a location adjacent to the District’s Chapman Pump Station. The water pipeline shall be constructed within the existing easements obtained by PWSD located in the CMD boundaries. The District shall reimburse CMD for the difference in costs of oversizing the water pipeline from a 12” to a 16” diameter pipeline. The water pipeline shall be completed by CMD and be operational by a certain date defined in the final agreement.

Upon completion, the water pipeline shall be dedicated to PWSD for operation and maintenance and the PWSD shall grant to the District an irrevocable perpetual license coupled with the interest to use. CMD’s obligation to perform all obligations outlined in the agreement shall be secured by the deposit of funds in an amount equal to 120% of an engineer’s estimate of the construction cost of the water pipeline, payable to the District (the Deposit). In the event CMD does not commence construction of the water pipeline by the set date, the District may take over the construction and withdraw amounts from the Deposit to complete the construction of the water pipeline.

The District shall sell to PWSD 343 SFE units of wastewater treatment capacity. PWSD shall pay the District the total amount of \$1,085,242 – (a) 20% (\$217,048) shall be payable prior to the issuance of the first building permit in the Cielo Service Area, but not later than January 5, 2019, whichever occurs first; and (b) 20% (\$217,048) shall be payable each successive calendar year, on the anniversary of the initial payment, until the total amount has been paid. If, on any annual anniversary of the initial payment an amount derived by multiplying the total number of SFE's being served by the District within the Cielo Service Area by \$3,164 has not been paid by PWSD to the District, an amount equal to any deficiency shall be paid to the District together with the installment payment due on said anniversary date.

On or before the 10th day of each month, PWSD shall forward to the District a list of residential tap connections made in the Cielo Service Area for the preceding month, including information regarding the location of each tap. The District will impose and collect user charges for the services provided by the District. The District shall bill the service charges to PWSD monthly. Payment is due 30 days from the invoice date; otherwise, interest on the unpaid amount shall be assessed at a monthly rate of 1% per month. For each SFE issued that is not utilized on or after January 5, 2023, a monthly fee-in-lieu of service charge shall be assessed and payable in an amount equivalent to 50% of what would have been assessed as the monthly service charge had said SFE been connected.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 14 – SUBSEQUENT EVENTS (CONTINUED)

Wheeling and Capacity Allocation Agreement

The District and Parker Water and Sanitation District (PWSD) are finalizing an intergovernmental agreement, which is anticipated to be executed in the Spring of 2018. The District and PWSD have negotiated to share the costs of capacity, maintenance, repair, replacement and operation of the Ridgeway Pipeline and the portions of the PWSD's existing water infrastructure that is used by the District.

Pursuant to the agreement, PWSD will transport the District's WISE water through the local WISE infrastructure and PWSD's existing infrastructure. The District has already paid the capital cost for 1.5 million gallons per day (mgd) of capacity in the Ridgeway Pipeline. Upon execution of this agreement, the District shall pay \$828,151 to PWSD to secure 1.0 mgd of uninterrupted and permanent capacity in PWSD's existing infrastructure. Furthermore, PWSD will operate and maintain all of the infrastructure segments in good working order and cover the cost of all future capital replacement. PWSD will charge a "wheeling" rate per 1,000 gallons for the volume of water delivered to the District and make available additional capacity if necessary to transport the District's water at flow rates above 1.0 mgd for \$1.80 per 1,000 gallons.

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

SUPPLEMENTARY INFORMATION

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended December 31, 2017 and 2016

	2017	2016
WATER OPERATIONS		
Revenues		
Water sales	\$ 4,096,965	\$ 3,975,009
Water supply project fee	696,744	680,275
Irrigation and hydrant fees	844,004	794,830
Ground water protection fees	24,834	24,079
IREA rebates	36,105	40,247
Other	63,854	68,442
Total revenues	5,762,506	5,582,882
Direct water expenses		
Depreciation	2,575,902	2,070,092
Auto expenses/vehicle maintenance	28,629	25,978
Communications	72	1,453
Employee benefits	185,131	183,191
Laboratory testing and chemicals	124,924	126,693
Legal	37,409	325,436
Outside services	55,380	51,180
Payroll taxes	49,077	42,104
Repairs, maintenance and supplies	150,589	207,408
Salaries and related costs	657,368	551,937
Small tools and safety items	10,891	7,575
Utilities	583,278	557,634
Total direct water expenses	4,458,650	4,150,681
Gross profit from water operations	1,303,856	1,432,201

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended December 31, 2017 and 2016
(Continued)

	2017	2016
SEWER OPERATIONS		
Revenues		
Sewer user charges	2,362,852	2,237,631
Total revenues	2,362,852	2,237,631
 Direct sewer expenses		
Depreciation	945,743	935,568
Auto expenses/vehicle maintenance	5,959	6,071
Cherry Creek Basin fees	17,570	11,010
Communications	343	1,630
Employee benefits	97,694	99,142
Laboratory testing and chemicals	86,597	64,692
Outside services	5,584	10,402
Repairs and maintenance - System	67,321	9,025
Repairs and maintenance - Plant	41,661	59,928
Salaries and related costs	327,837	315,228
Payroll taxes	24,965	24,521
Sludge disposal	69,298	58,815
Small tools and safety items	9,076	1,418
Utilities	187,141	195,032
Total direct sewer expenses	1,886,789	1,792,482
Gross profit from sewer operations	476,063	445,149
Total gross profit from operations	1,779,919	1,877,350
 GENERAL AND ADMINISTRATIVE EXPENSES		
Depreciation - Office building and equipment	98,581	129,646
Accounting and audit	91,005	102,619
Admin vehicle	-	1,871
Billing systems service	14,452	49,112
Data processing	33,039	35,497
Directors' fees	6,900	5,800
Dues and seminars	19,538	26,157
Employee benefits	87,714	87,889
Insurance	113,658	108,686
Legal	121,283	143,838
Miscellaneous	8,922	9,988

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended December 31, 2017 and 2016
(Continued)

	<u>2017</u>	<u>2016</u>
Office expense	17,901	16,216
Outside services	69,592	29,976
Repairs and maintenance - Office	8,056	48,350
Salaries and related costs	283,594	374,532
Payroll taxes	21,872	27,743
Safety and training	28,909	18,879
Security services	18,113	19,240
Conservation	5,000	7,500
Customer communications	54,629	37,224
Utilities	25,480	19,070
Paying agent fees	1,500	1,500
CCPWA assessment	20,489	20,489
SMWSA assessment	24,859	16,990
CCPWA water purchase	7,935	-
WISE participation - operations	172,801	141,388
Total general and administrative expenses	<u>1,355,822</u>	<u>1,480,200</u>
INCOME FROM OPERATIONS	<u>424,097</u>	<u>397,150</u>
NONOPERATING REVENUES		
Net investment income	63,639	23,925
Ready to serve fees - Water	28,813	32,274
Ready to serve fees - Sewer	24,115	29,342
Cherry Creek Project Water Authority	56,770	26,963
Other income	81,540	105,950
Net gain (loss) on disposition of assets	18,500	-
Total nonoperating revenues	<u>273,377</u>	<u>218,454</u>
NONOPERATING EXPENSES		
Interest and paying agent fees	775,579	509,981
Total nonoperating expenses	<u>775,579</u>	<u>509,981</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(78,105)</u>	<u>105,623</u>
CAPITAL CONTRIBUTIONS		
Tap fees - Water	1,150,740	1,659,690
Tap fees - Sewer	260,110	365,040
Cost recovery payments	(117,104)	(119,204)
Canyon's revenue	122,417	410,334
Developer contributions	1,045,949	-
Total capital contributions	<u>2,462,112</u>	<u>2,315,860</u>
CHANGE IN NET POSITION	<u>\$ 2,384,007</u>	<u>\$ 2,421,483</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance
WATER OPERATING INCOME			
Water sales	\$ 3,600,000	\$ 4,096,965	\$ 496,965
Water supply project fee	685,000	696,744	11,744
Irrigation and hydrant fees	530,000	844,004	314,004
Ground water protection fees	25,000	24,834	(166)
IREA rebates	-	36,105	36,105
Other	40,000	63,854	23,854
Total water operating income	<u>4,880,000</u>	<u>5,762,506</u>	<u>882,506</u>
WATER OPERATING EXPENSES			
Auto expenses/vehicle maintenance	40,000	28,629	11,371
Communications	12,000	72	11,928
Employee benefits	216,000	185,131	30,869
Laboratory testing and chemicals	185,000	124,924	60,076
Legal	30,000	37,409	(7,409)
Outside services	75,000	55,380	19,620
Payroll taxes	41,750	49,077	(7,327)
Repairs, maintenance and supplies	260,000	150,589	109,411
Salaries and related costs	586,150	657,368	(71,218)
Small tools and safety items	8,500	10,891	(2,391)
Utilities	790,000	583,278	206,722
Total water operating expenses	<u>2,244,400</u>	<u>1,882,748</u>	<u>361,652</u>
Gross profit from water operations	<u>2,635,600</u>	<u>3,879,758</u>	<u>1,244,158</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2017

(Continued)

	Original and Final Budget	Actual	Variance
SEWER OPERATING INCOME			
Sewer user charges	2,319,200	2,362,852	43,652
Total sewer operating income	<u>2,319,200</u>	<u>2,362,852</u>	<u>43,652</u>
SEWER OPERATING EXPENSES			
Auto expenses/vehicle maintenance	15,000	5,959	9,041
Cherry Creek Basin fees	15,500	17,570	(2,070)
Communications	2,500	343	2,157
Employee benefits	105,000	97,694	7,306
Laboratory testing and chemicals	80,000	86,597	(6,597)
Outside services	10,000	5,584	4,416
Repairs and maintenance - System	67,500	67,321	179
Repairs and maintenance - Plant	67,500	41,661	25,839
Salaries and related costs	337,680	327,837	9,843
Payroll taxes	26,770	24,965	1,805
Sludge disposal	84,500	69,298	15,202
Small tools and safety items	5,000	9,076	(4,076)
Utilities	205,500	187,141	18,359
Total sewer operating expenses	<u>1,022,450</u>	<u>941,046</u>	<u>81,404</u>
Gross profit from sewer operations	<u>1,296,750</u>	<u>1,421,806</u>	<u>125,056</u>
Gross profit from operations	<u>3,932,350</u>	<u>5,301,564</u>	<u>1,369,214</u>
NONOPERATING REVENUES			
Net investment income	15,000	63,639	48,639
Ready to serve fees - Water	30,000	28,813	(1,187)
Ready to serve fees - Sewer	30,000	24,115	(5,885)
Late charges	40,000	58,994	18,994
Developer contributions	6,160,000	1,045,949	(5,114,051)
Cherry Creek Project Water Authority	10,000	56,770	46,770
Other income	45,000	22,546	(22,454)
Proceeds from asset disposition	15,000	18,500	3,500
Loan proceeds	9,500,000	7,387,521	(2,112,479)
Contributions in aid of construction			
Tap fees - Water	1,229,400	1,150,740	(78,660)
Tap fees - Sewer	270,400	260,110	(10,290)
Canyons revenue	-	122,417	122,417
Total nonoperating revenue	<u>17,344,800</u>	<u>10,240,114</u>	<u>(7,104,686)</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2017

(Continued)

	Original and Final Budget	Actual	Variance
NONOPERATING EXPENSES			
Accounting and audit	81,000	91,005	(10,005)
Admin vehicle	1,500	-	1,500
Billing systems service	7,000	14,452	(7,452)
Data processing	45,000	33,039	11,961
Directors' fees	7,000	6,900	100
Dues and seminars	40,000	19,538	20,462
Employee benefits	122,000	87,714	34,286
Insurance	110,000	113,658	(3,658)
Paying agent fees	1,500	1,500	-
Legal	120,000	121,283	(1,283)
Miscellaneous	7,000	8,922	(1,922)
Office expense	20,000	17,901	2,099
Outside services	90,000	69,592	20,408
Repairs and maintenance - Office	20,000	8,056	11,944
Salaries and related costs	360,000	283,594	76,406
Payroll taxes	27,350	21,872	5,478
Safety and training	22,000	28,909	(6,909)
Security services	20,000	18,113	1,887
Conservation	15,000	5,000	10,000
Customer communications	40,000	54,629	(14,629)
Utilities	10,500	25,480	(14,980)
CCPWA assessment	31,000	20,489	10,511
SMWSA assessment	25,000	24,859	141
CCPWA water purchase	20,000	7,935	12,065
WISE water	93,300	-	93,300
WISE participation - operations	173,500	172,801	699
Total nonoperating expenses	1,509,650	1,257,241	252,409
DEBT SERVICE			
Interest			
CWRPDA loan - 2015	217,436	217,436	-
CWCB-D DIA Connection - 2014	7,000	4,653	2,347
CWCB-A ECCV Pipeline - 2014	53,096	53,096	-
CWCB-B WISE Phase 1 - 2014	10,000	40,915	(30,915)
CWRPDA loan - 2005	78,069	76,692	1,377
CWRPDA loan - 2002	84,369	84,369	-
Revenue note - 2010	312,027	312,027	-

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2017
(Continued)

	Original and Final Budget	Actual	Variance
Principal			
CWRPDA loan - 2015	620,456	620,456	-
CWCB-A loan - 2014	39,950	39,950	-
CWRPDA loan - 2005	230,000	230,000	-
CWRPDA loan - 2002	350,000	350,000	-
Revenue note - 2010	440,174	440,174	-
Total debt service	<u>2,442,577</u>	<u>2,469,768</u>	<u>(27,191)</u>
CAPITAL OUTLAY			
Water projects			
Cost recovery payments	120,000	117,104	2,896
Water supply and treatment	10,943,500	7,462,334	3,481,166
Contributed developer improvements	6,160,000	1,045,949	5,114,051
Total water projects	<u>17,223,500</u>	<u>8,625,387</u>	<u>8,598,113</u>
Wastewater Treatment Plant			
Wastewater Treatment Plant	246,000	204,505	41,495
Total sewer projects	<u>246,000</u>	<u>204,505</u>	<u>41,495</u>
General			
Capital salaries	411,000	-	411,000
Computer/Networking/Hardware	30,000	12,938	
GIS program	40,000	18,867	21,133
Vehicles	117,000	98,388	18,612
Furniture and office quipment	15,000	-	15,000
Total general	<u>613,000</u>	<u>130,193</u>	<u>465,745</u>
Total capital outlay	<u>18,082,500</u>	<u>8,960,085</u>	<u>9,105,353</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(757,577)	2,854,584	3,595,099
FUNDS AVAILABLE - BEGINNING	<u>7,977,308</u>	<u>9,236,795</u>	<u>1,259,487</u>
FUNDS AVAILABLE - ENDING	<u>\$ 7,219,731</u>	<u>\$ 12,091,379</u>	<u>\$ 4,854,586</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2017
 (Continued)

FUNDS AVAILABLE ARE DEFINED
AS FOLLOWS

Current assets	\$ 12,903,315
Other assets	315,231
Less current liabilities	(2,854,263)
Adjustment for:	
Current long-term obligations	1,727,097
Other	(1)
	<u>\$ 12,091,379</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2017
(Continued)

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

Revenues (budgetary basis)	\$ 18,365,472
Loan proceeds	(7,387,521)
Cost recovery payments	<u>(117,104)</u>
Total revenues per Statement of Revenues, Expenses and Change in Net Position	<u>10,860,847</u>
Expenditures (budgetary basis)	15,510,888
Depreciation	3,620,226
Amortization - Loan premium	(13,609)
Capital outlay	(8,960,085)
Long-term debt principal	<u>(1,680,580)</u>
Total expenses per Statement of Revenue, Expenses and Change in Net Position	<u>8,476,840</u>
Change in net position per Statement of Revenue, Expenses and Change in Net Position	<u><u>\$ 2,384,007</u></u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUNDS AVAILABLE (BUDGETARY BASIS)
ENTERPRISE ACTIVITY
Year Ended December 31, 2017**

ENTERPRISE REVENUES

Water operating income	\$ 5,762,506
Sewer operating income	2,362,852
Net investment income	63,639
Other income	1,255,687
Loan proceeds	7,387,521
Contributions in aid of construction	1,533,267
Total enterprise revenues	18,365,472

ENTERPRISE EXPENDITURES

Water operating expenses	1,882,748
Sewer operating expenses	941,046
Nonoperating expenses	1,225,253
Debt service	
Principal	1,680,580
Interest	789,188
Capital outlay	8,960,085
Total enterprise expenditures	15,478,900

**EXCESS ENTERPRISE REVENUES OVER ENTERPRISE
EXPENDITURES**

2,886,572

ENTERPRISE FUNDS AVAILABLE - BEGINNING OF YEAR

8,984,004

ENTERPRISE FUNDS AVAILABLE - END OF YEAR

\$ 11,870,576

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUNDS AVAILABLE (BUDGETARY BASIS)
GENERAL GOVERNMENT ACTIVITY
Year Ended December 31, 2017

GENERAL REVENUES	\$	<u>-</u>
GENERAL EXPENDITURES		
Accounting and audit		3,185
Directors' fees		6,900
Dues and seminars		684
Employee benefits		3,070
Insurance		3,978
Legal		4,245
Salaries and related costs		9,926
Total general expenditures		<u>31,988</u>
EXCESS GENERAL REVENUES (UNDER) GENERAL EXPENDITURES		(31,988)
GENERAL FUNDS AVAILABLE - BEGINNING OF YEAR		<u>252,791</u>
GENERAL FUNDS AVAILABLE - END OF YEAR	\$	<u><u>220,803</u></u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2017**

December 31,	\$7,045,000 Loan Dated October 1, 2002 Colorado Water Resources and Power Development Authority Rates of 2.00% to 4.75% Principal and Interest Payable February 1 and August 1		\$4,800,000 Loan Dated May 25, 2005 Colorado Water Resources and Power Development Authority Rates of 3.35% Principal and Interest Payable February 1 and August 1	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 355,000	\$ 82,937	\$ 240,000	\$ 73,108
2019	365,000	75,437	245,000	66,198
2020	370,000	70,249	250,000	59,438
2021	380,000	57,497	260,000	54,593
2022	410,000	26,962	265,000	46,933
2023	445,000	(10,563)	275,000	41,888
2024	-	-	280,000	35,440
2025	-	-	300,000	17,800
2026	-	-	320,000	(8,540)
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
Total	<u><u>\$ 2,325,000</u></u>	<u><u>\$ 302,519</u></u>	<u><u>\$ 2,435,000</u></u>	<u><u>\$ 386,858</u></u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2017
(Continued)

December 31,	\$10,335,213 Water Enterprise Revenue Refunding Note, Series 2010 Dated December 21, 2010. Interest Rate of 3.95% Principal due December 1 and Interest Payable June 1 and December 1		\$1,845,270 Loan Dated October 15, 2014 Colorado Water Conservation Board Contract C150411A ECCV Pipline Rates of 3.0% Principal and Interest Payable Annually	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 457,734	\$ 295,917	\$ 41,148	\$ 52,996
2019	475,993	277,656	42,383	51,762
2020	494,981	258,667	43,654	50,490
2021	514,728	238,922	44,964	49,180
2022	535,261	218,389	46,313	47,832
2023	556,614	197,035	47,702	46,442
2024	578,818	174,831	49,133	45,011
2025	601,907	151,740	50,607	43,537
2026	625,921	127,729	52,125	42,019
2027	650,890	102,760	53,689	40,455
2028	676,855	76,794	55,300	38,844
2029	703,857	49,793	56,959	37,185
2030	731,936	21,714	58,668	35,477
2031	-	-	60,428	33,717
2032	-	-	62,241	31,904
2033	-	-	64,108	30,037
2034	-	-	66,031	28,113
2035	-	-	68,012	26,132
2036	-	-	70,052	24,092
2037	-	-	72,154	21,991
2038	-	-	74,318	19,826
2039	-	-	76,548	17,596
2040	-	-	78,844	15,300
2041	-	-	81,210	12,935
2042	-	-	83,646	10,498
2043	-	-	86,155	7,989
2044	-	-	88,740	5,404
2045	-	-	91,402	2,742
	<u>\$ 7,605,495</u>	<u>\$ 2,191,947</u>	<u>\$ 1,766,534</u>	<u>\$ 869,506</u>

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

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2017
(Continued)

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

December 31,	Principal and Interest Payable February 1 and August 1		Total		Total
	Principal	Interest	Principal	Interest	
2018	\$ 620,491	\$ 215,044	\$ 1,714,373	\$ 720,002	\$ 2,434,375
2019	628,519	211,144	1,756,895	682,197	2,439,092
2020	631,548	207,245	1,790,183	646,089	2,436,272
2021	632,569	203,444	1,832,261	603,636	2,435,897
2022	638,590	199,744	1,895,164	539,860	2,435,024
2023	639,611	196,045	1,963,927	470,847	2,434,774
2024	647,639	191,994	1,555,590	447,276	2,002,866
2025	650,667	187,944	1,603,181	401,021	2,004,202
2026	653,696	183,570	1,651,742	344,778	1,996,520
2027	660,738	176,769	1,365,317	319,984	1,685,301
2028	665,773	171,819	1,397,928	287,457	1,685,385
2029	667,815	167,020	1,428,631	253,998	1,682,629
2030	689,857	148,269	1,480,461	205,460	1,685,921
2031	709,892	129,219	770,320	162,936	933,256
2032	726,935	109,869	789,176	141,773	930,949
2033	747,040	90,369	811,148	120,406	931,554
2034	779,152	56,919	845,183	85,032	930,215
2035	801,265	37,719	869,277	63,851	933,128
2036	818,378	18,625	888,430	42,717	931,147
2037	-	-	72,154	21,991	94,145
2038	-	-	74,318	19,826	94,144
2039	-	-	76,548	17,596	94,144
2040	-	-	78,844	15,300	94,144
2041	-	-	81,210	12,935	94,145
2042	-	-	83,646	10,498	94,144
2043	-	-	86,155	7,989	94,144
2044	-	-	88,740	5,404	94,144
2045	-	-	91,402	2,742	94,144
	<u>\$ 13,010,175</u>	<u>\$ 2,902,771</u>	<u>\$ 27,142,204</u>	<u>\$ 6,653,601</u>	<u>\$ 33,795,805</u>

(Continued)

OTHER SUPPLEMENTARY INFORMATION

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2017**

AD VALOREM PROPERTY TAX DATA

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

Levy/ Collection Year	Assessed Valuation	Increase (Decrease)	Percent Change	Debt Service Mill Levy	Taxes Levied	Taxes Collected	Debt Service Mill Levy	Percent of Levy Collected
2001/2002	\$ 89,652,819	\$ 15,884,391	21.5%	10.000	\$ 1,401,600	\$ 1,412,900	10.000	100.81%
2002/2003	\$ 97,482,505	\$ 7,829,686	8.7%	8.800	\$ 896,528	\$ 907,238	8.800	101.19%
2003/2004	\$ 102,453,235	\$ 4,970,730	5.1%	8.800	\$ 857,846	\$ 866,529	8.800	101.01%
2004/2005	\$ 108,898,520	\$ 6,445,285	6.3%	3.150	\$ 901,588	\$ 908,758	3.150	100.80%
2005/2006	\$ 124,506,210	\$ 15,607,690	14.3%	3.150	\$ 343,030	\$ 352,304	3.150	102.70%
2006/2007	\$ 140,866,660	\$ 16,360,450	13.1%	1.900	\$ 392,195	\$ 382,607	1.900	97.56%
2007/2008	\$ 166,876,427	\$ 26,009,767	18.5%	0.000	\$ 267,647	\$ 276,336	0.000	103.25%
2008/2009	\$ 184,608,610	\$ 17,732,183	10.6%	0.000	\$ -	\$ 33	0.000	N/A
2009/2010	\$ 194,234,310	\$ 9,625,700	5.2%	0.000	\$ -	\$ -	0.000	N/A
2010/2011	\$ 197,048,900	\$ 2,814,590	1.4%	0.000	\$ -	\$ -	0.000	N/A
2011/2012	\$ 163,524,840	\$ (33,524,060)	-17.0%	0.000	\$ -	\$ -	0.000	N/A
2012/2013	\$ 164,046,170	\$ 521,330	0.3%	0.000	\$ -	\$ -	0.000	N/A
2013/2014	\$ 160,868,813	\$ (3,177,357)	-1.9%	0.000	\$ -	\$ -	0.000	N/A
2014/2015	\$ 161,838,380	\$ 969,567	0.6%	0.000	\$ -	\$ -	0.000	N/A
2015/2016	\$ 190,712,910	\$ 28,874,530	17.8%	0.000	\$ -	\$ -	0.000	N/A
2016/2017	\$ 192,388,750	\$ 1,675,840	0.9%	0.000	\$ -	\$ -	0.000	N/A
2017/2018	\$ 198,149,570	\$ 5,760,820	3.0%	0.000	\$ -	\$ -	0.000	N/A

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION**

December 31, 2017

(Continued)

SYSTEM ACCOUNTS

<u>Classification</u>	<u>Number of Accounts</u>	<u>Percent of Total Accounts</u>
Residential	4,384	93.02%
Commercial	30	0.64%
Irrigation only	60	1.27%
Vacant lots	239	5.07%
Total	<u>4,713</u>	<u>100.00%</u>

WATER PROJECT FEE SCHEDULE

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

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

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION**

December 31, 2017

(Continued)

CHARGES FOR WATER SERVICE

WATER RATES AND CHARGES

(In Effect as of January 1, 2018 Through December 31, 2018)

Residential (Monthly)

Base Rate	\$29.22
0 - 5,000 gallons	\$29.22 + \$2.58/1,000 gallons
5,000 -20,000 gallons	\$36.96 + \$3.74/1,000 gallons
20,000 - 30,000 gallons	\$100.54 + \$4.71/1,000 gallons
30,000 - 50,000 gallons	\$147.64 + \$6.13/1,000 gallons
50,000 - 60,000 gallons	\$270.24 + \$8.36/1,000 gallons
Over 60,000 gallons	\$353.84 + \$16.78/1,000 gallons

Commercial (Monthly)

Meter Size	\$2.58/1,000 gallons		\$3.74/1,000 gallons		\$4.71/1,000 gallons		\$6.13/1,000 gallons		\$8.36/1,000
	Base Rate	Maximum Gallons	Minimum Gallons	Maximum Gallons	Minimum Gallons	Maximum Gallons	Minimum Gallons	Maximum Gallons	Gallons over
3/4" (1)	\$ 29.22	3,000	3,001	20,000	20,001	30,000	30,001	50,000	50,001
1" (2)	\$ 48.26	6,000	6,001	40,000	40,001	60,000	60,001	100,000	100,001
1-1/2" (4)	\$ 68.61	12,000	12,001	80,000	80,001	120,000	120,001	200,000	200,001
2" (7)	\$ 97.89	21,000	21,001	140,000	140,001	210,000	210,001	350,000	350,001
3" (16)	\$ 185.49	48,000	48,001	320,000	320,001	480,000	480,001	800,000	800,001

Large Irrigators (Separate Interruptible Meter. Billed Monthly)

Base Rate	\$29.22
All usage	\$3.83/1,000 gallons

Golf Courses

Base Rate	\$29.22
All usage	\$3.46/1,000 gallons for usage up to 150 AF per year for each 9 holes. For usage greater than 150 AF the rate becomes \$5.76/1,000 gallons (applies to Pinery CC)

Ready to Serve "Standby Fee" (Monthly)

Water and sewer	\$18.75
Water only	\$10.12

REVENUE FROM WATER SALES

Year	Gallons Used (in 000s)	Average Water Rates in Effect (per 1,000 Gallons)	Revenue from Water Sales
1999	656,000	\$ 1.82	\$ 1,195,279
2000	804,000	\$ 1.89	\$ 1,517,783
2001	858,903	\$ 1.78	\$ 1,531,737
2002	916,807	\$ 2.07	\$ 1,900,932
2003	814,840	\$ 2.11	\$ 1,718,359
2004	779,815	\$ 2.26	\$ 1,758,703
2005	950,599	\$ 2.51	\$ 2,390,298
2006	1,198,482	\$ 2.32	\$ 2,785,447
2007	1,026,474	\$ 2.66	\$ 2,733,243
2008	1,064,305	\$ 2.89	\$ 3,076,169
2009	801,394	\$ 3.82	\$ 3,064,370
2010	1,059,098	\$ 3.96	\$ 4,195,310
2011	1,036,388	\$ 4.03	\$ 4,171,747
2012	1,110,760	\$ 4.09	\$ 4,548,060
2013	924,465	\$ 4.32	\$ 3,997,419
2014	860,749	\$ 4.53	\$ 3,903,134
2015	872,497	\$ 4.87	\$ 4,251,331
2016	955,099	\$ 5.07	\$ 4,838,281
2017	979,903	\$ 5.11	\$ 5,004,823

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2017
(Continued)

CHARGES FOR WASTEWATER SERVICE

WASTEWATER RATES AND CHARGES
(In Effect as of January 1, 2018 Through December 31, 2018)

Residential (Monthly)

Flat Rate for all users	\$ 42.92
-------------------------	----------

Commercial (Monthly based on water meter reading)

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

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2017
(Continued)

CHARGES FOR WASTEWATER SERVICE

REVENUE FROM WASTEWATER CHARGES

<u>Year</u>	Users of Wastewater Services Average Number of Taps During the Year	Revenue from Water Wastewater Charges
2001	2,900	\$ 830,141
2002	3,086	\$ 854,511
2003	3,199	\$ 869,197
2004	3,302	\$ 927,696
2005	3,585	\$ 1,034,446
2006	3,773	\$ 1,114,160
2007	3,839	\$ 1,208,839
2008	3,901	\$ 1,352,717
2009	3,949	\$ 1,519,391
2010	3,972	\$ 1,659,788
2011	3,994	\$ 1,756,324
2012	4,051	\$ 1,855,419
2013	4,055	\$ 1,887,335
2014	4,129	\$ 1,971,562
2015	4,203	\$ 2,085,750
2016	4,198	\$ 2,237,631
2017	4,414	\$ 2,362,852

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2017
(Continued)

ADDITIONAL CHARGES AND FEES OF THE SYSTEM

WATER AND WASTEWATER TAP AND CONNECTION FEES
(Effective January 1, 2018)

RESIDENTIAL (per SFE with 3/4" Meter)

Water fee	\$ 33,453
Sewer fee	\$ 7,030
Total fee	\$ 40,483

COMMERCIAL

<u>Meter Size</u>	<u>Water Fee</u>	<u>Sewer Fee</u>	<u>Total Fee</u>
3/4" (1)	\$ 33,453	\$ 7,030	\$ 40,483
1" (2)	\$ 66,706	\$ 14,060	\$ 80,766
1-1/2" (4)	\$ 133,212	\$ 28,120	\$ 161,332
2" (7)	\$ 232,971	\$ 49,210	\$ 282,181
3" (16)	\$ 532,248	\$ 112,480	\$ 644,728

Sewer fees are determined based on meter size.

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

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

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION**

December 31, 2017

(Continued)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
OPERATING REVENUE						
Water and sewer charges	\$ 6,368,129	\$ 5,985,580	\$ 6,013,065	\$ 6,391,305	\$ 6,892,915	\$ 7,156,561
Irrigation, hydrant fees and other	739,855	578,821	579,629	663,402	927,598	968,797
Total operating revenue	<u>7,107,984</u>	<u>6,564,401</u>	<u>6,592,694</u>	<u>7,054,707</u>	<u>7,820,513</u>	<u>8,125,358</u>
OPERATING EXPENSES						
Depreciation	2,377,368	2,460,197	2,582,588	2,700,890	3,135,306	3,620,226
Auto expenses/vehicle maintenance	58,647	58,922	45,508	35,702	33,920	34,588
Salaries and wages	1,110,895	1,126,288	1,112,022	1,192,309	1,241,697	1,268,799
Payroll taxes	80,880	85,269	83,605	89,004	94,368	95,914
Employee benefits	304,469	335,316	347,035	356,787	370,222	370,539
Utilities	864,296	829,288	735,541	787,259	771,736	795,899
Outside services	21,171	14,928	142,355	126,401	91,558	130,556
Maintenance and supplies	505,566	519,845	614,826	560,976	525,089	499,115
Professional fees	414,205	517,151	344,473	454,231	571,893	249,697
Other operating expenses	167,170	222,218	187,945	234,984	236,180	226,946
Office expense	18,714	15,809	18,812	16,747	16,216	17,901
Insurance	82,074	85,836	88,069	106,806	108,686	113,658
Directors' fees	5,500	7,800	7,400	5,900	5,800	6,900
Sludge disposal	54,261	71,227	66,170	57,249	58,815	69,298
CCWPA assessment	108,592	34,148	40,978	40,978	20,489	20,489
CCPWA water purchase	-	10,467	-	-	-	7,935
WISE participation - operations	-	47,331	52,318	106,278	141,388	172,801
Total operating expenses	<u>6,173,808</u>	<u>6,442,040</u>	<u>6,469,645</u>	<u>6,872,501</u>	<u>7,423,363</u>	<u>7,701,261</u>
Income (loss) from operations	<u>934,176</u>	<u>122,361</u>	<u>123,049</u>	<u>182,206</u>	<u>397,150</u>	<u>424,097</u>
NONOPERATING REVENUE						
Net investment income	27,077	17,314	13,859	14,188	23,925	63,639
Miscellaneous other income	168,145	209,367	135,257	119,979	132,913	138,310
Ready to serve fees	69,444	53,058	63,756	70,083	61,616	52,928
Gain (loss) on disposition of assets	31,152	22,165	19,360	10,590	-	18,500
Contributions in aid of construction	515,871	768,014	3,121,593	2,931,456	2,315,860	2,462,112
Total nonoperating revenue	<u>811,689</u>	<u>1,069,918</u>	<u>3,353,825</u>	<u>3,146,296</u>	<u>2,534,314</u>	<u>2,735,489</u>
NONOPERATING EXPENSES						
Interest and paying agent fees	291,415	234,703	596,039	205,139	509,981	775,579
Amortization	104,478	-	-	-	-	-
Loan issue cost	-	-	39,548	51,783	-	-
Total nonoperating expenses	<u>395,893</u>	<u>234,703</u>	<u>635,587</u>	<u>256,922</u>	<u>509,981</u>	<u>775,579</u>
NET INCOME (LOSS)/						
CHANGE IN NET POSITION	<u>\$ 1,349,972</u>	<u>\$ 957,576</u>	<u>\$ 2,841,287</u>	<u>\$ 3,071,580</u>	<u>\$ 2,421,483</u>	<u>\$ 2,384,007</u>

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2017**

CUSTOMER INFORMATION

<u>Years (December 31)</u>	<u>Total Estimated Residential Equivalent Units</u>
2004	3,436
2005	3,585
2006	3,773
2007	3,993
2008	4,057
2009	4,090
2010	4,128
2011	4,152
2012	4,166
2013	4,185
2014	4,228
2015	4,272
2016	4,358
2017	4,384

TEN LARGEST CUSTOMERS OF THE SYSTEM

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

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

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2017
(Continued)**

BUDGET SUMMARY AND COMPARISON

	2018 Budget	2017 Budget
REVENUE		
Water, operating		
User charges	\$ 3,744,000	\$ 3,600,000
Irrigation and hydrant fees	620,000	530,000
Water supply project fee	690,000	685,000
Other	137,500	120,000
Sewer, operating		
User charges	2,350,000	2,319,200
Other	147,000	30,000
Nonoperating		
Loan proceeds	3,870,000	9,500,000
Tap fees	2,550,429	1,499,800
Other	4,064,800	6,260,000
Total revenue	18,173,729	24,544,000
EXPENDITURES		
Water, operating		
Utilities	790,000	790,000
Salaries and related costs	298,905	843,900
Other	1,981,900	968,300
Sewer, operating		
Utilities	209,500	205,500
Salaries and related costs	563,635	469,450
Other	392,500	347,500
Nonoperating		
Insurance	115,000	110,000
Salaries and related costs	452,170	509,350
Other	502,500	532,500
Debt service	2,476,241	2,442,577
Capital outlay	9,859,450	18,082,500
Total expenditures	17,641,801	25,301,577
EXCESS REVENUE OVER (UNDER) EXPENDITURES	531,928	(757,577)
FUNDS AVAILABLE - BEGINNING OF YEAR	12,665,606	7,977,308
FUNDS AVAILABLE - END OF YEAR	\$ 13,197,534	\$ 7,219,731

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2017
(Continued)**

SCHEDULE OF COVERAGE OF DEBT SERVICE REQUIREMENTS

<u>Year</u>	<u>Income</u>	<u>Operation and Maintenance Expenses</u>	<u>Available for Debt Service</u>	<u>Debt Service Require- ments</u>	<u>Debt Service Coverage</u>
2004	\$ 20,094,587	\$ 2,459,610	\$ 17,634,977	\$ 1,893,570	9.31
2005	\$ 12,703,160	\$ 2,977,714	\$ 9,725,446	\$ 2,195,762	4.43
2006	\$ 9,076,622	\$ 3,334,176	\$ 5,742,446	\$ 2,142,845	2.68
2007	\$ 14,752,043	\$ 3,536,146	\$ 11,215,897	\$ 2,224,578	5.04
2008	\$ 7,674,924	\$ 4,173,068	\$ 3,501,856	\$ 2,110,270	1.66
2009	\$ 5,760,461	\$ 3,610,190	\$ 2,150,271	\$ 2,111,868	1.02 *
2010	\$ 7,321,442	\$ 3,895,966	\$ 3,425,476	\$ 2,024,307	1.69
2011	\$ 7,437,195	\$ 3,850,021	\$ 3,587,174	\$ 1,666,975	2.15
2012	\$ 7,919,673	\$ 3,796,440	\$ 4,123,233	\$ 1,565,716	2.63
2013	\$ 7,634,319	\$ 3,981,843	\$ 3,652,476	\$ 1,564,222	2.34
2014	\$ 9,946,519	\$ 3,926,605	\$ 6,019,914	\$ 1,683,173	3.58
2015	\$ 10,201,003	\$ 4,223,394	\$ 5,977,609	\$ 2,491,863	2.40
2016	\$ 10,354,827	\$ 4,288,057	\$ 6,066,770	\$ 2,441,847	2.48
2017	\$ 10,860,847	\$ 4,081,035	\$ 6,779,812	\$ 2,434,375	2.79

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

**TEN LARGEST PROPERTY TAXPAYERS OF THE DISTRICT
(Assessed Valuation for 2017 Taxes Due in 2018)**

<u>Taxpayer</u>	<u>Assessed Valuation Property in the District</u>	<u>Percentage of Total District Assessed Valuation</u>
CGC EQUITY CLUB LLC	\$ 2,289,880	1.16%
TIMBERS DEVELOPMENT GROUP INC	1,784,560	0.90%
CF ARCIS VI LLC	1,462,670	0.74%
COLORADO EQUESTRIAN PARTNERS LLC	1,360,750	0.69%
CF ARCIS V LLC	1,217,990	0.61%
FORESTAR USA REAL ESTATE GROUP INC	1,179,020	0.60%
BETTS LAKE LLC	1,081,870	0.55%
CGC REAL ESTATE LLC	699,640	0.35%
COLORADO GOLF CLUB INC	673,140	0.34%
CELEBRITY DEVELOPMENT OF COLORADO LLC	645,500	0.33%
ALL OTHERS	185,754,550	93.73%
	<u>\$ 198,149,570</u>	<u>100.00%</u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2017
(Continued)**

COMBINED STATEMENT OF DEBT

<u>Designation</u>	<u>Amount Outstanding</u>
Water Enterprise Revenue Note, Series 2010	\$ 7,605,495
Local Government Bonds	19,536,709
	<u>\$ 27,142,204</u>

DEBT SERVICE REQUIREMENTS OF THE DISTRICT

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

ESTIMATED DIRECT AND OVERLAPPING DEBT SCHEDULE

	<u>2017 Assessed Valuation</u>	<u>Outstanding General Obligation Debt (1)</u>	<u>Outstanding Debt Applicable to District</u>	
			<u>Percent</u>	<u>Amount</u>
The District	\$ 198,149,570	\$ -	100.00%	\$ -
Douglas County School District RE-1	\$ 6,338,899,010	\$ 372,435,000	3.13%	11,657,216
Parker Fire Protection District	\$ 3,084,064,020	\$ -	0.00%	-
				<u>\$ 11,657,216</u>

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

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2017
(Continued)**

ASSESSED VALUATION, DEBT AND DEBT RATIOS

Actual valuation	\$ 2,536,466,200
Assessed valuation	\$ 198,149,570
Net general obligation direct debt	\$ -
Estimated overlapping debt	\$ 11,657,216
Net direct and estimated overlapping debt	\$ 11,657,216
Ratio of net direct debt to estimated actual valuation	0.00%
Ratio of net direct debt to assessed valuation	0.00%
Net direct debt per capita (1)	\$ -
Ratio of net direct and estimated overlapping debt to estimated actual valuation	0.46%
Ratio of net direct and estimated overlapping debt to assessed valuation	5.88%
Net direct and estimated overlapping debt per capita (1)	\$ 926
Estimated actual valuation per capita (1)	\$ 201,594
Assessed valuation per capita (1)	\$ 15,749

(1) Estimated permanent population 12,582

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Federal Expenditures
Colorado Water Resources and Power Development Authority	66.468	\$ 1,262,900

See notes to schedule of expenditures of federal awards.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Denver Southeast Suburban Water and Sanitation District (the "District") under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule represents only a portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Code.

Board of Directors
Denver Southeast Suburban Water and Sanitation District
Douglas County, Colorado

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Denver Southeast Suburban Water and Sanitation District, which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Denver Southeast Suburban Water and Sanitation District's internal control over financial reporting (internal control) in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Denver Southeast Suburban Water and Sanitation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denver Southeast Suburban Water and Sanitation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

April 25, 2018

Board of Directors
Denver Southeast Suburban Water and Sanitation District
Douglas County, Colorado

Report on Compliance with Requirements
Applicable to Each Major Program
and Internal Control Over Compliance

Report on Compliance for Each Major Federal Program

We have audited Denver Southeast Suburban Water and Sanitation District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on Denver Southeast Suburban Water and Sanitation District's major federal program for the year ended December 31, 2017. Denver Southeast Suburban Water and Sanitation District's major federal program is identified in the schedule of expenditures of federal awards.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Denver Southeast Suburban Water and Sanitation District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denver Southeast Suburban Water and Sanitation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Denver Southeast Suburban Water and Sanitation District's compliance.

Opinion on Each Major Federal Program

In our opinion, Denver Southeast Suburban Water and Sanitation District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of Denver Southeast Suburban Water and Sanitation District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Denver Southeast Suburban Water and Sanitation District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Denver Southeast Suburban Water and Sanitation District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

April 25, 2018

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes _____ X No

Significant deficiencies identified? _____ Yes _____ X None reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes _____ X No

Significant deficiencies identified? _____ Yes _____ X None reported

Type of auditors' report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes _____ X No

Identification of major programs:

Name of federal program or cluster:	CFDA Number:
Capitalization Grants for Drinking Water State Revolving Funds of the Environmental Protection Agency	66.468

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes _____ X No

(continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**
For the Year Ended December 31, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters reported.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters reported.