

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

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



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Office of the State Auditor

March 28, 2018

TABLE OF CONTENTS

	PAGE
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	I
MANAGEMENT’S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	1
Statements of Revenues, Expenses and Changes in Net Position	3
Statements of Cash Flows.....	5
Notes to Financial Statements.....	7
SUPPLEMENTARY INFORMATION	32
Schedules of Expenses	33
Schedule of Revenues, Expenditures and Funds Available Budget and Actual (Budgetary Basis)	
All Funds Combined.....	34
District Activity	35
Water Enterprise Activity.....	36
Sewer Enterprise Activity	37
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position	38
Schedule of Debt Service Requirements to Maturity.....	39
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected.....	42
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION	43
Enterprise Water System Revenues Bond Coverage	44
Enterprise Water System Revenues.....	45
Water Enterprise Operational Data.....	46
Budget to Actual (Non-GAAP) Comparison of Results of Operations - Water Enterprise.....	47

Independent Auditor's Report

Board of Directors
East Cherry Creek Valley Water and Sanitation District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of East Cherry Creek Valley Water and Sanitation District for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the East Cherry Creek Valley Water and Sanitation District as of December 31, 2017 and 2016, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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

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

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
March 23, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of East Cherry Creek Valley Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017.

Financial Highlights

- Net position increased \$13.4 million in 2017 (3.9%) since 2016.
- Operating loss increased from \$5 million in 2016 to \$6.3 million for 2017, mainly due to increased water operations cost in 2017.
- Operating revenue increased \$0.85 million (3.4%) from the prior year while the number of customers increased by 1%. This increase is due to an increase in water and sewer service fees, even though water consumption decreased.
- Total operating expenses, exclusive of depreciation, increased \$1.7 million from 2016 to 2017. Selected individual expense items changed as follows: engineering and plan review increased \$0.3 million (58%), legal increased \$0.15 million (121%), operating expenses increased \$0.88 million (102%), utilities increased \$0.13 million (4%), and water services increased \$0.16 million (19%) in 2017 from 2016. The majority of the remaining expense categories decreased in 2016 from 2015.
- Single family equivalents (SFEs) on line for water service at year-end increased by 197 (1%) to 20,728 at year end.
- Funds available (current assets, less deferred inflow of resources, less current liabilities exclusive of the current portion of long-term obligations and unspent loan proceeds) increased from \$61.9 million to \$64.8 million at December 31, 2017, an increase of \$2.9 million or 4.7%.

Overview of the Financial Statements

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

The financial statements of the District are presented as a special purpose government engaged only in business type activities - providing water and sewer utility services. They include the legally separate East Cherry Creek Valley Water and Sanitation District Water Activity Enterprise, Inc. (the Enterprise) as blended into the District's financial information since it is a component unit of the District.

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

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

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

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

The supplemental information contained in this report provides a schedule of expenses, budget and actual information, debt service requirements and assessed valuation, mill levy and property tax information.

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

Statement of Net Position

	December 31,		
	2017	2016	2015
		(In thousands)	
Current assets	\$ 74,020	\$ 71,189	\$ 66,194
Capital assets	398,866	395,271	392,769
Other assets	105	149	220
Deferred outflows of resources	1,138	1,324	1,527
Total assets and deferred outflows of resources	474,129	467,933	460,710
Current liabilities	13,306	10,021	9,010
Long-term obligations	99,571	110,178	117,432
Deferred inflows of resources	2,623	2,529	2,463
Total liabilities and deferred inflows of resources	115,500	122,728	128,905
Net position:			
Net investment in capital assets	295,703	285,165	275,618
Restricted	2,467	2,940	2,888
Unrestricted	60,459	57,100	53,299
Total net position	\$ 358,629	\$ 345,205	\$ 331,805

The District's net position increased by \$13,423,000 during 2017 and increased by \$13,401,000 during 2016. Capital assets increased \$3,594,000 during 2017 and increased \$2,503,000 during 2016. The increase during 2017 and 2016 were due to infrastructure construction. Current liabilities increased by \$3,285,000 during 2017 and increased by \$1,011,000 during 2016. The increase in 2017 current liabilities is due to an increase in debt payments due within the next

year. Current assets net of current liabilities increased by \$2,371,000 for 2017 and increased by \$3,984,000 for 2016. The “Funds Available” (current assets, less deferred inflow of resources, less current liabilities, exclusive of the current portion of long-term obligations) calculates to an amount of \$64,836,258 and \$61,895,935 for 2017 and 2016, respectively. The funds available of \$64,836,258 are primarily available for future operations and capital outlay.

Changes in Net Position

	December 31,		
	2017	2016	2015
	(In thousands)		
Revenues			
Operating revenue			
Water services	\$ 17,103	\$ 16,386	\$ 14,534
Sewer services	8,807	8,672	8,555
Total operating revenues	25,910	25,058	23,089
Nonoperating revenues			
Tax revenue	2,744	2,652	2,565
Investment income	614	212	45
Other	212	545	421
Contributions			
Northern Project Construction Fund charges	6,459	6,418	6,249
Tap fees and storm drainage fees	6,956	8,216	8,798
Cash contributions for capital	3,425	4,262	1,628
Contributed facilities from developers	3,290	-	-
Total revenues	49,610	47,363	42,795
Expenses			
Operating expenses			
Water	12,549	10,813	10,110
Sewer	7,025	7,259	7,045
Storm drainage	109	61	76
	19,683	18,133	17,231
General and administrative	2,457	2,153	2,264
Depreciation and amortization	10,100	9,746	9,503
Total operating expenses	32,240	30,032	28,998
Nonoperating expense	3,946	3,931	4,290
Total expenses	36,186	33,963	33,288
Changes in net position	13,424	13,400	9,507
Net position - Beginning of year	345,205	331,805	322,298
Net position - End of year	<u>\$ 358,629</u>	<u>\$ 345,205</u>	<u>\$ 331,805</u>

Operating revenues from the operation of the water and sewer utilities increased \$748,000 in 2017 and increased \$1,969,000 in 2016. The 2017 increase is due to the increase in water service fees and water consumption. Investment income increased \$402,000 in 2017 and increased \$167,000 in 2016. The increases in 2017 and 2016 are due to the interest earned from the increase of cash on hand. Tap fee revenues decreased \$1,260,000 in 2017 and decreased \$582,000 in 2016.

Water operating expenses increased \$1,736,000 (16%) in 2017, primarily due to increases in engineering and plan review, legal, operating expenses, water services, and utility costs. Water operating expenses increased \$703,000 (7%) in 2016. The 2016 increase was primarily due to increases in repairs and maintenance, and utility costs.

Sewer operating costs decreased \$234,000 (3%) in 2017 compared to 2016, due to decreased engineering and plan review, and repair and maintenance costs. General and administrative expenses increased \$304,000 (14%) in 2017, and decreased \$111,000 in 2016. Depreciation and amortization increased \$355,000 in 2017 and increased \$243,000 in 2016. Nonoperating expenses increased \$15,000 in 2017 and decreased \$359,000 in 2016.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and nonoperating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect "funds available". State statutes require this budgetary accounting. Additionally, the budget includes the separation of the District from the Enterprise, under the joint resolution.

Capital Assets

The activity related to capital assets during 2017, 2016 and 2015 is as follows:

	<u>December 31,</u> <u>2016</u>	<u>Net</u> <u>Changes</u> (In thousands)	<u>December 31,</u> <u>2017</u>
Land and easements	\$ 14,251	\$ -	\$ 14,251
Projects in progress	1,013	407	1,420
Water system			
Water rights	113,921	881	114,802
Water facilities	310,339	4,835	315,174
Sewer system			
Sewer capacity	1,383	-	1,383
Sewer facilities	52,423	6,880	59,303
Storm drainage system	17,221	259	17,480
Office building	3,304	111	3,415
Equipment	1,895	71	1,966
Total assets	<u>515,750</u>	<u>13,444</u>	<u>529,194</u>
Accumulated depreciation	<u>(120,478)</u>	<u>(9,851)</u>	<u>(130,329)</u>
Net capital assets	<u>\$ 395,272</u>	<u>\$ 3,593</u>	<u>\$ 398,865</u>

	December 31, 2015	Net Changes	December 31, 2016
		(In thousands)	
Land and easements	\$ 14,251	\$ -	\$ 14,251
Projects in progress	8,045	(7,032)	1,013
Water system			
Water rights	113,329	592	113,921
Water facilities	298,283	12,056	310,339
Sewer system			
Sewer capacity	1,383	-	1,383
Sewer facilities	46,246	6,177	52,423
Storm drainage system	17,060	161	17,221
Office building	3,193	111	3,304
Equipment	1,870	25	1,895
Total assets	<u>503,660</u>	<u>12,090</u>	<u>515,750</u>
Accumulated depreciation	<u>(110,891)</u>	<u>(9,587)</u>	<u>(120,478)</u>
Net capital assets	<u>\$ 392,769</u>	<u>\$ 2,503</u>	<u>\$ 395,272</u>
	December 31, 2014	Net Changes	December 31, 2015
		(In thousands)	
Land and easements	\$ 14,251	\$ -	\$ 14,251
Projects in progress	6,038	2,007	8,045
Water system			
Water rights	112,726	603	113,329
Water facilities	293,403	4,880	298,283
Sewer system			
Sewer capacity	1,383	-	1,383
Sewer facilities	45,634	612	46,246
Storm drainage system	14,853	2,207	17,060
Office building	3,193	-	3,193
Equipment	1,699	171	1,870
Total assets	<u>493,180</u>	<u>10,480</u>	<u>503,660</u>
Accumulated depreciation	<u>(101,498)</u>	<u>(9,393)</u>	<u>(110,891)</u>
Net capital assets	<u>\$ 391,682</u>	<u>\$ 1,087</u>	<u>\$ 392,769</u>

In 2017, the District spent \$2,632,098 for well rehabilitation projects and \$826,602 on additional capital water projects.

Contributions of \$1,783,302 in water lines and \$1,506,479 in sewer lines were accepted during 2017. Projects in progress completed in 2017 included \$3,051,495 in water projects, \$5,372,971 in sewer projects, and \$143,664 in storm drainage projects.

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

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

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

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

Debt Administration

All scheduled debt service payments were made timely during 2017, 2016 and 2015.

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

Economic and Other Factors

The District continues to emphasize conservation by maintaining mandatory watering schedules for its customers. Total water consumption decreased 6% in 2017. Arapahoe County Water and Wastewater Authority (ACWWA) had the largest consumption decrease. ACWWA's consumption decrease from 2016 to 2017 was 38% and their percentage share of total consumption increased 1% from last year.

The District anticipates modest growth in residential customers for 2018 as new home construction continues to recover along with the overall economy. The District is approximately 87.5% built out at the end of 2017.

Request for Information

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

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

BASIC FINANCIAL STATEMENTS

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 65,232,074	\$ 62,624,869
Accounts receivable	3,582,870	3,000,178
Property taxes receivable	2,623,301	2,529,209
Prepaid expenses	27,493	13,944
Inventories	87,115	80,407
Total current assets	71,552,853	68,248,607
RESTRICTED CURRENT ASSETS		
Cash and cash equivalents	2,467,128	2,940,180
Total restricted current assets	2,467,128	2,940,180
CAPITAL ASSETS, NET		
	398,865,517	395,272,007
OTHER ASSETS		
Special projects and planning (net of accumulated amortization of \$5,070,546 and \$5,026,992 in 2017 and 2016, respectively)	104,993	148,547
Total other assets	104,993	148,547
DEFERRED OUTFLOWS OF RESOURCES		
Cost of debt refunding, net	1,137,883	1,323,712
Total deferred outflows of resources	1,137,883	1,323,712
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	\$ 474,128,374	\$ 467,933,053

(Continued)

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2017 and 2016
(Continued)

	2017	2016
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,402,192	\$ 2,445,508
Deposits	194,564	63,500
Accrued interest payable	283,275	288,692
Current portion of long-term obligations	6,744,188	3,257,274
Total current liabilities	9,624,219	6,054,974
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accrued interest payable	3,680,391	3,965,943
Total current liabilities payable from restricted assets	3,680,391	3,965,943
LONG-TERM OBLIGATIONS	99,571,417	110,177,748
DEFERRED INFLOWS OF RESOURCES		
Property tax revenue	2,623,301	2,529,209
Total deferred inflows of resources	2,623,301	2,529,209
NET POSITION		
Net investment in capital assets	295,702,668	285,164,615
Restricted	2,467,128	2,940,180
Unrestricted	60,459,250	57,100,384
Total net position	358,629,046	345,205,179
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 474,128,374	\$ 467,933,053

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2017 and 2016

	2017	2016
WATER OPERATIONS		
Water income	\$ 17,103,212	\$ 16,385,972
Direct water expenses	(12,548,862)	(10,813,453)
Depreciation	(8,104,087)	(7,943,036)
Gross income (loss) from water operations	(3,549,737)	(2,370,517)
SEWER OPERATIONS		
Sewer income	8,806,866	8,671,549
Direct sewer expenses	(7,025,295)	(7,259,494)
Depreciation	(1,268,118)	(1,137,563)
Gross income (loss) from sewer operations	513,453	274,492
DIRECT STORM DRAINAGE EXPENSES		
Direct storm drainage expenses	(108,529)	(61,393)
Depreciation	(388,947)	(384,720)
Gross income (loss) from direct storm drainage expenses	(497,476)	(446,113)
TOTAL GROSS INCOME (LOSS) FROM OPERATIONS	(3,533,760)	(2,542,138)
GENERAL AND ADMINISTRATIVE EXPENSES	2,796,633	2,432,514
OPERATING INCOME (LOSS)	(6,330,393)	(4,974,652)
NONOPERATING REVENUES		
Property taxes	2,527,651	2,462,932
Specific ownership taxes	216,576	188,830
Net investment income	613,981	211,510
Other income	-	434,415
Miscellaneous income	157,365	110,123
Gain (loss) on sale / disposal of assets	55,037	-
Total nonoperating revenues	3,570,610	3,407,810
NONOPERATING EXPENSES		
Interest expense	3,959,336	3,927,211
County Treasurer's fees	37,943	36,970
Paying agent fees and other debt related expenses	64,950	3,450
Amortization of debt related costs	(116,444)	(36,960)
Total nonoperating expenses	3,945,785	3,930,671
INCOME (LOSS) BEFORE CONTRIBUTIONS	(6,705,568)	(5,497,513)

(Continued)

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2017 and 2016
(Continued)

	2017	2016
CAPITAL CONTRIBUTIONS		
Northern Project Construction Fund charges	6,458,723	6,418,734
Water tap fees	5,663,307	6,805,630
Sewer tap fees	661,937	734,869
Storm drainage fees	630,812	676,787
Contributed facilities from developers	3,289,781	-
Contributions for capital outlay	3,424,875	4,262,546
Total capital contributions	20,129,435	18,898,566
CHANGE IN NET POSITION	13,423,867	13,401,053
TOTAL NET POSITION - BEGINNING OF YEAR	345,205,179	331,804,126
TOTAL NET POSITION - END OF YEAR	\$ 358,629,046	\$ 345,205,179

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 25,262,359	\$ 24,994,149
Payments to suppliers	(17,901,484)	(14,998,692)
Payments to employees and related expenses	(4,290,006)	(3,965,371)
Other receipts (payments)	(69,775)	243,468
Net cash provided (required) by operating activities	3,001,094	6,273,554
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax collections for operations	2,527,651	2,462,932
Specific ownership taxes	212,816	184,986
Miscellaneous income	481,904	231,219
County Treasurer's fees	(37,943)	(36,970)
Net cash provided (required) by noncapital financing activities	3,184,428	2,842,167
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Water tap fees	5,663,307	6,805,630
Sewer tap fees	661,937	734,869
Storm drainage fees	630,812	676,787
Northern Project Construction Fund charges	6,458,723	6,418,734
Acquisition of property, plant and equipment (net of contributed lines of \$3,289,781 and \$1,982,292 in 2017 and 2016, respectively)	(10,770,447)	(10,044,493)
Other income	156,592	156,424
Cash contributions for capital	3,667,864	1,436,089
Interest on debt	(4,252,045)	(4,530,315)
Debt principal reduction	(6,817,143)	(6,848,635)
Lease principal payment	-	(79,086)
Paying agent fees and other expenses	(64,950)	(3,450)
Net cash provided (required) by capital and related financing activities	(4,665,350)	(5,277,446)

(Continued)

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016
(Continued)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	613,981	211,510
Net cash provided (required) by investing activities	613,981	211,510
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,134,153	4,049,785
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	65,565,049	61,515,264
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 67,699,202	\$ 65,565,049
Reconciliation of operating income (loss) to net cash provided (required) by operating activities		
Operating income (loss)	\$ (6,330,393)	\$ (4,974,652)
Adjustments to reconcile operating income (loss) to net cash provided (required) by operating activities		
Depreciation and amortization	10,100,622	9,744,883
(Increase) decrease in:		
Accounts receivable	(836,626)	96,556
Prepaid expenses	(13,549)	8,332
Inventories	(6,708)	19,292
Increase (decrease) in:		
Accounts payable and accrued expenses	(43,316)	1,380,851
Deposits	131,064	(1,708)
Net cash provided (required) by operating activities	\$ 3,001,094	\$ 6,273,554
NON-CASH TRANSACTIONS		
Assets contributed by Developers	\$ 3,289,781	\$ 1,982,291

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

East Cherry Creek Valley Water and Sanitation District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court on June 7, 1962, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District exists to provide water, sanitary sewer and storm drainage services to the East Cherry Creek Valley area of unincorporated Arapahoe County, Colorado. A portion of the District is included in the City of Centennial.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

Operating Revenues and Expenses

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

Budgets

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

The District has amended its annual budget for the year ended December 31, 2017.

Pooled Cash and Investments

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

Investments are carried at fair value.

Cash Equivalents

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Property Taxes

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

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tap Fees and Contributed Lines

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

Water Rights and Sewer Capacity Rights

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

Special Projects and Planning

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

Amortization of Original Issue Premium

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

Amortization of Cost on Debt Refunding

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

Compensated Absences

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

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District has accrued \$187,789 and \$174,822 as of December 31, 2017 and 2016, respectively, for future payment of this earned leave.

Deferred Outflow/Inflow of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *cost of debt refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

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

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 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	\$ 65,338,175	\$ 62,624,869
Cash and cash equivalents - Restricted	<u>2,467,127</u>	<u>2,940,180</u>
Total cash and investments	<u>\$ 67,699,202</u>	<u>\$ 65,565,049</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

	2017	2016
Deposits with financial institutions	\$ 18,311,027	\$ 18,569,839
Investments	<u>49,388,175</u>	<u>46,995,210</u>
Total cash and investments	<u>\$ 67,699,202</u>	<u>\$ 65,565,049</u>

Deposits with Financial Institutions

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

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

At December 31, 2017 and 2016, the District's cash deposits had a bank balance of \$20,061,207 and \$19,357,769, respectively; and a carrying balance of \$18,311,027 and \$18,569,839, respectively.

Investments

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

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

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

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

Investment	Maturity	Amount	
		2017	2016
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 49,388,175</u>	<u>\$ 46,995,210</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.

Restricted cash included Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12) of \$106,100 and \$104,500 at December 31, 2017 and 2016, respectively.

Restricted cash also included \$176,895 and \$424,102 held in escrow for payment of the District's subordinate Water Revenue Exchange Bonds, Series 2004 at December 31, 2017 and 2016, respectively; \$169,260 and \$407,659 for payment of the District's 2007 Lease Purchase Agreement at December 31, 2017 and 2016, respectively; \$1,105,725 and \$1,104,890 for the payment of the 2009A Series Bonds at December 31, 2017 and 2016, respectively; \$195,407 and \$193,234 for the payment of the 2010A Series Bonds at December 31, 2017 and 2016, respectively; and \$713,732 and \$705,794 for the payment of the 2010B Series Bonds at December 31, 2017 and 2016, respectively.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2017 and 2016 follows:

	2017			Balance at December 31, 2017
	Balance at December 31, 2016	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 1,081,295	\$ -	\$ -	\$ 1,081,295
Easements	13,170,157	-	-	13,170,157
Water rights	85,054,057	-	-	85,054,057
Construction in progress	1,013,153	9,086,338	8,679,133	1,420,358
Total capital assets, not being depreciated	<u>100,318,662</u>	<u>9,086,338</u>	<u>8,679,133</u>	<u>100,725,867</u>
Capital assets, being depreciated:				
Water rights and leases	28,866,418	881,347	-	29,747,765
Sewer capacity rights	1,382,760	-	-	1,382,760
Water system	310,339,343	4,834,796	-	315,174,139
Sewer system	52,423,217	6,879,450	-	59,302,667
Storm drainage	17,222,273	258,761	-	17,481,034
Buildings	3,303,340	111,004	-	3,414,344
Office and field equipment	1,894,327	280,460	208,827	1,965,960
Total capital assets, being depreciated	<u>415,431,678</u>	<u>13,245,818</u>	<u>208,827</u>	<u>428,468,669</u>
Less accumulated depreciation for:				
Water rights and leases	6,661,449	282,014	-	6,943,463
Sewer capacity rights	612,432	19,834	-	632,266
Water system	89,814,505	7,822,073	-	97,636,578
Sewer system	14,797,874	1,248,284	-	16,046,158
Storm drainage	5,437,494	388,947	-	5,826,441
Buildings	1,639,314	132,341	-	1,771,655
Office and field equipment	1,515,265	163,575	206,382	1,472,458
Total accumulated depreciation	<u>120,478,333</u>	<u>10,057,068</u>	<u>206,382</u>	<u>130,329,019</u>
Total capital assets, being depreciated, net	<u>294,953,345</u>	<u>3,188,750</u>	<u>2,445</u>	<u>298,139,650</u>
Capital assets, net	<u><u>\$ 395,272,007</u></u>	<u><u>\$ 12,275,088</u></u>	<u><u>\$ 8,681,578</u></u>	<u><u>\$ 398,865,517</u></u>

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

	<u>2017</u>	<u>2016</u>
Water	\$ 8,104,087	\$ 7,943,036
Sewer	1,268,118	1,137,563
Storm drainage	388,947	384,720
General and administrative	89,534	121,227
	<u>\$ 9,850,686</u>	<u>\$ 9,586,546</u>

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the years ended December 31, 2017 and 2016:

	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>	<u>Amounts Due Within One Year</u>
2004 Subordinate Water Exchange Bonds	\$ 16,643,000	\$ -	\$ 1,690,000	\$ 14,953,000	\$ -
2009A Variable Rate Water Revenue Bonds	20,840,000	-	-	20,840,000	-
2009B Variable Rate Water Revenue Bonds	10,050,000	-	1,500,000	8,550,000	1,565,000
Bond premium	8,900	-	2,455	6,445	2,089
2010A Water Enterprise Revenue Bonds	1,040,000	-	250,000	790,000	250,000
Bond premium	25,720	-	9,276	16,444	7,576
2010B Water Enterprise Revenue Bonds (BAB)	8,620,000	-	-	8,620,000	-
2015 Water Refunding Bonds	40,720,000	-	1,205,000	39,515,000	1,235,000
Bond premium	3,464,835	-	290,543	3,174,292	284,523
Total bonds payable	<u>101,412,455</u>	<u>-</u>	<u>4,947,274</u>	<u>96,465,181</u>	<u>3,344,188</u>
2007 Subordinate Lease Purchase Agreement	12,022,567	-	2,172,143	9,850,424	3,400,000
Capital lease	-	-	-	-	-
Total long-term obligations	<u>\$ 113,435,022</u>	<u>\$ -</u>	<u>\$ 7,119,417</u>	<u>\$ 106,315,605</u>	<u>\$ 6,744,188</u>

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The actual amounts of principal and interest payments to be made in the future will depend on future water tap fee revenue and cannot be predicted with certainty. The District's 2018 budget contemplates a principal payment of \$1,200,000.

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

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

The Second Supplement to the Lease Purchase Agreement, effective as of September 26, 2017, extended the agreement to November 1, 2022. The Second Supplement also called for an additional payment of \$3,000,000 to be paid to United Water on February 15, 2018.

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

The bonds may bear interest in a Daily, Weekly, Monthly, Annual or Fixed Rate Mode. The maximum interest rate on the bonds on any day (except for Bank Series 2009A Bonds, as described below) is 10% per annum. In a resolution dated April 26, 2012, the Enterprise changed the rate mode from the Weekly Rate Mode to the Monthly Rate Mode. The remarketing agent for the bonds determines the monthly interest rate. At December 31, 2017, the monthly interest rate was 2.08%. Interest, while in the Monthly Rate Mode, is computed on the basis of a 360 day year and is payable on the first business day of each month. The bonds may be converted from one Rate Mode to another Rate Mode, subject to certain restrictions outlined in the Joint Resolution.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

The Series 2009A Bonds are special limited revenue obligations of the Enterprise, on behalf of the District, and are payable solely from Net Revenue, on parity with the Outstanding Senior Bonds, including the Series 2002 Bonds (refunded by the Series 2009B Bonds), and any other Additional Parity Obligations. The District and the Enterprise covenant that rates and fees may not be lowered or reduced for so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2017, the District was in substantial compliance with its bond covenants.

The bonds are further secured by a debt service reserve account. This reserve account has been satisfied by the deposit of funds with the Trustee in the amount of \$1,105,725.

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

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

The bonds are special and limited obligations of the Enterprise on behalf of the District, payable solely out of and secured by an irrevocable (but nonexclusive) pledge of the revenue of the Water System after deduction of operations and maintenance expenses (Net Revenues). The District and the Enterprise have covenanted that rates and fees may not be lowered or reduced so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2017, the District was in substantial compliance with its bond covenants.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

The Series 2010A Bonds are special limited revenue obligations of the Enterprise, on behalf of the District, and are payable solely from Net Revenue, on parity with the Outstanding Senior Bonds, which includes the Series 2005 Bonds, the Series 2009A Bonds, the Series 2009B Bonds and any other Additional Parity Obligations. The District and the Enterprise covenant that rates and fees may not be lowered or reduced for so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2017, the District was in substantial compliance with its bond covenants.

The bonds are further secured by a debt service reserve account. This reserve account has been satisfied by the deposit of funds in the amount of \$195,407.

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

The Series 2010B Bonds were issued pursuant to the Colorado Recovery and Reinvestment Act of 2009, Title 11, Article 59.7, Part 1, C.R.S., which allows for the issuance of Build America Bonds (BAB's). Under certain requirements, BAB's qualify the issuer to receive federal subsidies to offset a portion of the borrowing costs in the form of a credit equal to 35% of the interest payable. During 2017, the District received a credit from the federal government in the amount of \$156,592.

The bonds are further secured by a debt service reserve account. This reserve account has been satisfied by the deposit of funds in the amount of \$713,732.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The Series 2010B Bonds are special limited revenue obligations of the Enterprise, on behalf of the District, and are payable solely from Net Revenue, on parity with the Outstanding Senior Bonds, which includes the Series 2005 Bonds, the Series 2009A Bonds, the Series 2009B Bonds and any other Additional Parity Obligations. The District and the Enterprise covenant that rates and fees may not be lowered or reduced for so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2017, the District was in substantial compliance with its bond covenants.

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

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

The Series 2015 Bonds are special limited revenue obligations of the Enterprise, on behalf of the District, and are payable solely from Net Revenue, on parity with the Outstanding Senior Bonds, including the Series 2002 Bonds (refunded by the Series 2009B Bonds), and any other Additional Parity Obligations. The District and the Enterprise covenant that rates and fees may not be lowered or reduced for so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2017, the District was in substantial compliance with its bond covenants.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,050,000	\$ 3,007,745	\$ 6,057,745
2019	3,180,000	2,909,058	6,089,058
2020	3,315,000	2,802,295	6,117,295
2021	3,460,000	2,677,770	6,137,770
2022	3,620,000	2,546,244	6,166,244
2023-2027	18,775,000	10,745,476	29,520,476
2028-2032	23,435,000	6,891,053	30,326,053
2033-2037	17,340,000	2,154,054	19,494,054
2038-2040	2,140,000	281,688	2,421,688
Total payments	<u>\$ 78,315,000</u>	<u>\$ 34,015,383</u>	<u>\$ 112,330,383</u>

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

At December 31, 2017, the authorized unissued general obligation debt of the District from elections held in 1977 and 1981 totaled \$14,599,393. The District's ability to issue its remaining authorized debt may be limited by judicial interpretation as a result of Article X, Section 20 of the Constitution of the State of Colorado (see Note 12).

NOTE 6 - NET POSITION

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

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

	2017	2016
Net investment in capital assets		
Capital assets, net	\$ 398,865,517	\$ 395,272,007
Unspent bond proceeds	2,014,873	2,003,918
Current portion of long-term obligations	(6,744,188)	(3,257,274)
Cost of debt refunding, net	1,137,883	1,323,712
Noncurrent portion of long-term obligations	<u>(99,571,417)</u>	<u>(110,177,748)</u>
Net investment in capital assets	<u><u>\$ 295,702,668</u></u>	<u><u>\$ 285,164,615</u></u>

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2017 and 2016, as follows:

	2017	2016
Restricted net position:		
Debt service (see Note 5)	\$ 2,361,028	\$ 2,835,680
Emergencies (see Note 12)	<u>106,100</u>	<u>104,500</u>
Total restricted net position	<u><u>\$ 2,467,128</u></u>	<u><u>\$ 2,940,180</u></u>

The District's unrestricted net position as of December 31, 2017 and 2016, are \$60,459,250 and \$57,100,384 respectively.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS

Sewage Treatment - City of Aurora

The District has contracted since 1976 with the City of Aurora (City) for all sewage treatment services and to pay the City a portion of the costs to increase the size of certain sewer mains in exchange for future rights to capacity in these mains. The District was charged sewage treatment cost by the City in the amount of \$6,042,425 for 2017 and \$5,945,930 for 2016 under the agreement.

The District has agreed to pay the City an amount equal to 15% of the sewer tap fee being charged by the City at a time a sewer tap is connected. The District paid \$104,400 in 2017 \$96,624 in 2016 to the City for tap connections.

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

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

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

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

Water Storage - City of Aurora

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

During 2017 and 2016, the District provided no water to the Aurora system.

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

During 2017, 41.77 acre feet had been delivered to the golf courses, leaving a balance of 74.69 acre feet owed to the City.

Intergovernmental Agreement - ACWWA

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

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

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

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

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

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

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Western Pipeline Sale

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

Modification Agreement

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

Operating Agreement

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

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Water Supply Agreement

The District entered into a Water Supply Agreement with Farmers Reservoir and Irrigation Company (FRICO) and the United Water and Sanitation District (United) on December 18, 2003, for the purpose of developing an integrated water supply project in the Beebe Draw Alluvium. The agreement anticipated a reverse osmosis treatment plant to be constructed, owned and operated by the District. During 2003, the District purchased water and delivery rights to 3,000 acre feet of fully consumable water per year at a price of \$18,500,000 paid in

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

cash to United and \$26,500,000 in the form of Subordinate Water Revenue Bonds, Series 2003, subsequently exchanged for the Subordinate Water Revenue Exchange Bonds, Series 2004 in the amount of \$26,793,000 (see Note 5), payable to United. The agreement entitles the District to purchase shares in FRICO's water supply system or additional South Platte Water supplies at an approximated price of \$9,700 per acre foot, which would provide the District between 2,960 and 3,221 acre feet of fully consumable water per year for a total of \$31,250,000. Additional projects contemplated by an agreement will divert water and return flows from the South Platte River and deliver it to the District's future treatment plant and will give the District a right of first purchase of yield in excess of 6,221 acre feet from additional tributary water rights from the South Platte River acquired by United.

Agreements with Denver Water Board

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

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

The District paid Denver a net amount of \$1,043,528 and \$878,956 in 2017 and 2016, respectively, for water service charges.

OAR Lease Agreement

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The 1996 agreement allows the District to purchase up to 4,000 acre feet of Arapahoe Aquifer Water at \$44 per acre foot on an arrangement for a total annual payment of up to \$176,000 through the term of the agreement. The District has taken delivery of less than 4,000 acre feet in 2017 and 2016. Additional capital expenditures for wells and pipelines are required to fully utilize the water rights. The District also agreed to waive any and all preemptive rights or rights of first refusal relating to any conveyance of water and water rights in excess of the right to purchase for use up to the 4,000 acre feet of water each year.

Water Purchase Agreement – Rangeview

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

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

Pipeline Enlargement Agreement

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Commitments

The District had unexpended construction related contract commitments of approximately \$832,870 and \$258,614 as of December 31, 2017 and 2016, respectively.

Master Tap Purchase Agreement

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

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

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

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreement with Adams County

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

Emergency Interconnect Agreement

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

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

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

Employment Contracts

In April 2016, the District entered into a three year employment contract with the District Manager. The District's financial obligation under this contract is to pay salary totaling \$187,000 per year and a car allowance of \$300 per pay period.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9 - PENSION AND BENEFIT PLANS

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

Defined Contribution Plan

The employees of the District participate in a money purchase pension plan and trust, which is a defined contribution plan which was established by the District and is maintained and administered by Voya. At December 31, 2017, there were 47 plan members. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become plan members on their first day of employment. Under this plan, an amount equal to 7% of the plan members' compensation is remitted to the Plan Administrator by the District. The District's contributions, plus earnings, become vested at a rate of 20% for each year of participation in the plan. District contributions for plan members who leave employment before they are fully vested are used to reduce the District's current period contribution requirement. There is no liability for benefits under the plan beyond the District's payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

The District contributed \$204,243 and \$185,341 for the years ended December 31, 2017 and 2016, respectively.

Deferred Compensation Plan

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

Post Employment Health Plan

Effective January 1, 2002, the District adopted a mandatory post employment health plan. The District is required to contribute 2.0% of each eligible employee's annual salary into a defined contribution plan administered by Voya. Contributions vest with the employee immediately for qualified medical expenses at termination of employment and no additional contributions are required of the District at termination of employment. Employer contributions were \$59,831 for 2017 and \$54,653 for 2016, respectively.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 10 - RELATED PARTY

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

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULES OF EXPENSES
Years Ended December 31, 2017 and 2016

	2017	2016
DIRECT WATER EXPENSES		
Communications	\$ 96,783	\$ 68,391
Customer billing	142,254	143,454
Engineering and plan review	907,308	573,635
Legal	268,602	121,681
Operating expenses	1,745,615	864,244
Repairs and maintenance	5,076,592	5,049,612
Testing	117,129	85,291
Utilities	3,122,264	2,996,899
Water conservation rebates	21,454	27,988
Water lease payment	7,333	3,302
Water services	1,043,528	878,956
Total direct water expenses	\$ 12,548,862	\$ 10,813,453
DIRECT SEWER EXPENSES		
Aurora tap fees	\$ 104,400	\$ 96,624
Customer billing	48,345	47,648
Engineering and plan review	155,017	256,574
Repairs and maintenance	675,108	912,718
Sewage treatment	6,042,425	5,945,930
Total direct sewer expenses	\$ 7,025,295	\$ 7,259,494
DIRECT STORM DRAINAGE EXPENSES		
Engineering and plan review	\$ 16,256	\$ 53,476
Repairs and maintenance	92,273	7,917
Total direct storm drainage expenses	\$ 108,529	\$ 61,393
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 100,953	\$ 89,667
Communications	109,341	52,206
Directors' fees	7,000	6,700
Election costs	-	2,795
Insurance	150,005	176,776
Investment expense/bank charges	148,160	120,734
Legal	56,854	49,980
Management	57,540	46,949
Miscellaneous/contingency	9,292	9,273
Office supplies	431,425	269,013
Public information	47,150	44,691
Repairs and maintenance	137,061	131,154
Salaries, benefits and payroll taxes	1,059,459	1,013,531
Travel, training and meetings	98,674	91,419
Utilities	44,249	48,062
Total general and administrative expenses before depreciation and amortization	2,457,163	2,152,950
Depreciation and amortization	339,470	279,564
Total general and administrative expenses	\$ 2,796,633	\$ 2,432,514

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL FUNDS COMBINED
Year Ended December 31, 2017**

	Budget		Actual	Variance with Budget Positive (Negative)
	Original	Final		
REVENUES				
Water service fees	\$ 15,191,000	\$ 15,191,000	\$ 14,468,106	\$ (722,894)
Northern Project Construction Fund charges	6,700,000	6,700,000	6,458,723	(241,277)
Sewer service fees	8,700,000	8,700,000	8,746,516	46,516
Administrative fees	1,500,000	1,500,000	1,519,407	19,407
Connection and inspection charges	61,000	61,000	118,950	57,950
Construction observation fees	67,700	67,700	124,000	56,300
Penalties and late charges	212,000	212,000	189,193	(22,807)
Other income	490,000	490,000	669,726	179,726
Miscellaneous income	6,000	6,000	69,975	63,975
WISE operations	160,000	160,000	64,691	(95,309)
Utility refunds	-	-	9,489	9,489
Lease income	100,000	100,000	87,390	(12,610)
Property taxes	2,529,000	2,529,000	2,527,651	(1,349)
Specific ownership taxes	184,000	184,000	216,576	32,576
Net investment income	352,000	352,000	613,981	261,981
Water tap fees	5,000,000	5,000,000	5,663,307	663,307
Sewer tap fees	500,000	500,000	661,937	161,937
Storm drainage fees	540,000	540,000	630,812	90,812
Contributions of capital outlay	2,210,000	2,210,000	6,714,656	4,504,656
Total revenues	<u>44,502,700</u>	<u>44,502,700</u>	<u>49,555,086</u>	<u>5,052,386</u>
EXPENDITURES				
Direct water expenses	13,665,500	13,665,500	12,548,862	1,116,638
Direct sewer expenses	7,313,500	7,313,500	7,025,295	288,205
Direct storm drainage expenses	131,000	131,000	108,529	22,471
General and administrative expenses	2,823,200	2,823,200	2,457,163	366,037
County Treasurer's fees	38,000	38,000	37,943	57
Capital outlay	14,347,000	17,347,000	13,609,470	3,737,530
Debt service	9,820,202	9,820,202	10,841,428	(1,021,226)
Total expenditures	<u>48,138,402</u>	<u>51,138,402</u>	<u>46,628,690</u>	<u>4,509,712</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(3,635,702)</u>	<u>(6,635,702)</u>	<u>2,926,396</u>	<u>9,562,098</u>
OTHER FINANCING SOURCES AND (USES)				
Gain (loss) on asset sale/disposal	-	-	13,927	13,927
Lease proceeds	2,000,000	2,000,000	-	(2,000,000)
Total other financing sources and (uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>13,927</u>	<u>(1,986,073)</u>
Net change in funds available	(1,635,702)	(4,635,702)	2,940,323	7,576,025
FUNDS AVAILABLE - BEGINNING OF YEAR	59,228,750	59,228,750	61,895,935	2,667,185
FUNDS AVAILABLE - END OF YEAR	<u>\$ 57,593,048</u>	<u>\$ 54,593,048</u>	<u>\$ 64,836,258</u>	<u>\$ 10,243,210</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
DISTRICT ACTIVITY
Year Ended December 31, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
DISTRICT REVENUES				
Property taxes	\$ 2,529,000	\$ 2,529,000	\$ 2,527,651	\$ (1,349)
Specific ownership taxes	184,000	184,000	216,576	32,576
Net investment income	2,000	2,000	1,888	(112)
Storm drainage fees	540,000	540,000	630,812	90,812
Lease income	100,000	100,000	87,390	(12,610)
Miscellaneous income	6,000	6,000	69,975	63,975
Total district revenues	<u>3,361,000</u>	<u>3,361,000</u>	<u>3,534,292</u>	<u>173,292</u>
DISTRICT EXPENDITURES				
Direct storm drainage expenses	131,000	131,000	108,529	22,471
General and administrative expenses	2,823,200	2,823,200	2,457,163	366,037
County Treasurer's fees	38,000	38,000	37,943	57
Capital outlay	2,707,000	2,707,000	570,798	2,136,202
Debt service	210,000	210,000	-	210,000
Total district expenditures	<u>5,909,200</u>	<u>5,909,200</u>	<u>3,174,433</u>	<u>2,734,767</u>
EXCESS DISTRICT REVENUES OVER (UNDER) DISTRICT EXPENDITURES	<u>(2,548,200)</u>	<u>(2,548,200)</u>	<u>359,859</u>	<u>2,908,059</u>
OTHER FINANCING SOURCES AND (USES)				
Gain (loss) on asset sale/disposal	-	-	(35,555)	35,555
Lease proceeds	2,000,000	2,000,000	-	(2,000,000)
Total other financing sources and (uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>(35,555)</u>	<u>(1,964,445)</u>
Net change in funds available	(548,200)	(548,200)	324,304	943,614
DISTRICT FUNDS AVAILABLE - BEGINNING OF YEAR	<u>6,907,146</u>	<u>6,907,146</u>	<u>7,155,570</u>	<u>248,424</u>
DISTRICT FUNDS AVAILABLE - END OF YEAR	<u>\$ 6,358,946</u>	<u>\$ 6,358,946</u>	<u>\$ 7,479,874</u>	<u>\$ 1,192,038</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER ENTERPRISE ACTIVITY
Year Ended December 31, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
WATER ENTERPRISE REVENUES				
Water service fees	\$ 15,191,000	\$ 15,191,000	\$ 14,468,106	\$ (722,894)
Northern Project Construction Fund charges	6,700,000	6,700,000	6,458,723	(241,277)
Administrative fees	1,500,000	1,500,000	1,519,407	19,407
Connection and inspection charges	56,000	56,000	112,200	56,200
Construction observation fees	32,000	32,000	70,400	38,400
Penalties and late charges	212,000	212,000	189,193	(22,807)
Other income	490,000	490,000	664,661	174,661
Utility refunds	-	-	9,489	9,489
Net investment income	350,000	350,000	612,093	262,093
Water tap fees	5,000,000	5,000,000	5,663,307	663,307
Contributions of capital outlay	450,000	450,000	2,879,631	2,429,631
WISE operations	160,000	160,000	64,691	(95,309)
Total water enterprise revenues	<u>30,141,000</u>	<u>30,141,000</u>	<u>32,711,901</u>	<u>2,570,901</u>
WATER ENTERPRISE EXPENDITURES				
Water operations	13,027,500	13,027,500	11,907,781	1,119,719
Water conservation rebates	65,000	65,000	21,454	43,546
Water meters purchased	573,000	573,000	619,627	(46,627)
Capital outlay	7,740,000	7,740,000	6,159,223	1,580,777
Debt service	9,610,202	9,610,202	10,841,428	(1,231,226)
Total water enterprise expenditures	<u>31,015,702</u>	<u>31,015,702</u>	<u>29,549,513</u>	<u>1,466,189</u>
EXCESS WATER ENTERPRISE REVENUES OVER (UNDER) WATER ENTERPRISE EXPENDITURES				
	<u>(874,702)</u>	<u>(874,702)</u>	<u>3,162,388</u>	<u>4,037,090</u>
OTHER FINANCING SOURCES AND (USES)				
Gain (loss) on asset sale/disposal	-	-	49,482	49,482
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>49,482</u>	<u>49,482</u>
Net change in funds available	(874,702)	(874,702)	3,211,870	4,086,572
WATER ENTERPRISE FUNDS AVAILABLE - BEGINNING OF YEAR				
	<u>48,071,107</u>	<u>48,071,107</u>	<u>50,122,374</u>	<u>2,051,267</u>
WATER ENTERPRISE FUNDS AVAILABLE - END OF YEAR				
	<u>\$ 47,196,405</u>	<u>\$ 47,196,405</u>	<u>\$ 53,334,244</u>	<u>\$ 6,137,839</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
SEWER ENTERPRISE ACTIVITY
Year Ended December 31, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
SEWER ENTERPRISE REVENUES				
Sewer service fees	\$ 8,700,000	\$ 8,700,000	\$ 8,746,516	\$ 46,516
Connection and inspection charges	5,000	5,000	6,750	1,750
Construction observation / plan review fees	35,700	35,700	53,600	17,900
Other income	-	-	5,065	5,065
Contributions of capital outlay	1,760,000	1,760,000	3,835,025	2,075,025
Sewer tap fees	500,000	500,000	661,937	161,937
Total sewer enterprise revenues	<u>11,000,700</u>	<u>11,000,700</u>	<u>13,308,893</u>	<u>2,308,193</u>
SEWER ENTERPRISE EXPENDITURES				
Sewer operations	7,248,500	7,248,500	6,920,895	327,605
Aurora tap fees	65,000	65,000	104,400	(39,400)
Capital outlay	3,900,000	6,900,000	6,879,449	20,551
Total sewer enterprise expenditures	<u>11,213,500</u>	<u>14,213,500</u>	<u>13,904,744</u>	<u>308,756</u>
EXCESS SEWER ENTERPRISE REVENUES OVER (UNDER) SEWER ENTERPRISE EXPENDITURES				
	(212,800)	(3,212,800)	(595,851)	2,616,949
SEWER ENTERPRISE FUNDS AVAILABLE BEGINNING OF YEAR				
	<u>4,250,497</u>	<u>4,250,497</u>	<u>4,617,991</u>	<u>367,494</u>
SEWER ENTERPRISE FUNDS AVAILABLE - END OF YEAR				
	<u>\$ 4,037,697</u>	<u>\$ 1,037,697</u>	<u>\$ 4,022,140</u>	<u>\$ 2,984,443</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL)
TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2017**

	Actual
Funds available are defined as follows:	
Current assets	\$ 71,552,853
Restricted current assets	2,467,128
Less current liabilities	(9,624,219)
Less current liabilities payable from restricted assets	(3,680,391)
Less deferred inflow of resources	(2,623,301)
Plus current portion of long-term obligations	6,744,188
Funds available	\$ 64,836,258
Reconciliation of budgetary basis (actual) to Statement of Revenues, Expenses and Changes in Net Position:	
Revenues (budgetary basis)	\$ 49,602,123
Trade-in value for asset	8,000
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	49,610,123
Expenditures (budgetary basis)	46,628,690
Depreciation and amortization	10,100,622
Amortization of debt refunding costs	185,830
Amortization of debt premium	(302,274)
Capital outlay	(13,653,023)
Abandonment/sale of capital assets	43,554
Bond and lease principal payments	(6,817,143)
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	36,186,256
Change in net assets per Statement of Revenues, Expenses and Changes in Net Position	\$ 13,423,867

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017

December 31,	\$20,840,000 Variable Rate Water Revenue Refunding Bonds, Series 2009A (A) Original Date March 30, 2009 Restructure Date June 1, 2012 Variable Interest Rate Payable 1st Business Day of Each Month Principal due November 15		\$18,970,000 Variable Rate Water Revenue Refunding Bonds, Series 2009B (B) Original Date May 28, 2009 Restructure Date November 15, 2012 Interest Rate - 2.75% Interest Payable May 15 and November 15 Principal due November 15	
	Principal	Interest	Principal	Interest
2018	\$ -	\$ 556,428	\$ 1,565,000	\$ 235,125
2019	-	556,428	1,635,000	192,088
2020	-	556,428	1,710,000	147,125
2021	-	556,428	1,780,000	100,100
2022	-	556,428	1,860,000	51,150
2023	1,130,000	556,428	-	-
2024	1,435,000	526,257	-	-
2025	1,495,000	487,943	-	-
2026	1,555,000	448,026	-	-
2027	1,620,000	406,508	-	-
2028	1,685,000	363,254	-	-
2029	1,755,000	318,264	-	-
2030	1,870,000	271,406	-	-
2031	1,950,000	221,476	-	-
2032	2,030,000	169,411	-	-
2033	2,115,000	115,210	-	-
2034	2,200,000	58,740	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
Total	<u>\$ 20,840,000</u>	<u>\$ 6,725,063</u>	<u>\$ 8,550,000</u>	<u>\$ 725,588</u>

SUPPLEMENTAL INFORMATION

(A) Series 2009A bonds principal payment amounts are calculated assuming an interest rate of 2.67%. Bonds are remarketed and actual interest rates change monthly. The monthly rate at December 31, 2017 was 2.08%.

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

December 31,	\$2,360,000 Tax-Exempt Water Revenue Bonds Series 2010A (C) Dated September 7, 2010 Interest Rate - 2.00%-4.00% Interest Payable May 15 and November 15		\$8,620,000 Taxable Water Revenue Bonds (Build America Bonds) Series 2010B (D) Dated September 7, 2010 Interest Rate - 4.50%-5.82% Interest Payable May 15 and November 15	
	Principal due November 15		Principal due November 15	
	Principal	Interest	Principal	Interest
2018	\$ 250,000	\$ 27,850	\$ -	\$ 479,792
2019	265,000	21,600	-	479,792
2020	275,000	11,000	-	479,792
2021	-	-	285,000	479,792
2022	-	-	300,000	466,966
2023	-	-	300,000	452,866
2024	-	-	315,000	438,166
2025	-	-	325,000	422,258
2026	-	-	335,000	405,358
2027	-	-	345,000	386,866
2028	-	-	360,000	367,822
2029	-	-	375,000	347,951
2030	-	-	385,000	327,251
2031	-	-	400,000	305,999
2032	-	-	420,000	283,119
2033	-	-	435,000	259,095
2034	-	-	450,000	234,213
2035	-	-	465,000	208,473
2036	-	-	485,000	181,875
2037	-	-	500,000	153,648
2038	-	-	520,000	124,548
2039	-	-	540,000	94,284
2040	-	-	1,080,000	62,856
Total	<u>\$ 790,000</u>	<u>\$ 60,450</u>	<u>\$ 8,620,000</u>	<u>\$ 7,442,782</u>

SUPPLEMENTAL INFORMATION

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

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

(Continued)

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017
(Continued)

\$41,885,000			
Water Revenue Refunding Bonds			
Series 2015 (E)			
Dated August 19, 2015			
Interest Rate - 3.00%-5.00%			
Interest Payable May 15			
and November 15			
<u>December 31,</u>	<u>Principal due November 15</u>		<u>Total Debt</u>
	<u>Principal</u>	<u>Interest</u>	<u>Service</u>
			<u>Requirements (F)</u>
2018	\$ 1,235,000	\$ 1,708,550	\$ 6,057,745
2019	1,280,000	1,659,150	6,089,058
2020	1,330,000	1,607,950	6,117,295
2021	1,395,000	1,541,450	6,137,770
2022	1,460,000	1,471,700	6,166,244
2023	1,800,000	1,427,900	5,667,194
2024	1,890,000	1,337,900	5,942,323
2025	1,980,000	1,243,400	5,953,601
2026	2,080,000	1,144,400	5,967,784
2027	2,170,000	1,061,200	5,989,574
2028	2,250,000	974,400	6,000,476
2029	2,340,000	884,400	6,020,615
2030	2,420,000	808,350	6,082,007
2031	2,535,000	687,350	6,099,825
2032	2,660,000	560,600	6,123,130
2033	2,795,000	427,600	6,146,905
2034	2,910,000	315,800	6,168,753
2035	4,985,000	199,400	5,857,873
2036	-	-	666,875
2037	-	-	653,648
2038	-	-	644,548
2039	-	-	634,284
2040	-	-	1,142,856
Total	<u>\$ 39,515,000</u>	<u>\$ 19,061,500</u>	<u>\$ 112,330,383</u>

SUPPLEMENTAL INFORMATION

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

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

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2017**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for</u>				<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
	<u>Current Year Property Tax Levy</u>		<u>Mills Levied</u>		<u>Levied</u>	<u>Collected</u>	
	<u>Parcel A</u>	<u>Parcel B</u>	<u>Parcel A</u>	<u>Parcel B</u>			
2012	\$ 472,797,060	\$ 3,654,370	4.999 (A)	3.639	\$ 2,376,811	\$ 2,346,693	98.73%
2013	\$ 473,004,410	\$ 3,637,740	5.014 (B)	3.639	\$ 2,384,882	\$ 2,372,010	99.46%
2014	\$ 472,074,240	\$ 3,668,560	5.008 (C)	3.639	\$ 2,377,498	\$ 2,373,294	99.82%
2015	\$ 477,729,008	\$ 3,668,473	4.983 (D)	3.639	\$ 2,393,874	\$ 2,384,048	99.59%
2016	\$ 580,478,037	\$ 4,286,658	4.220 (E)	3.170	\$ 2,463,206	\$ 2,462,932	99.99%
2017	\$ 589,599,153	\$ 4,292,020	4.266 (F)	3.257	\$ 2,529,209	\$ 2,527,651	99.94%
Estimated for the year ending December 31, 2018	\$ 659,501,932	\$ 4,393,785	3.956 (G)	3.257	\$ 2,623,300		

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

NOTE:

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

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

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

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

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

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

(E) Includes temporary reduction of 0.783 mills in Parcel A and 0.469 mills in Parcel B to effect refund of revenue received during 2015 in excess of TABOR limits. Parcel A also includes a refund/abatement mill levy of 0.035 mills to effectively collect refunded/abated revenue from prior years.

(F) Includes temporary reduction of 0.702 mills in Parcel A and 0.382 mills in Parcel B to effect refund of revenue received during 2016 in excess of TABOR limits.

(G) Includes temporary reduction of 1.012 mills in Parcel A and 0.382 mills in Parcel B to effect refund of revenue received during 2017 in excess of TABOR limits.

CONTINUING DISCLOSURE
ANNUAL FINANCIAL INFORMATION

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
Year Ended December 31, 2017**

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

	Year Ended December 31, 2017
Net Water Revenues (1)	<u>\$ 16,362,569</u>
Maximum Annual Debt Service	
Senior Bonds (2)	<u>\$ 6,168,753</u>
Debt Coverage Ratio	<u>2.65</u>
Adjusted Net Water Revenues Less Water Tap Fees	<u>\$ 10,699,262</u>
Debt Coverage Ratio of Adjusted Net Water Revenues Less Water Tap Fees	<u>1.73</u>

(1) From the Table on the following page.

(2) Includes Series 2009A & B Bonds and 2010A & B Bonds, with the variable interest rate calculated based on the Bond Buyer 25 Bond Revenue Index of 3.44% as of December 31, 2017.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
Year Ended December 31, 2017

Enterprise Water System Revenues

	Budget		Actual
	Original	Final	
WATER SYSTEM			
Water System Revenues			
Water Operating Revenues:			
Water service fees	\$ 15,325,000	\$ 15,325,000	\$ 14,509,729
Administration fees	1,500,000	1,500,000	1,519,407
New service fees	26,000	26,000	23,068
Late charges	210,000	210,000	179,343
Total Water Operating Revenues	<u>17,061,000</u>	<u>17,061,000</u>	<u>16,231,547</u>
Less: Water Operations Expenses			
Customer billing	165,000	165,000	142,254
Engineering	795,000	795,000	754,092
General administration - Allocated (1)	1,472,332	1,472,332	1,438,575
Insurance	22,000	22,000	37,859
Salaries	3,143,000	3,143,000	3,117,672
Legal	215,000	215,000	268,602
OAR Water Lease - Water purchase	1,000	1,000	7,333
Other operating expenses	2,815,500	2,815,500	1,745,615
Plan reviews	85,000	85,000	153,216
Repairs and maintenance	1,392,000	1,392,000	1,269,832
Testing	128,000	128,000	117,129
Utilities and communications	3,669,000	3,669,000	3,219,047
Water conservation rebates	65,000	65,000	21,454
Water services - Denver water purchases	1,120,000	1,120,000	1,043,528
Total Water Operations Expenses	<u>15,087,832</u>	<u>15,087,832</u>	<u>13,336,208</u>
Net Water Operating Revenues	<u>1,973,168</u>	<u>1,973,168</u>	<u>2,895,339</u>
Other Water System Revenues:			
Water tap fees	5,000,000	5,000,000	5,663,307
Water connection and inspection fees	56,000	56,000	112,200
Northern Project Construction Fund charges	6,700,000	6,700,000	6,458,723
Investment income (allocated to water)	350,000	350,000	612,093
Utilities refunds	-	-	9,489
Other revenues	490,000	490,000	664,661
Penalties/fines	2,000	2,000	9,850
Plan review / construction observation fees - Water	32,000	32,000	70,400
Total Other Water System Revenues	<u>12,630,000</u>	<u>12,630,000</u>	<u>13,600,723</u>
Less: Cost of meters	<u>(50,000)</u>	<u>(50,000)</u>	<u>(133,493)</u>
Net Other Water System Revenues	<u>12,580,000</u>	<u>12,580,000</u>	<u>13,467,230</u>
Net Water Revenues	<u>\$ 14,553,168</u>	<u>\$ 14,553,168</u>	<u>\$ 16,362,569</u>

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

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
December 31, 2017**

Water Enterprise Operational Data

Year	Water Tap Connections Single Family Equivalents		Water Consumption in Thousands of Gallons					Total
	During	End of	Residential	Commercial	Parks	Schools	ACWWA	
	Year	Year						
2008	103	19,392	2,196,574	102,444	345,522	117,486	-	2,762,026
2009	56	19,448	1,903,013	103,100	240,477	93,616	-	2,340,206
2010	110	19,558	2,146,041	97,516	302,249	94,557	-	2,640,363
2011	55	19,613	2,105,185	99,171	312,191	95,672	-	2,612,219
2012	109	19,722	2,199,628	104,899	336,260	109,050	-	2,749,837
2013	158	19,880	1,887,395	188,745	278,312	84,570	194,335	2,633,357
2014	178	20,058	1,859,916	102,233	251,024	79,041	297,398	2,589,612
2015	209	20,267	1,921,514	112,760	268,665	94,370	439,127	2,836,436
2016	264	20,531	2,131,900	121,219	328,381	77,168	424,309	3,082,977
2017	197	20,728	2,057,366	132,361	303,605	87,245	307,540	2,888,117
2017 Percentage of Total Consumption			74%	4%	11%	3%	15%	100%

Water Wells Connected and On Line Well Field

	In District	SBLC	Western	Northern	Total
December 31,					
2008	65	8	16	6	95
2009	65	8	16	6	95
2010	65	8	16	6	95
2011	64	8	16	12	100
2012	64	8	16	12	100
2013	64	0	16	12	92
2014	64	0	16	12	92
2015	64	0	16	12	92
2016	64	0	16	12	92
2017	64	0	16	12	92
In process	0	0	0	0	0

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

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

Water Service Fees - Residential

	Admin Fee	Per Thousand Gallons Consumption per Month					Sustainable Water Assurance Fee ^(A)
		0 - 5,000	6,000 to 20,000	21,000 to 30,000	31,000 to 40,000	41,000 and up	
2008	\$ 5.00	\$ 2.40	\$ 4.10	\$ 7.05	\$ 8.80	\$ 11.90	\$ 22.00
2009	\$ 5.00	\$ 2.50	\$ 4.45	\$ 7.55	\$ 9.20	\$ 12.50	\$ 22.00
2010	\$ 5.00	\$ 2.80	\$ 4.90	\$ 8.10	\$ 10.00	\$ 12.50	\$ 22.00
2011	\$ 5.00	\$ 2.90	\$ 5.00	\$ 8.30	\$ 10.30	\$ 12.50	\$ 25.00
2012	\$ 5.00	\$ 3.10	\$ 5.20	\$ 8.50	\$ 10.50	\$ 12.50	\$ 25.00
2013	\$ 5.00	\$ 3.10	\$ 5.20	\$ 8.50	\$ 10.50	\$ 12.50	\$ 25.00
2014	\$ 5.50	\$ 3.20	\$ 5.40	\$ 8.50	\$ 10.50	\$ 12.50	\$ 25.00
2015	\$ 6.00	\$ 3.35	\$ 5.45	\$ 8.50	\$ 10.75	\$ 12.50	\$ 25.00
2016	\$ 6.00	\$ 3.60	\$ 5.55	\$ 8.50	\$ 11.00	\$ 12.50	\$ 25.00
2017	\$ 6.00	\$ 3.60	\$ 5.55	\$ 8.50	\$ 11.00	\$ 12.50	\$ 25.00
2018	\$ 6.00	\$ 4.10	\$ 5.85	\$ 8.70	\$ 11.50	\$ 12.50	\$ 25.00

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

Water Tap Fees

	Single Family Detached	Multi-Family per Unit	Irrigation per Square Foot				Water Tap Revenue	Number of Tap Fees Collected
			Turf	Low Water Turf	Native Grasses	Non-Turf		
2008	\$ 20,250.00	\$ 10,125.00	\$ 0.88	\$ 0.70	\$ 0.18	\$ 0.30	\$ 1,525,363	75
2009	\$ 21,500.00	\$ 10,750.00	\$ 0.93	\$ 0.74	\$ 0.19	\$ 0.32	\$ 2,232,516	101
2010	\$ 22,750.00	\$ 11,375.00	\$ 0.99	\$ 0.78	\$ 0.20	\$ 0.34	\$ 2,204,115	105
2011	\$ 24,000.00	\$ 12,000.00	\$ 1.04	\$ 0.82	\$ 0.21	\$ 0.36	\$ 847,614	32
2012	\$ 25,250.00	\$ 12,625.00	\$ 1.09	\$ 0.86	\$ 0.22	\$ 0.38	\$ 4,068,324	118
2013	\$ 26,500.00	\$ 13,250.00	\$ 1.20	\$ 0.95	\$ 0.24	\$ 0.42	\$ 4,198,116	149
2014	\$ 26,500.00	\$ 13,250.00	\$ 1.20	\$ 0.95	\$ 0.24	\$ 0.42	\$ 5,306,780	212
2015	\$ 26,500.00	\$ 13,250.00	\$ 1.20	\$ 0.95	\$ 0.24	\$ 0.42	\$ 7,196,478	276
2016	\$ 26,500.00	\$ 13,250.00	\$ 1.25	\$ 0.99	\$ 0.25	\$ 0.44	\$ 6,805,630	259
2017	\$ 26,500.00	\$ 13,250.00	\$ 1.25	\$ 0.99	\$ 0.25	\$ 0.44	\$ 5,663,307	268
2018	\$ 27,250.00	\$ 13,625.00	\$ 1.25	\$ 0.99	\$ 0.25	\$ 0.44		

Notes: (A) - Formally known as the Northern Project Construction Fund.

EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
BUDGET TO ACTUAL (NON-GAAP) COMPARISON OF RESULTS OF OPERATIONS
WATER ENTERPRISE
Year Ended December 31, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
SERVICE REVENUES (EXPENDITURES)				
Rate related customer service fees	\$ 16,691,000	\$ 16,691,000	\$ 15,987,513	\$ (703,487)
Operating expenditures	<u>(13,027,500)</u>	<u>(13,027,500)</u>	<u>(11,907,781)</u>	<u>1,119,719</u>
Net service revenues over expenditures	<u>3,663,500</u>	<u>3,663,500</u>	<u>4,079,732</u>	<u>416,232</u>
CAPITAL RELATED REVENUES (EXPENDITURES)				
Water tap fees	5,000,000	5,000,000	5,663,307	663,307
Northern Projection Construction Fund charges	6,700,000	6,700,000	6,458,723	(241,277)
Other revenue	1,212,000	1,212,000	1,540,127	328,127
Other capital related revenue	538,000	538,000	3,062,231	2,524,231
Water conservation rebates	(65,000)	(65,000)	(21,454)	43,546
Water meters purchased	(573,000)	(573,000)	(619,627)	(46,627)
Capital outlay	<u>(7,740,000)</u>	<u>(7,740,000)</u>	<u>(6,159,223)</u>	<u>1,580,777</u>
Net capital related revenues over (under) expenditures	<u>5,072,000</u>	<u>5,072,000</u>	<u>9,924,084</u>	<u>4,852,084</u>
DEBT SERVICE	<u>(9,610,202)</u>	<u>(9,610,202)</u>	<u>(10,841,428)</u>	<u>(1,231,226)</u>
OTHER FINANCING SOURCES (USES)				
Gain on asset disposal	-	-	49,482	49,482
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>49,482</u>	<u>49,482</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES				
	(874,702)	(874,702)	3,211,870	4,086,572
WATER ENTERPRISE FUNDS AVAILABLE - BEGINNING OF YEAR				
	<u>48,071,107</u>	<u>48,071,107</u>	<u>50,122,374</u>	<u>2,051,267</u>
WATER ENTERPRISE FUNDS AVAILABLE - END OF YEAR				
	<u>\$ 47,196,405</u>	<u>\$ 47,196,405</u>	<u>\$ 53,334,244</u>	<u>\$ 6,137,839</u>

NOTE: This schedule is reflective of data on the Schedule of Revenues, Expenditures and Funds Available - Budget and Actual (Budgetary Basis) on page 36, but is presented in a manner that is consistent with the schedule presented in the original offering document.