

**SOUTH METRO WISE AUTHORITY**  
**Arapahoe and Douglas Counties, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2017**

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Office of the State Auditor

October 30, 2018

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	<b>I</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position .....	1
Statement of Revenues, Expenses and Changes in Net Position .....	2
Statement of Cash Flows.....	3
Notes to Financial Statements .....	5
<b>SUPPLEMENTARY INFORMATION</b> .....	<b>13</b>
Schedule of Revenues, Expenditures and Funds Available – Budget and Actual (Budgetary Basis) .....	14
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position .....	15

Board of Directors  
South Metro WISE Authority  
Arapahoe and Douglas Counties, Colorado

### Independent Auditors' Report

We have audited the accompanying financial statements of the business-type activities of the South Metro WISE Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the South Metro WISE Authority as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other-Matters***

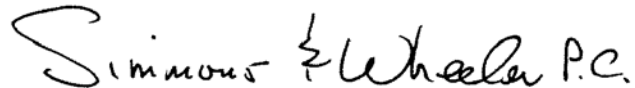
*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Metro WISE Authority's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Englewood, CO  
October 5, 2018

## **BASIC FINANCIAL STATEMENTS**

**SOUTH METRO WISE AUTHORITY  
STATEMENT OF NET POSITION**

**December 31, 2017**

	<u><b>2017</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 11,559,153
Accounts receivable	2,113,764
Prepaid expense	27,199
Capital assets not being depreciated	105,120
Capital assets, net	<u>42,812,454</u>
Total assets	<u>56,617,690</u>
<b>LIABILITIES</b>	
Accounts payable	4,194,950
Due to SMWSA	<u>197,165</u>
Total liabilities	<u>4,392,115</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferrred Revenue	398,218
Operations Deposit	<u>3,484,524</u>
Total deferred outflows of resources	<u>3,882,742</u>
<b>NET POSITION</b>	
Net investment in capital assets	42,812,454
Unrestricted	<u>5,530,379</u>
Total net position	<u><u>\$ 48,342,833</u></u>

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

**SOUTH METRO WISE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
Year Ended December 31, 2017

	<b>2017</b>
<b>OPERATING REVENUES</b>	
Members fees	\$ 1,000,000
Operations & Maintenance	300,000
Reimbursed expenditures	12,203,998
Binney Connection	1,368,706
Water Sales	599,219
Meridian Title Cleanup	59,294
DIA Connection	1,146,668
Total operating revenues	16,677,885
<b>OPERATING EXPENSES</b>	
Accounting & Audit	6,943
Engineering	47,175
Insurance and bonds	6,324
Legal	64,206
Supplies / Meetings	1,374
Public relations	49,513
SMWSA staffing/office	767,805
Contingency	4,787
System Operations & Operations Split	626,029
Reimbursed expenditures ECCV & DW	-
Water Purchase	591,528
Reimbursed expenditures	14,448,845
Pipeline Modification	67,806
DIA Connection	1,146,668
Aurora & Local Connection	26,665
Depreciation	481,697
Other Project Costs (non-capital)	1,852,722
Total operating expenses	20,190,087
<b>OPERATING INCOME (LOSS)</b>	<b>(3,512,202)</b>
<b>NONOPERATING REVENUE AND EXPENSES</b>	
Net investment income	84,269
Total nonoperating revenue and expenses	84,269
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>(3,427,933)</b>
<b>CAPITAL CONTRIBUTIONS</b>	
CWCB Grant	179,000
Total capital contributions	179,000
<b>CHANGE IN NET POSITION</b>	<b>(3,248,933)</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>51,591,766</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 48,342,833</b>

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

**SOUTH METRO WISE AUTHORITY  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2017**

	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from members and others	\$ 18,854,822
Payments to suppliers	(17,086,468)
Net cash provided (required) by operating activities	1,768,354
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	2,419,124
Payments related to acquisition of capital assets	(600,219)
Net cash provided (required) by capital and related financing activities	1,818,905
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	84,269
Net cash provided (required) by investing activities	84,269
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	3,671,528
<b>CASH AND INVESTMENTS - BEGINNING OF YEAR</b>	7,887,625
<b>CASH AND INVESTMENTS - END OF YEAR</b>	\$ 11,559,153

**SOUTH METRO WISE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2017  
(Continued)

	<b>2017</b>
<b>Reconciliation of operating income (loss) to net cash provided (required) by operating activities</b>	
Operating income (loss)	\$ (3,512,202)
Adjustments to reconcile operating income (loss) to net cash provided (required) by operating activities:	
Depreciation	481,697
(Increase) decrease in assets:	
Accounts receivable	373,334
Prepaid expenses	(3,165)
Increase (decrease) in liabilities:	
Accounts payable	2,477,254
Due to SMWSA	147,833
Deferred Revenue	398,218
Operations Deposit	1,405,385
Net cash provided (required) by operating activities	\$ 1,768,354

**Reconciliation of payments related to acquisition of capital assets**

Payments related to acquisition of capital assets	\$ (101,279)
Reclassification of asset	
Adjustments to reconcile payments related to acquisition of capital assets:	
Depreciation	
Increase (decrease) in liabilities:	
Accounts payable	(153,686)
Retainage payable	(345,254)
Payments related to acquisition of capital assets	\$ (600,219)

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

**SOUTH METRO WISE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

The South Metro WISE Authority (Authority) was formed July 10, 2013. The Authority was formed to implement the Water Infrastructure and Supply Efficiency Project (WISE) and help maximize the use of the water resources available to the members. The Authority's members are 10 local governments located in the southern Denver metropolitan areas of south-central Arapahoe and northern Douglas Counties.

The Authority, on behalf of its members, will participate in the WISE Partnership. It is anticipated that the WISE Partnership will provide a projected annual average total of 7,225 acre feet of renewable water. The WISE Partnership-Water Delivery Agreement (WDA) is an agreement between the City and County of Denver, acting by and through its Board of Water Commissioners (Denver), the City of Aurora, acting by and through its Utility Enterprise (Aurora), and the Authority. The WDA is the overarching agreement that defines the terms under which Denver and Aurora will deliver water to the Authority for subsequent delivery to the Authority members. Engineering, design, and construction contracts required to transport water were entered into by the Authority during 2015 in order to begin taking deliveries of water in 2017.

The Authority has no employees and is governed by a 5 member Board of Directors. Three directors are elected from delegates nominated by the governing bodies of the three largest members (plus ties) and two directors are elected from delegates nominated by the remaining members' governing bodies. The Authority contracts for all of its professional services.

As of December 31, 2016, The Authority consisted of ten members who pay annual dues to operate the Authority based on the percentage defined in the South Metro WISE Authority Formation and Organizational Intergovernmental Agreement. The members and their respective allocation of annual dues at December 31, 2017, were as follows:

Centennial Water and Sanitation District	12.94%
Cottonwood Water and Sanitation District	5.18%
Dominion Water & Sanitation District	17.15%
Inverness Water and Sanitation District	6.47%
Meridian Metropolitan District	3.88%
Parker Water and Sanitation District	15.53%
Pinery Water and Wastewater District	6.47%
Rangeview Metropolitan District	6.47%
Stonegate Village Metropolitan District	12.94%
Town of Castle Rock	12.94%
	100.00%

The Authority 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

**SOUTH METRO WISE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The accounting policies of the Authority 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 Authority'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.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Basis of Accounting**

The Authority's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities. Membership fees billed as capital will be recorded as capital contributions at the time they become due. Capital grants from the State of Colorado are recognized as capital contributions when received.

**Operating Revenues and Expenses**

The Authority distinguishes between operating revenues and expenses and nonoperating items in the Statement of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's purpose of providing water services to its members. 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 Authority's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The Authority's Board of Directors can modify the budget by line item within the total appropriation

**SOUTH METRO WISE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**Cash Equivalents**

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

**Capital Assets**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Any construction in process that will be dedicated to another entity is not depreciated. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of 15-65 years.

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of net position:

Cash and investments	<u>\$ 11,559,153</u>
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Cash and investments as of December 31, 2017, consist of the following:

Deposits with financial institutions	\$ 533,230
Investments	<u>11,025,923</u>
Total cash and investments	<u>\$ 11,559,153</u>

**SOUTH METRO WISE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**Deposits with Financial Institutions**

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

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

At December 31, 2017, the Authority's cash deposits had a bank balance of \$534,139 and a carrying balance of \$533,230.

**Investments**

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

The Authority 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 Authority is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk 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.

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

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

**SOUTH METRO WISE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

As of December 31, 2017, the Authority had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 7,630,952
Colorado Statewide Investment Pool (CSIP)	Weighted average under 60 days	<u>3,394,971</u>
		<u>\$11,025,923</u>

**CSIP**

The Authority invested in the CSIP, which is a professionally managed money market portfolio. CSIP is a money market fund, with each share valued at \$1.00. CSIP invests in U.S. government securities and/or repurchase agreements that are collateralized fully. CSIP is rated AAAm by Standard & Poor's. CSIP records its investments at fair value and the Authority records its investments in CSIP using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**CSAFE**

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

**SOUTH METRO WISE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 – CAPITAL ASSETS**

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

	<b>Balance at December 31, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at December 31, 2017</b>
Capital assets, not being depreciated:				
Construction in progress	\$ 45,538,116	\$ 101,279	\$45,534,275	\$ 105,120
Total capital assets, not being depreciated	<u>45,538,116</u>	<u>101,279</u>	<u>45,534,275</u>	<u>105,120</u>
Capital assets, being depreciated	-	43,294,151		43,294,151
Total capital assets, being depreciated	<u>-</u>	<u>43,294,151</u>	<u>-</u>	<u>43,294,151</u>
Less accumulated depreciation:	-	(481,697)		(481,697)
Total accumulated depreciation	<u>-</u>	<u>(481,697)</u>	<u>-</u>	<u>(481,697)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>42,812,454</u>	<u>-</u>	<u>42,812,454</u>
Total Capital assets, net	<u>\$ 45,538,116</u>	<u>\$42,913,733</u>	<u>\$45,534,275</u>	<u>\$ 42,917,574</u>

**NOTE 5 - NET POSITION**

The Authority has net position consisting of two components – net investment in capital assets 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 attributed to the acquisition, construction, or improvement of those assets. As of December 31, 2017, the Authority had net investment in capital assets, calculated as follows:

Net investment in capital asset	<u>\$ 42,812,454</u>
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The unrestricted component of net position as of December 31, 2017, totaled \$5,530,379.

**NOTE 6 – INTERGOVERNMENTAL AGREEMENTS**

**Personnel and Cost Sharing Agreement**

The Authority entered into an Agreement with South Metro Water Supply Authority (SMWSA) dated July 10, 2013. The Agreement allows the Authority and SMWSA to share the costs related to the hiring, management and compensation of personnel, and the costs of personnel related overhead. The percentage allocation will be reviewed from time to time to determine the reasonableness of the allocation and amended upon mutual agreement of the parties.

**NOTE 7 - RISK MANAGEMENT**

The Authority 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.

**SOUTH METRO WISE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 7 - RISK MANAGEMENT (CONTINUED)**

The Authority is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**NOTE 8 - 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 Authority's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation.

**NOTE 9 - CREDIT TOWARD PIPELINE INFRASTRUCTURE**

WISE members, Cottonwood Water and Sanitation District (Cottonwood) and Meridian Metropolitan District (Meridian) were provided credits toward the Pipeline Infrastructure in the amounts of \$1.2 million and \$1.6 million, respectively, in exchange for the conveyance of their ownership interest in the Conduit which was a component of the pipeline purchase from East Cherry Creek Valley Water and Sanitation District.

Cottonwood used the entire \$1.2 million credit in 2014 for Pipeline Infrastructure. Meridian used \$660,000 of the credit in 2014 for Pipeline Infrastructure and will use the remaining \$940,000 toward a future capital project called Binney Connection that is scheduled to begin in 2019.

**SOUTH METRO WISE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 10 - AGREEMENT REGARDING MODIFICATIONS TO SHARED INFRASTRUCTURE  
(Modifications Agreement)**

The Modifications Agreement was entered into by East Cherry Creek Valley Water & Sanitation District (ECCV), the South Metro Wise Authority (Wise Authority), and the City and County of Denver acting by and through its Board of Water Commissioners (Denver Water) on October 21, 2014. The Parties agree that modifications are needed to make the pipeline suitable for joint-use, and that Design-Build Construction is necessary to accomplish their individual and mutual objectives. The Parties agree to share the costs of the Design-Build Construction as with the understanding that Denver Water and ECCV will contribute no more than \$3,454,980 each towards the Design-Build Construction. However, the Parties understand that actual Costs may be higher.

The Parties acknowledge that such payments shall secure each Party a significant equitable interest in the Design-Build Construction. However, in the interest of efficient construction and operation of the facilities, not all three Parties will be *title* owners of each facility constructed. The WISE Authority will grant Denver Water and ECCV a joint use license for the Design-Build Construction upon completion. Denver Water shall provide the WISE Authority a joint-use license for use of its ownership interest in the Western Pipeline. Such licenses shall be mutually agreed upon by the Parties. The Parties anticipate that the WISE Authority will hold the contracts and act as "Owner" for the construction of the Design-Build Construction. Notwithstanding that, Denver Water and ECCV shall have the right to review contracts, plans, specifications, drawings, etc. for the construction of the Design-Build Construction.

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

## **SUPPLEMENTARY INFORMATION**

**SOUTH METRO WISE AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**

Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Subscription member fees	\$ 1,000,000	\$ 1,000,000	\$ -
Infrastructure member fees	1,368,706	-	(1,368,706)
Reimbursed expenditures	12,079,200	12,175,004	95,804
CWCB grant	-	179,000	179,000
Local Connection	54,000	28,994	(25,006)
Connection costs - Meridian	59,294	59,294	-
Operations and Maintenance	300,000	300,000	-
Operational Reserve	1,392,011	1,405,385	13,374
DIA Connection	1,146,668	1,146,668	-
Net investment income	9,000	84,269	75,269
Water Sales	1,440,000	599,219	(840,781)
Water Sales - Contingency	1,440,000	-	(1,440,000)
Binney Connection	-	1,368,706	1,368,706
Reimbursed staffing DW & ECCV	25,000	-	(25,000)
Transfers In	650,000	-	(650,000)
Total revenues	<u>20,963,879</u>	<u>18,346,539</u>	<u>(2,617,340)</u>
<b>EXPENDITURES</b>			
Operations			
Accounting	30,000	2,943	27,057
Audit	5,500	4,000	1,500
Contingency	100,000	4,787	95,213
Dues and subscriptions	1,500	-	1,500
Engineering	170,000	47,175	122,825
Insurance and bonds	37,500	6,324	31,176
Legal	75,000	64,206	10,794
Public relations	50,000	49,513	487
Supplies / Meetings	5,000	1,374	3,626
SMWSA staffing/office	760,000	767,805	(7,805)
System Operations	600,000	21,723	578,277
Pipeline Cleaning	500,000	-	500,000
Easement & Pipeline Protection	50,000	1,908	48,092
Operations Contingency	150,000	-	150,000
System Operations - split	-	214,996	(214,996)
DIA Connection Cost	1,146,668	1,146,668	-
Water Purchase	1,440,000	591,528	848,472
Water Purchase Contingent	1,440,000	-	1,440,000
Capital projects			
Pipeline Modification/Infrastructure	-	96,159	(96,159)
Aurora connection/Interconnection	57,000	19,771	37,229
Project costs			
Ridgegate pipeline	13,352,100	14,448,519	(1,096,419)
WISE connection oversight	10,000	326	9,674
Local connections	23,875	12,014	11,861
Binney Connection	1,680,000	-	1,680,000
Contingency	1,636,100	-	1,636,100
Pipeline modification - (Denver, ECCV, WISE)	650,000	67,806	582,194
Transfers out	650,000	-	650,000
Total expenditures	<u>24,620,243</u>	<u>17,569,545</u>	<u>7,050,698</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	(3,656,364)	776,994	4,433,358
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>			
	7,684,943	8,132,789	447,846
<b>FUNDS AVAILABLE - END OF YEAR</b>			
	<u>\$ 4,028,579</u>	<u>\$ 8,909,783</u>	<u>\$ 4,881,204</u>

**SOUTH METRO WISE AUTHORITY  
RECONCILIATION OF BUDGETARY BASIS (ACTUAL)  
TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended December 31, 2017**

	<b>Actual</b>
Funds available are defined as follows:	
Current assets	\$ 13,700,116
Less current liabilities	(4,790,333)
Funds available	\$ 8,909,783
Reconciliation of budgetary basis (actual) to Statement of Revenues, Expenses and Changes in Net Position:	
Revenues (budgetary basis)	\$ 18,346,539
Operational reserve	(1,405,385)
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	16,941,154
Expenditures (budgetary basis)	17,569,545
Capital outlay	(101,279)
Depreciation	481,697
Assets conveyed to other governments	2,240,124
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	20,190,087
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	\$ (3,248,933)