

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
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## **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, 2018 and 2017, 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, 2018 and 2017, 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 II through VII 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.  
March 28, 2019

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

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, 2018.

**Financial Highlights**

- Net position increased \$15.3 million in 2018 (4.3%) since 2017.
- Operating loss increased from \$6.4 million in 2017 to \$7.5 million for 2018, due to increases in both water and sewer operations cost in 2018.
- Operating revenue increased \$1.5 million (5.9%) 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 and water consumption.
- Total operating expenses, exclusive of depreciation, increased \$1.8 million from 2017 to 2018. Selected individual expense items changed as follows: legal increased \$0.3 million (125%), operating expenses increased \$0.7 million (40%), repairs and maintenance increased \$0.4 million (8%), and water services increased \$0.2 million (17%) in 2018 from 2017. The majority of the remaining expense categories decreased in 2018 from 2017.
- Single family equivalents (SFEs) on line for water service at year-end increased by 269 (1%) to 20,997 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) decreased from \$64.9 million (as restated) to \$56.9 million at December 31, 2018, a decrease of \$8 million or 12%.

**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 present 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 present 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 report the District's cash flows from operating, noncapital financing, capital, and investing activities.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**Overview of the Financial Statements (Continued)**

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.

	December 31,		
	2018	Restated 2017 (In thousands)	2016
Current Assets	\$ 73,384	\$ 73,916	\$ 71,189
Capital Assets	415,129	398,866	395,271
Other Assets	64	105	149
Deferred Outflows of Resources	970	1,138	1,324
Total Assets and Deferred Outflows of Resources	<u>489,547</u>	<u>474,025</u>	<u>467,933</u>
Current Liabilities	18,649	13,306	10,021
Long-Term Obligations	93,947	99,571	110,178
Deferred Inflows of Resources	3,119	2,623	2,529
Total Liabilities and Deferred Inflows of Resources	<u>115,715</u>	<u>115,500</u>	<u>122,728</u>
Net Position:			
Net Investment in Capital Assets	318,909	295,703	285,165
Restricted	6,783	2,467	2,940
Unrestricted	48,140	60,355	57,100
Total Net Position	<u>\$ 373,832</u>	<u>\$ 358,525</u>	<u>\$ 345,205</u>

The District's net position increased by \$15,307,000 during 2018 and increased by \$13,320,000 during 2017. Capital assets increased \$16,264,000 during 2017 and increased \$3,594,000 during 2017. The increase during 2018 and 2017 were due to infrastructure construction. Current liabilities increased by \$5,344,000 during 2018 and increased by \$3,285,000 during 2017. The increase in 2018 current liabilities is due to an increase in accounts payable and funds held in escrow. Current assets net of current liabilities decreased by \$5,875,000 for 2018 and decreased by \$558,000 for 2017. 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 \$56,895,166 and \$64,940,334 (as restated) for 2018 and 2017, respectively. The funds available of \$56,895,166 are primarily available for future operations and capital outlay.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**Overview of the Financial Statements (Continued)**

	December 31,		
	2018	Restated 2017 (In thousands)	2016
Revenues			
Operating Revenue			
Water Services	\$ 18,360	\$ 16,999	\$ 16,386
Sewer Services	8,966	8,807	8,672
Total Operating Revenues	<u>27,326</u>	<u>25,806</u>	<u>25,058</u>
Nonoperating Revenues			
Tax Revenue	2,808	2,744	2,652
Investment Income	1,028	614	212
Other	203	212	545
Contributions			
Northern Project Construction Fund Charges	6,581	6,459	6,418
Tap Fees and Storm Drainage Fees	7,934	6,956	8,216
Cash Contributions for Capital	6,096	3,425	4,262
Contributed Facilities from Developers	2,121	3,290	-
Total Revenues	<u>54,097</u>	<u>49,506</u>	<u>47,363</u>
Expenses			
Operating Expenses			
Water	13,966	12,549	10,813
Sewer	7,472	7,025	7,259
Storm Drainage	91	109	61
	<u>21,529</u>	<u>19,683</u>	<u>18,133</u>
General and Administrative	2,962	2,457	2,153
Depreciation and Amortization	10,373	10,100	9,746
Total Operating Expenses	<u>34,864</u>	<u>32,240</u>	<u>30,032</u>
Nonoperating Expense	<u>3,926</u>	<u>3,946</u>	<u>3,931</u>
Total Expenses	<u>38,790</u>	<u>36,186</u>	<u>33,963</u>
Changes in Net Position	15,307	13,320	13,400
Net Position - Beginning of Year	<u>358,525</u>	<u>345,205</u>	<u>331,805</u>
Net Position - End of Year	<u>\$ 373,832</u>	<u>\$ 358,525</u>	<u>\$ 345,205</u>

Operating revenues from the operation of the water and sewer utilities increased \$1,520,000 in 2018 and increased \$748,000 in 2017. The 2018 and 2017 increases are due to increases in water service fees and water consumption. Investment income increased \$104,000 in 2018 and increased \$402,000 in 2017. The increase in 2017 was due to an increase in interest rates and the increase in 2016 was due to the interest earned from the increase of cash on hand. Tap fee revenues increased \$978,000 in 2018 and decreased \$1,260,000 in 2017.

Water operating expenses increased \$1,417,000 (11%) in 2018, primarily due to increases in legal, operating expenses, and repairs and maintenance costs. Water operating expenses increased \$1,736,000 (16%) in 2017. The 2017 increase was primarily due to increases in engineering and plan review, legal, operating expenses, water services, and utility costs.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**Overview of the Financial Statements (Continued)**

Sewer operating costs increased \$447,000 (6.4%) in 2018 compared to 2017, due to increased sewage treatment and utility costs. General and administrative expenses increased \$504,000 (20.5%) in 2018, and increased \$304,000 in 2017. Depreciation and amortization increased \$225,000 in 2018 and increased \$355,000 in 2017. Nonoperating expenses increased \$68,000 in 2018 and increased \$15,000 in 2017.

**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 2018, 2017 and 2016 is as follows:

	December 31, 2017	Net Changes (In thousands)	December 31, 2018
Land and Easements	\$ 14,251	\$ 80	\$ 14,331
Projects in Progress	1,420	5,095	6,515
Water System:			
Water Rights	114,802	507	115,309
Water Facilities	315,174	18,485	333,659
Sewer System:			
Sewer Capacity	1,383	-	1,383
Sewer Facilities	59,303	1,371	60,674
Storm Drainage System	17,480	680	18,160
Office Building	3,415	263	3,678
Equipment	1,966	68	2,034
Total Assets	<u>529,194</u>	<u>26,549</u>	<u>555,743</u>
Accumulated Depreciation	<u>(130,329)</u>	<u>(10,285)</u>	<u>(140,614)</u>
Net Capital Assets	<u>\$ 398,865</u>	<u>\$ 16,264</u>	<u>\$ 415,129</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**Capital Assets (Continued)**

	December 31, 2016	Net Changes (In thousands)	December 31, 2017
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 (In thousands)	December 31, 2016
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>

In 2018, the District spent \$16,947,196 for well rehabilitation projects and \$543,154 on additional capital water projects.

Contributions of \$994,619 in water lines and \$1,126,536 in sewer lines were accepted during 2018. Projects in progress completed in 2018 included \$17,490,350 in water projects, \$244,169 in sewer projects, and \$496,260 in storm drainage projects.

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

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**Capital Assets (Continued)**

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.

Storm drainage projects added to the facilities in operation included \$680,434 of storm drainage projects incurred and transferred from projects in progress.

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 2018, 2017, and 2016.

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

**Economic and Other Factors**

The District continues to emphasize conservation by maintaining mandatory watering schedules for its customers. Total water consumption increased 8% in 2018. Arapahoe County Water and Wastewater Authority (ACWWA) had the largest consumption increase. ACWWA's consumption increase from 2017 to 2018 was 48.7% and their percentage share of total consumption is 15%.

The District anticipates modest growth in residential customers for 2019 as new home construction continues to recover along with the overall economy. The District is approximately 88% built out at the end of 2018.

**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, 2018 AND 2017**

	2018	Restated 2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 61,019,977	\$ 65,232,074
Accounts Receivable	2,372,319	3,478,794
Property Taxes Receivable	3,118,876	2,623,301
Prepaid Expenses	7,247	27,493
Inventories	82,873	87,115
Total Current Assets	66,601,292	71,448,777
<b>RESTRICTED CURRENT ASSETS</b>		
Cash and Cash Equivalents	6,783,170	2,467,128
Total Restricted Current Assets	6,783,170	2,467,128
<b>CAPITAL ASSETS, NET</b>	415,129,309	398,865,517
<b>OTHER ASSETS</b>		
Special Projects and Planning (Net of Accumulated Amortization of \$5,111,221 and \$5,070,546 in 2018 and 2017, Respectively)	64,317	104,993
Total Other Assets	64,317	104,993
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Cost of Debt Refunding, Net	969,723	1,137,883
Total Deferred Outflows of Resources	969,723	1,137,883
Total Assets and Deferred Outflows of Resources	\$ 489,547,811	\$ 474,024,298

See accompanying Notes to Basic Financial Statements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2018 AND 2017**

	2018	Restated 2017
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 5,609,058	\$ 2,402,192
Deposits	94,650	81,500
Accrued Interest Payable	218,703	283,275
Current Portion of Long-Term Obligations	5,278,878	6,744,188
Total Current Liabilities	11,201,289	9,511,155
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
ACWWA Escrow	4,357,834	113,064
Accrued Interest Payable	3,090,175	3,680,391
Total Current Liabilities Payable from Restricted Assets	7,448,009	3,793,455
<b>LONG-TERM OBLIGATIONS</b>	93,946,734	99,571,417
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Tax Revenue	3,118,876	2,623,301
Total Deferred Inflows of Resources	3,118,876	2,623,301
<b>NET POSITION</b>		
Net Investment in Capital Assets	318,909,403	295,702,668
Restricted	6,783,170	2,467,128
Unrestricted	48,140,330	60,355,174
Total Net Position	373,832,903	358,524,970
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 489,547,811	\$ 474,024,298

See accompanying Notes to Basic Financial Statements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>Restated 2017</u>
<b>WATER OPERATIONS</b>		
Water Income	\$ 18,360,111	\$ 16,999,136
Direct Water Expenses	(13,966,081)	(12,548,862)
Depreciation	<u>(8,331,312)</u>	<u>(8,104,087)</u>
Gross Income (Loss) from Water Operations	<u>(3,937,282)</u>	<u>(3,653,813)</u>
<b>SEWER OPERATIONS</b>		
Sewer Income	8,965,991	8,806,866
Direct Sewer Expenses	(7,472,029)	(7,025,295)
Depreciation	<u>(1,350,629)</u>	<u>(1,268,118)</u>
Gross Income (Loss) from Sewer Operations	<u>143,333</u>	<u>513,453</u>
<b>DIRECT STORM DRAINAGE EXPENSES</b>		
Direct Storm Drainage Expenses	(90,753)	(108,529)
Depreciation	<u>(395,725)</u>	<u>(388,947)</u>
Gross Income (Loss) from Direct Storm Drainage Expenses	<u>(486,478)</u>	<u>(497,476)</u>
<b>TOTAL GROSS INCOME (LOSS) FROM OPERATIONS</b>	(4,280,427)	(3,637,836)
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>3,256,800</u>	<u>2,796,633</u>
<b>OPERATING INCOME (LOSS)</b>	(7,537,227)	(6,434,469)
<b>NONOPERATING REVENUES</b>		
Property Taxes	2,617,041	2,527,651
Specific Ownership Taxes	190,636	216,576
Net Investment Income	1,028,149	613,981
Miscellaneous Income	202,914	157,365
Gain (Loss) on Sale/Disposal of Assets	-	55,037
Total Nonoperating Revenues	<u>4,038,740</u>	<u>3,570,610</u>
<b>NONOPERATING EXPENSES</b>		
Interest Expense	3,910,188	3,959,336
County Treasurer's Fees	39,278	37,943
Paying Agent Fees and Other Debt Related Expenses	61,450	64,950
Amortization of Debt Related Costs	<u>(85,352)</u>	<u>(116,444)</u>
Total Nonoperating Expenses	<u>3,925,564</u>	<u>3,945,785</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	(7,424,051)	(6,809,644)

See accompanying Notes to Basic Financial Statements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	Restated 2017
<b>CAPITAL CONTRIBUTIONS</b>		
Northern Project Construction Fund Charges	6,580,536	6,458,723
Water Tap Fees	6,497,035	5,663,307
Sewer Tap Fees	749,825	661,937
Storm Drainage Fees	687,244	630,812
Contributed Facilities from Developers	2,121,155	3,289,781
Contributions for Capital Outlay	6,096,189	3,424,875
Total Capital Contributions	22,731,984	20,129,435
<b>CHANGE IN NET POSITION</b>	15,307,933	13,319,791
Net Position - Beginning of Year	358,524,970	345,205,179
<b>NET POSITION - END OF YEAR</b>	<u>\$ 373,832,903</u>	<u>\$ 358,524,970</u>

See accompanying Notes to Basic Financial Statements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>Restated 2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 27,797,376	\$ 25,262,359
Payments to Suppliers	(16,744,986)	(17,901,484)
Payments to Employees and Related Expenses	(4,562,939)	(4,290,006)
Other Receipts (Payments)	576,028	(69,775)
Net Cash Provided by Operating Activities	<u>7,065,479</u>	<u>3,001,094</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property Tax Collections for Operations	2,617,041	2,527,651
Specific Ownership Taxes	192,547	212,816
Miscellaneous Income	202,913	481,904
County Treasurer's Fees	(39,278)	(37,943)
Net Cash Provided by Investing Activities	<u>2,973,223</u>	<u>3,184,428</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Water Tap Fees	6,497,035	5,663,307
Sewer Tap Fees	749,825	661,937
Storm Drainage Fees	687,244	630,812
Sustainable Water Assurance Fee	6,580,536	6,458,723
Acquisition of Property, Plant, and Equipment, Net of Contributed Lines of \$2,121,155 and \$3,289,781 in 2018 and 2017, Respectively	(6,022,066)	(10,770,447)
Other Income	157,639	156,592
Cash Contributions for Capital	(8,190,889)	3,667,864
Interest on Debt	(4,564,975)	(4,252,045)
Debt Principal Reduction	(6,795,805)	(6,817,143)
Paying Agent Fees and Other Expenses	(61,450)	(64,950)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(10,962,906)</u>	<u>(4,665,350)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	1,028,149	613,981
Net Cash Provided by Investing Activities	<u>1,028,149</u>	<u>613,981</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	103,945	2,134,153
Cash and Cash Equivalents - Beginning of Year	<u>67,699,202</u>	<u>65,565,049</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 67,803,147</u>	<u>\$ 67,699,202</u>

See accompanying Notes to Basic Financial Statements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	Restated 2017
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (7,537,227)	\$ (6,434,469)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Required) by Operating Activities		
Depreciation and Amortization	10,373,026	10,100,622
(Increase) Decrease in:		
Accounts Receivable	985,174	(618,686)
Prepaid Expenses	20,246	(13,549)
Inventories	4,242	(6,708)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	3,206,868	(43,316)
Deposits	13,150	17,200
Net Cash Provided by Operating Activities	\$ 7,065,479	\$ 3,001,094
<b>NONCASH TRANSACTIONS</b>		
Assets Contributed by Developers	\$ 2,121,155	\$ 3,289,781

See accompanying Notes to Basic Financial Statements.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

East Cherry Creek Valley Water and Sanitation District (the 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 BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**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.

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. 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 statements 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 BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**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 to 50 Years
Machinery and equipment	3 to 10 Years
Treatment plants	20 Years

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**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.

The District has accrued \$197,749 and \$187,789 as of December 31, 2018 and 2017, respectively, for future payment of this earned leave.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

**Deferred Outflow/Inflow of Resources**

In addition to assets, the statements of net position report 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 statements of net position report 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, 2018 and 2017 are classified in the accompanying financial statements as follows:

	2018	2017
Statement of Net Position:		
Cash and Cash Equivalents	\$ 61,019,977	\$ 65,232,075
Cash and Cash Equivalents - Restricted	6,783,170	2,467,127
Total Cash and Investments	\$ 67,803,147	\$ 67,699,202

Cash and investments as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Deposits with Financial Institutions	\$ 17,948,003	\$ 18,311,027
Investments	49,855,144	49,388,175
Total Cash and Investments	\$ 67,803,147	\$ 67,699,202

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 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, 2018 and 2017, the District's cash deposits had a bank balance of \$23,280,196 and \$20,061,207, respectively; and a carrying balance of \$17,948,003 and \$18,311,027, 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
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

As of December 31, 2018 and 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2018</u>	<u>2017</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	<u>\$ 49,855,144</u>	<u>\$ 49,388,175</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 at net asset value as determined by fair value. 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 \$110,800 and \$106,100 at December 31, 2018 and 2017, respectively.

Restricted cash also included \$249,941 and \$176,895 held in escrow for payment of the District's subordinate Water Revenue Exchange Bonds, Series 2004 at December 31, 2018 and 2017, respectively; \$28,613 and \$169,260 for payment of the District's 2007 Lease Purchase Agreement at December 31, 2018 and 2017, respectively; \$1,107,733 and \$1,105,725 for the payment of the 2009A Series Bonds at December 31, 2018 and 2017, respectively; \$199,512 and \$195,407 for the payment of the 2010A Series Bonds at December 31, 2018 and 2017, respectively; and \$728,722 and \$713,732 for the payment of the 2010B Series Bonds at December 31, 2018 and 2017, respectively.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the years ended December 31, 2018 and 2017 follows:

	2018			Balance at December 31, 2018
	Balance at December 31, 2017	Increases	Decreases	
Capital Assets, Not Being Depreciated:				
Land	\$ 1,081,295	\$ 80,000	\$ -	\$ 1,161,295
Easements	13,170,157	-	-	13,170,157
Water Rights	85,054,057	506,804	-	85,560,861
Construction in Progress	1,420,358	23,588,565	18,493,596	6,515,327
Total Capital Assets, Not Being Depreciated	100,725,867	24,175,369	18,493,596	106,407,640
Capital Assets, Being Depreciated:				
Water Rights and Leases	29,747,765	-	-	29,747,765
Sewer Capacity Rights	1,382,760	-	-	1,382,760
Water System	315,174,139	18,484,969	-	333,659,108
Sewer System	59,302,667	1,370,704	-	60,673,371
Storm Drainage	17,481,034	680,434	-	18,161,468
Buildings	3,414,344	262,818	-	3,677,162
Office and Field Equipment	1,965,960	156,120	88,274	2,033,806
Total Capital Assets, Being Depreciated	428,468,669	20,955,045	88,274	449,335,440
Less Accumulated Depreciation for:				
Water Rights and Leases	6,943,463	282,016	-	7,225,479
Sewer Capacity Rights	632,266	19,834	-	652,100
Water System	97,636,578	8,049,296	-	105,685,874
Sewer System	16,046,158	1,330,795	-	17,376,953
Storm Drainage	5,826,441	395,725	-	6,222,166
Buildings	1,771,655	147,917	-	1,919,572
Office and Field Equipment	1,472,458	147,443	88,274	1,531,627
Total Accumulated Depreciation	130,329,019	10,373,026	88,274	140,613,771
Total Capital Assets, Being Depreciated, Net	298,139,650	10,582,019	-	308,721,669
Capital Assets, Net	<u>\$ 398,865,517</u>	<u>\$ 34,757,388</u>	<u>\$ 18,493,596</u>	<u>\$ 415,129,309</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

	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	100,318,662	9,086,338	8,679,133	100,725,867
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	415,431,678	13,245,818	208,827	428,468,669
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	120,478,333	10,057,068	206,382	130,329,019
Total Capital Assets, Being Depreciated, Net	294,953,345	3,188,750	2,445	298,139,650
Capital Assets, Net	<u>\$ 395,272,007</u>	<u>\$ 12,275,088</u>	<u>\$ 8,681,578</u>	<u>\$ 398,865,517</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was charged to the following:

	2018	2017
Water	\$ 8,331,312	\$ 8,104,087
Sewer	1,350,629	1,268,118
Storm Drainage	395,725	388,947
General and Administrative	295,360	89,534
	<u>\$ 10,373,026</u>	<u>\$ 9,850,686</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**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, 2018 and 2017:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year
2004 Subordinate Water Exchange Bonds	\$ 14,953,000	\$ -	\$ 1,798,000	\$ 13,155,000	\$ -
2009A Variable Rate Water Revenue Bonds	20,840,000	-	-	20,840,000	-
2009B Variable Rate Water Revenue Bonds	8,550,000	-	1,565,000	6,985,000	1,635,000
Bond Premium	6,445	-	2,089	4,356	1,706
2010A Water Enterprise Revenue Bonds	790,000	-	250,000	540,000	265,000
Bond Premium	16,444	-	7,576	8,868	5,876
2010B Water Enterprise Revenue Bonds (BAB)	8,620,000	-	-	8,620,000	-
2015 Water Refunding Bonds	39,515,000	-	1,235,000	38,280,000	1,280,000
Bond Premium	3,174,292	-	284,523	2,889,769	276,296
Total Bonds Payable	<u>96,465,181</u>	<u>-</u>	<u>5,142,188</u>	<u>91,322,993</u>	<u>3,463,878</u>
2007 Subordinate Lease Purchase Agreement	9,850,424	-	1,947,805	7,902,619	1,815,000
Total Long-Term Obligations	<u>\$ 106,315,605</u>	<u>\$ -</u>	<u>\$ 7,089,993</u>	<u>\$ 99,225,612</u>	<u>\$ 5,278,878</u>

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Amounts Due Within One Year
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
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 BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

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.

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 2019 budget contemplates a principal payment of \$1,358,000.

**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 was paid to United Water on February 15, 2018.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT**  
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**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**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, 2018, the monthly interest rate was 2.528%. Interest, while in the Monthly Rate Mode, is computed on the basis of a 360 day year and is payable on the first business day of each month. The bonds may be converted from one Rate Mode to another Rate Mode, subject to certain restrictions outlined in the Joint Resolution.

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

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

The Series 2009A Bonds are special limited revenue obligations of the Enterprise, on behalf of the District, and are payable solely from Net Revenue, on parity with the Outstanding Senior Bonds, including the Series 2002 Bonds (refunded by the Series 2009B Bonds), and any other Additional Parity Obligations. The District and the Enterprise covenant that rates and fees may not be lowered or reduced for so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2018, 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 \$1,107,733.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT**  
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**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

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

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

The bonds are special and limited obligations of the Enterprise on behalf of the District, payable solely out of and secured by an irrevocable (but nonexclusive) pledge of the revenue of the Water System after deduction of operations and maintenance expenses (Net Revenues). The District and the Enterprise have covenanted that rates and fees may not be lowered or reduced so long as the bonds are outstanding. In addition, the Enterprise must maintain a coverage factor of 110% of Net Revenues in excess of the annual debt service payment. During 2018, the District was in substantial compliance with its bond covenants.

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

**Tax-Exempt Water Revenue Bonds, Series 2010A**, dated September 7, 2010, were issued in the original amount of \$2,360,000 and are due on November 15, 2020, with interest rates from 2.00% to 4.00% payable semiannually 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 2018, 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 \$199,512.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT**  
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**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Taxable Water Revenue Bonds (Build American Bonds), Series 2010B**, dated September 7, 2010, were issued in the original amount of \$8,620,000 and are due on November 15, 2040, with interest rates from 4.50% to 5.82% payable semiannually 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 (BABs). Under certain requirements, BABs 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 2018, the District received a credit from the federal government in the amount of \$157,639.

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 \$728,722.

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 2018, 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 2018, the District was in substantial compliance with its bond covenants.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
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**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

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

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,230,000	2,437,194	5,667,194
2024-2028	19,840,000	10,013,758	29,853,758
2029-2033	24,485,000	5,987,482	30,472,482
2034-2038	12,515,000	1,476,697	13,991,697
2039-2040	1,620,000	157,140	1,777,140
Total Payments	<u>\$ 75,265,000</u>	<u>\$ 31,007,638</u>	<u>\$ 106,272,638</u>

At December 31, 2018, 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, 2018 and 2017, the District had net investment in capital assets, calculated as follows:

	<u>2018</u>	<u>2017</u>
Net Investment in Capital Assets:		
Capital Assets, Net	\$ 415,129,309	\$ 398,865,517
Unspent Bond Proceeds	2,035,983	2,014,873
Current Portion of Long-Term Obligations	(5,278,878)	(6,744,188)
Cost of Debt Refunding, Net	969,723	1,137,883
Noncurrent Portion of Long-Term Obligations	<u>(93,946,734)</u>	<u>(99,571,417)</u>
Net Investment in Capital Assets	<u>\$ 318,909,403</u>	<u>\$ 295,702,668</u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
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**NOTE 6 NET POSITION (CONTINUED)**

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, 2018 and 2017, as follows:

	2018	2017
Restricted Net Position:		
Debt Service	\$ 6,672,370	\$ 2,361,028
Emergencies	110,800	106,100
Total Restricted Net Position	\$ 6,783,170	\$ 2,467,128

The District's unrestricted net position as of December 31, 2018 and 2017 is \$48,140,330 and \$60,355,174 respectively.

**NOTE 7 INTERGOVERNMENTAL AGREEMENTS**

**Sewage Treatment - City of Aurora**

The District has contracted since 1976 with the City of Aurora (City) for all sewage treatment services and to pay the City a portion of the costs to increase the size of certain sewer mains in exchange for future rights to capacity in these mains. The District was charged sewage treatment cost by the City in the amount of \$6,365,628 for 2018 and \$6,042,425 for 2017 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 \$126,909 in 2018 and \$104,400 in 2017 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.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
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**NOTE 7 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**Water Storage - City of Aurora**

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

During 2018 and 2017, the District provided no water to the Aurora system.

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

During 2018, 6.90 acre feet had been delivered to the golf courses, leaving a balance of 67.79 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.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement – ACWWA (Continued)**

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.

**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.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
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**NOTE 7 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**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 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 nonpotable water (Lease Water) annually, subject to payment of appropriate system development charges (SDCs) and water rates. Pursuant to the IGA, the District entered into a Nonpotable Water Lease Agreement with Denver on May 15, 2002, which provides for the delivery of nonpotable Lease Water to the District for calendar years 2002 through 2004. During 2002, the District paid \$4,009,200 in SDCs at the raw water rate. The agreement states that beginning in 2005, Denver will deliver only potable Lease Water to the District.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
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**NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Agreements with Denver Water Board (Continued)**

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 nonpotable SDCs 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 \$1,218,544 and \$1,043,528 in 2018 and 2017, 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.

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 2018 and 2017. 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).

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
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**NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**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.

**Construction Commitments**

The District had unexpended construction related contract commitments of approximately \$15,137,768 and \$832,870 as of December 31, 2018 and 2017, 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.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
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**NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Master Tap Purchase Agreement (Continued)**

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.

**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.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Emergency Interconnect Agreement (Continued)**

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.

**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, 2018, 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 \$213,010 and \$204,243 for the years ended December 31, 2018 and 2017, respectively.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 9 PENSION AND BENEFIT PLANS (CONTINUED)**

**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.

**Postemployment Health Plan**

Effective January 1, 2002, the District adopted a mandatory postemployment 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 \$60,860 for 2018 and \$59,831 for 2017, respectively.

**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.

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

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

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2018 AND 2017**

**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 will require judicial interpretation.

**NOTE 13 RESTATEMENT**

The effect of the restatement is as follows:

Net Position - December 31, 2017, as originally stated	\$ 358,629,046
Net Effect of Restated Accounts Receivable	(104,076)
Net Position - December 31, 2017, as restated	<u>\$ 358,524,970</u>
Funds Available - December 31, 2017, as originally stated	\$ 64,836,258
Net Effect of Restated Water Income	(104,076)
Funds Available - December 31, 2017, as restated	<u>\$ 64,732,182</u>

## **SUPPLEMENTARY INFORMATION**

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
SCHEDULE OF EXPENSES  
YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>DIRECT WATER EXPENSES</b>		
Communications	\$ 86,740	\$ 96,783
Customer Billing	141,747	142,254
Engineering and Plan Review	659,408	907,308
Insurance	33,404	-
Legal	603,980	268,602
Operating Expenses	2,439,665	1,745,615
Repairs and Maintenance	5,492,843	5,076,592
Testing	118,937	117,129
Utilities	3,130,682	3,122,264
Water Conservation Rebates	24,699	21,454
Water Lease Payment	15,432	7,333
Water Services	1,218,544	1,043,528
Total Direct Water Expenses	<u>\$ 13,966,081</u>	<u>\$ 12,548,862</u>
<b>DIRECT SEWER EXPENSES</b>		
Aurora Tap Fees	\$ 126,909	\$ 104,400
Customer Billing	50,420	48,345
Engineering and Plan Review	138,149	155,017
Repairs and Maintenance	646,567	675,108
Sewage Treatment	6,365,628	6,042,425
Utilities	144,356	-
Total Direct Sewer Expenses	<u>\$ 7,472,029</u>	<u>\$ 7,025,295</u>
<b>DIRECT STORM DRAINAGE EXPENSES</b>		
Engineering and Plan Review	\$ 11,824	\$ 16,256
Repairs and Maintenance	78,929	92,273
Total Direct Storm Drainage Expenses	<u>\$ 90,753</u>	<u>\$ 108,529</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Accounting and Audit	\$ 95,175	\$ 100,953
Communications	60,946	109,341
Directors' Fees	8,400	7,000
Election Costs	1,485	-
Insurance	183,029	150,005
Investment Expense/Bank Charges	117,258	148,160
Legal	62,660	56,854
Management	52,581	57,540
Miscellaneous/Contingency	2,711	9,292
Office Supplies	702,745	431,425
Public Information	71,508	47,150
Repairs and Maintenance	365,718	137,061
Salaries, Benefits, and Payroll Taxes	1,097,020	1,059,459
Travel, Training, and Meetings	97,057	98,674
Utilities	43,147	44,249
Total General and Administrative Expenses before Depreciation and Amortization	2,961,440	2,457,163
Depreciation and Amortization	295,360	339,470
Total General and Administrative Expenses	<u>\$ 3,256,800</u>	<u>\$ 2,796,633</u>

**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, 2018**

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Water Service Fees	\$ 15,579,000	\$ 15,940,540	\$ 361,540
Sustainable Water Assurance Fee	6,700,000	6,580,536	(119,464)
Sewer Service Fees	8,800,000	8,897,391	97,391
Administrative Fees	1,500,000	1,544,018	44,018
Connection and Inspection Charges	60,000	129,325	69,325
Construction Observation Fees	74,000	134,000	60,000
Penalties and Late Charges	212,000	165,780	(46,220)
Other Income	170,000	426,044	256,044
Miscellaneous Income	6,000	118,054	112,054
WISE Operations	160,000	56,507	(103,493)
Utility Refunds	-	40,314	40,314
Lease Income	100,000	77,044	(22,956)
Property Taxes	2,623,961	2,617,041	(6,920)
Specific Ownership Taxes	200,000	190,636	(9,364)
Net Investment Income	502,000	1,028,149	526,149
Water Tap Fees	5,000,000	6,497,035	1,497,035
Sewer Tap Fees	500,000	749,825	249,825
Storm Drainage Fees	540,000	687,244	147,244
Contributions of Capital Outlay	9,494,000	8,217,344	(1,276,656)
Total Revenues	<u>52,220,961</u>	<u>54,096,827</u>	<u>1,875,866</u>
<b>EXPENDITURES</b>			
Direct Water Expenses	14,700,000	13,966,081	733,919
Direct Sewer Expenses	7,676,000	7,472,029	203,971
Direct Storm Drainage Expenses	131,000	90,753	40,247
General and Administrative Expenses	2,647,900	2,961,440	(313,540)
County Treasurer's Fees	38,000	39,278	(1,278)
Capital Outlay	33,442,800	26,636,818	6,805,982
Debt Service	12,858,988	10,767,444	2,091,544
Total Expenditures	<u>71,494,688</u>	<u>61,933,843</u>	<u>9,560,845</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(19,273,727)	(7,837,016)	11,436,711
<b>OTHER FINANCING SOURCES (USES)</b>			
Lease Proceeds	2,000,000	-	(2,000,000)
Total Other Financing Sources (Uses)	<u>2,000,000</u>	<u>-</u>	<u>(2,000,000)</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	(17,273,727)	(7,837,016)	9,436,711
Funds Available - Beginning of Year, as Restated	<u>58,721,416</u>	<u>64,732,182</u>	<u>6,010,766</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 41,447,689</u>	<u>\$ 56,895,166</u>	<u>\$ 15,447,477</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, 2018**

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
<b>DISTRICT REVENUES</b>			
Property Taxes	\$ 2,623,961	\$ 2,617,041	\$ (6,920)
Specific Ownership Taxes	200,000	190,636	(9,364)
Net Investment Income	2,000	1,519	(481)
Storm Drainage Fees	540,000	687,244	147,244
Lease Income	100,000	77,044	(22,956)
Miscellaneous Income	6,000	118,054	112,054
Utility Refunds	-	32,497	32,497
Total District Revenues	<u>3,471,961</u>	<u>3,724,035</u>	<u>252,074</u>
<b>DISTRICT EXPENDITURES</b>			
Direct Storm Drainage Expenses	131,000	90,753	40,247
General and Administrative Expenses	2,647,900	2,961,440	(313,540)
County Treasurer's Fees	38,000	39,278	(1,278)
Capital Outlay	3,602,300	1,023,252	2,579,048
Debt Service	200,000	-	200,000
Total District Expenditures	<u>6,619,200</u>	<u>4,114,723</u>	<u>2,504,477</u>
<b>EXCESS OF DISTRICT REVENUES OVER (UNDER) DISTRICT EXPENDITURES</b>	(3,147,239)	(390,688)	2,756,551
<b>OTHER FINANCING SOURCES (USES)</b>			
Lease Proceeds	2,000,000	-	(2,000,000)
Total Other Financing Sources (Uses)	<u>2,000,000</u>	<u>-</u>	<u>(2,000,000)</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	(1,147,239)	(390,688)	756,551
District Funds Available - Beginning of Year	<u>7,506,270</u>	<u>7,479,874</u>	<u>(26,396)</u>
<b>DISTRICT FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 6,359,031</u>	<u>\$ 7,089,186</u>	<u>\$ 730,155</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, 2018**

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
<b>WATER ENTERPRISE REVENUES</b>			
Water Service Fees	\$ 15,579,000	\$ 15,940,540	\$ 361,540
Sustainable Water Assurance Fee	6,700,000	6,580,536	(119,464)
Administrative Fees	1,500,000	1,544,018	44,018
Connection and Inspection Charges	30,000	122,125	92,125
Construction Observation Fees	37,000	72,600	35,600
Penalties and Late Charges	212,000	165,780	(46,220)
Other Income	170,000	426,044	256,044
Utility Refunds	-	7,817	7,817
Net Investment Income	500,000	1,026,630	526,630
Water Tap Fees	5,000,000	6,497,035	1,497,035
Contributions of Capital Outlay	7,994,000	7,061,408	(932,592)
WISE Operations	160,000	56,507	(103,493)
Total Water Enterprise Revenues	<u>37,882,000</u>	<u>39,501,040</u>	<u>1,619,040</u>
<b>WATER ENTERPRISE EXPENDITURES</b>			
Water Operations	14,019,800	13,366,170	653,630
Water Conservation Rebates	55,000	24,699	30,301
Water Meters Purchased	625,200	575,212	49,988
Capital Outlay	27,740,500	24,173,356	3,567,144
Debt Service	12,658,988	10,767,444	1,891,544
Total Water Enterprise Expenditures	<u>55,099,488</u>	<u>48,906,881</u>	<u>6,192,607</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	(17,217,488)	(9,405,841)	7,811,647
Water Enterprise Funds Available - Beginning of Year	<u>47,196,405</u>	<u>53,230,168</u>	<u>6,033,763</u>
<b>WATER ENTERPRISE FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 29,978,917</u>	<u>\$ 43,824,327</u>	<u>\$ 13,845,410</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, 2018**

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
<b>SEWER ENTERPRISE REVENUES</b>			
Sewer Service Fees	\$ 8,800,000	\$ 8,897,391	\$ 97,391
Connection and Inspection Charges	30,000	7,200	(22,800)
Construction Observation/Plan Review Fees	37,000	61,400	24,400
Contributions of Capital Outlay	1,500,000	1,155,936	(344,064)
Sewer Tap Fees	500,000	749,825	249,825
Total Sewer Enterprise Revenues	<u>10,867,000</u>	<u>10,871,752</u>	<u>4,752</u>
<b>SEWER ENTERPRISE EXPENDITURES</b>			
Sewer Operations	7,611,000	7,345,120	265,880
Aurora Tap Fees	65,000	126,909	(61,909)
Capital Outlay	2,100,000	1,440,210	659,790
Total Sewer Enterprise Expenditures	<u>9,776,000</u>	<u>8,912,239</u>	<u>863,761</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	1,091,000	1,959,513	868,513
Sewer Enterprise Funds Available - Beginning of Year	<u>4,018,741</u>	<u>4,022,140</u>	<u>3,399</u>
<b>SEWER ENTERPRISE FUNDS AVAILABLE - END OF YEAR</b>	<u><u>\$ 5,109,741</u></u>	<u><u>\$ 5,981,653</u></u>	<u><u>\$ 871,912</u></u>

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENTS OF  
REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2018**

	Actual Amounts
<b>FUNDS AVAILABLE DEFINED AS FOLLOWS:</b>	
Current Assets	\$ 66,601,292
Restricted Current Assets	6,783,170
Less Current Liabilities	(11,201,289)
Less Current Liabilities Payable from Restricted Assets	(7,448,009)
Less Deferred Inflow of Resources	(3,118,876)
Plus Current Portion of Long-Term Obligations	5,278,878
Funds Available	\$ 56,895,166

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

Revenues (Budgetary Basis)	\$ 54,096,826
Total Revenues per Statement of Revenues, Expenses and Changes in Net Position	54,096,826
Expenditures (Budgetary Basis)	61,933,843
Depreciation and Amortization	10,325,427
Amortization of Debt Refunding Costs	168,160
Amortization of Debt Premium	(294,188)
Capital Outlay	(26,548,544)
Bond and Lease Principal Payments	(6,795,805)
Total Expenses per Statement of Revenues, Expenses, and Changes in Net Position	38,788,893
Change in Net Assets per Statement of Revenues, Expenses, and Changes in Net Position	\$ 15,307,933

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2018**

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		\$18,970,000 Variable Rate Water Revenue Refunding Bonds, Series 2009B (B) Original Date May 28, 2009 Restructure November 15, 2012 Interest Rate - 2.75% Interest Payable May 15 and November 15		\$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	
	Principal due November 15		Principal due November 15		Principal due November 15	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ -	\$ 556,428	\$ 1,635,000	\$ 192,088	\$ 265,000	\$ 21,600
2020	-	556,428	1,710,000	147,125	275,000	11,000
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>\$ 6,168,635</u>	<u>\$ 6,985,000</u>	<u>\$ 490,463</u>	<u>\$ 540,000</u>	<u>\$ 32,600</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, 2018 was 2.528%.

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

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

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)  
DECEMBER 31, 2018**

December 31,	\$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		\$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		Total Debt Service Requirements (F)
	Principal due November 15		Principal due November 15		
	Principal	Interest	Principal	Interest	
2019	\$ -	\$ 479,792	\$ 1,280,000	\$ 1,659,150	\$ 6,089,058
2020	-	479,792	1,330,000	1,607,950	6,117,295
2021	285,000	479,792	1,395,000	1,541,450	6,137,770
2022	300,000	466,966	1,460,000	1,471,700	6,166,244
2023	300,000	452,866	1,800,000	1,427,900	5,667,194
2024	315,000	438,166	1,890,000	1,337,900	5,942,323
2025	325,000	422,258	1,980,000	1,243,400	5,953,601
2026	335,000	405,358	2,080,000	1,144,400	5,967,784
2027	345,000	386,866	2,170,000	1,061,200	5,989,574
2028	360,000	367,822	2,250,000	974,400	6,000,476
2029	375,000	347,951	2,340,000	884,400	6,020,615
2030	385,000	327,251	2,420,000	808,350	6,082,007
2031	400,000	305,999	2,535,000	687,350	6,099,825
2032	420,000	283,119	2,660,000	560,600	6,123,130
2033	435,000	259,095	2,795,000	427,600	6,146,905
2034	450,000	234,213	2,910,000	315,800	6,168,753
2035	465,000	208,473	4,985,000	199,400	5,857,873
2036	485,000	181,875	-	-	666,875
2037	500,000	153,648	-	-	653,648
2038	520,000	124,548	-	-	644,548
2039	540,000	94,284	-	-	634,284
2040	1,080,000	62,856	-	-	1,142,856
Total	<u>\$ 8,620,000</u>	<u>\$ 6,962,990</u>	<u>\$ 38,280,000</u>	<u>\$ 17,352,950</u>	<u>\$ 106,272,638</u>

**SUPPLEMENTAL INFORMATION**

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

(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, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy		Mills Levied		Total Property Taxes		Percentage Collected to Levied
	Parcel A	Parcel B	Parcel A	Parcel B	Levied	Collected	
2013	\$ 473,004,410	\$ 3,637,740	5.014	(A) 3.639	\$ 2,384,882	\$ 2,372,010	99.46%
2014	472,074,240	3,668,560	5.008	(B) 3.639	2,377,498	2,373,294	99.82%
2015	477,729,008	3,668,473	4.983	(C) 3.639	2,393,874	2,384,048	99.59%
2016	580,478,037	4,286,658	4.220	(D) 3.170	2,463,206	2,462,932	99.99%
2017	589,599,153	4,292,020	4.266	(E) 3.257	2,529,209	2,527,651	99.94%
2018	659,501,932	4,393,785	3.956	(F) 3.257	2,623,300	2,617,041	99.76%
Estimated for the year ending December 31, 2019	\$ 668,163,427	\$ 4,376,271	4.644	(G) 3.639	\$ 3,118,876		

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.

**NOTES:**

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 0.046 mills in Parcel A to effectively collect refunded/abated revenue from prior years.

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

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

(D) 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.

(E) 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.

(F) 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.

(G) Includes temporary reduction of 0.324 mills in Parcel A and 0.000 mills in Parcel B to effect refund of revenue received during 2018 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, 2018**

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

<b>Net Water Revenues (1)</b>	<u><u>\$ 17,294,296</u></u>
<b>Maximum Annual Debt Service</b>	
Senior Bonds (2)	<u><u>\$ 6,168,753</u></u>
<b>Debt Coverage Ratio</b>	<u><u>2.80</u></u>
<b>Adjusted Net Water Revenues Less Water Tap Fees</b>	<u><u>\$ 10,797,261</u></u>
<b>Debt Coverage Ratio of Adjusted Net Water Revenues Less Water Tap Fees</b>	<u><u>1.75</u></u>

(1) From the table on the following page.

(2) Includes Series 2009A and B Bonds and 2010A and B Bonds, with the variable interest rate calculated based on the Bond Buyer 25 Bond Revenue Index of 4.58% as of December 31, 2018.

**EAST CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT  
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION  
YEAR ENDED DECEMBER 31, 2018**

**Enterprise Water System Revenues**

	Original and Final Budget	Actual
<b>Water System Revenues</b>		
Water Operating Revenues:		
Water Service Fees	\$ 15,713,000	\$ 15,976,943
Administration Fees	1,500,000	1,544,018
New Service Fees	26,000	20,104
Late Charges	210,000	141,979
Total Water Operating Revenues	17,449,000	17,683,044
Less Water Operations Expenses:		
Customer Billing	165,000	141,747
Engineering	795,000	549,229
General Administration - Allocated (1)	1,369,948	1,781,920.32
Insurance	22,000	33,404
Salaries	3,143,000	3,355,972
Legal	215,000	603,980
OAR Water Lease - Water Purchase	1,000	15,432
Other Operating Expenses	2,815,500	2,392,197
Plan Reviews	85,000	110,179
Repairs and Maintenance	1,392,000	1,561,659
Testing	128,000	118,937
Utilities and Communications	3,669,000	3,217,422
Water Conservation Rebates	65,000	24,699
Water Services - Denver Water Purchases	1,120,000	1,218,544
Total Water Operations Expenses	14,985,448	15,125,321
Net Water Operating Revenues	2,463,552	2,557,723
Other Water System Revenues:		
Water Tap Fees	5,000,000	6,497,035
Water Connection and Inspection Fees	30,000	122,125
Sustainable Water Assurance Fee	6,700,000	6,580,536
Investment Income (Allocated to Water)	500,000	1,026,630
Other Revenues	490,000	433,861
Penalties/Fines	2,000	23,801
Plan Review/Construction Observation Fees - Water	32,000	72,600
Total Other Water System Revenues	12,754,000	14,756,588
Less: Cost of Meters	(75,200)	(20,015)
Net Other Water System Revenues	12,678,800	14,736,573
Net Water Revenues	\$ 15,142,352	\$ 17,294,296

(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  
YEAR ENDED DECEMBER 31, 2018**

**Water Enterprise Operational Data**

Year	Water Tap Connections Single Family Equivalents		Water Consumption in Thousands of Gallons					ACWWA	Total
	During	End of	Residential	Commercial	Parks	Schools			
	Year	Year							
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	
2018	269	20,997	2,167,040	117,563	313,238	97,995	457,520	3,153,356	
2018 Percentage of Total Consumption			69%	4%	10%	3%	15%	100%	

**Water Wells Connected and On Line Well Field**

December 31,	In District	SBLC	Western	Northern	Total
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
2018	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 <sup>(A)</sup>
		0 - 5,000	6,000 to 20,000	21,000 to 30,000	31,000 to 41,000 and up	
		2009	\$ 5.00	\$ 2.50	\$ 4.45	
2010	\$ 5.00	\$ 2.80	\$ 4.90	\$ 8.10	\$ 10.00	\$ 22.00
2011	\$ 5.00	\$ 2.90	\$ 5.00	\$ 8.30	\$ 10.30	\$ 25.00
2012	\$ 5.00	\$ 3.10	\$ 5.20	\$ 8.50	\$ 10.50	\$ 25.00
2013	\$ 5.00	\$ 3.10	\$ 5.20	\$ 8.50	\$ 10.50	\$ 25.00
2014	\$ 5.50	\$ 3.20	\$ 5.40	\$ 8.50	\$ 10.50	\$ 25.00
2015	\$ 6.00	\$ 3.35	\$ 5.45	\$ 8.50	\$ 10.75	\$ 25.00
2016	\$ 6.00	\$ 3.60	\$ 5.55	\$ 8.50	\$ 11.00	\$ 25.00
2017	\$ 6.00	\$ 3.60	\$ 5.55	\$ 8.50	\$ 11.00	\$ 25.00
2018	\$ 6.00	\$ 4.10	\$ 5.85	\$ 8.70	\$ 11.50	\$ 25.00
2019	\$ 6.50	\$ 4.25	\$ 6.10	\$ 9.00	\$ 12.00	\$ 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
			Low		Native			
			Turf	Water Turf	Grasses	Non-Turf		
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	\$ 6,497,035	231
2019	\$ 28,000.00	\$ 14,000.00	\$ 1.30	\$ 1.03	\$ 0.26	\$ 0.46		

Note: (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, 2018**

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
<b>SERVICE REVENUES (EXPENDITURES)</b>			
Rate Related Customer Service Fees	\$ 17,079,000	\$ 17,484,558	\$ 405,558
Operating Expenditures	(14,019,800)	(13,366,170)	653,630
Net Service Revenues Over Expenditures	<u>3,059,200</u>	<u>4,118,388</u>	<u>1,059,188</u>
<b>CAPITAL RELATED REVENUES (EXPENDITURES)</b>			
Water Tap Fees	5,000,000	6,497,035	1,497,035
Sustainable Water Assurance Fee	6,700,000	6,580,536	(119,464)
Other Revenue	1,042,000	1,682,778	640,778
Other Capital Related Revenue	8,061,000	7,256,133	(804,867)
Water Conservation Rebates	(55,000)	(24,699)	30,301
Water Meters Purchased	(625,200)	(575,212)	49,988
Capital Outlay	(27,740,500)	(24,173,356)	3,567,144
Net Capital Related Revenues Over (Under) Expenditures	<u>(7,617,700)</u>	<u>(2,756,785)</u>	<u>4,860,915</u>
<b>DEBT SERVICE</b>	(12,658,988)	(10,767,444)	1,891,544
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(17,217,488)	(9,405,841)	7,811,647
Water Enterprise Funds Available - Beginning of Year	<u>47,196,405</u>	<u>53,230,168</u>	<u>6,033,763</u>
<b>WATER ENTERPRISE FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 29,978,917</u>	<u>\$ 43,824,327</u>	<u>\$ 13,845,410</u>

NOTE: This schedule is reflective of data on the Schedule of Revenues, Expenditures and Funds Available - Budget and Actual (Budgetary Basis) on page 35, but is presented in a manner that is consistent with the schedule presented in the original offering document.