

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2018**

<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>I</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	<b>III</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF NET POSITION</b>	<b>1</b>
<b>STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION</b>	<b>2</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>3</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>4</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION</b>	<b>28</b>
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE – BUDGET AND ACTUAL (BUDGETARY BASIS)</b>	<b>31</b>
<b>RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION</b>	<b>35</b>
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE (BUDGETARY BASIS) – ENTERPRISE ACTIVITY</b>	<b>36</b>
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE (BUDGETARY BASIS) – GENERAL GOVERNMENT ACTIVITY</b>	<b>37</b>
<b>SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY</b>	<b>38</b>
<b>OTHER SUPPLEMENTARY INFORMATION</b>	<b>41</b>
<b>CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A</b>	<b>49</b>

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

Independent Auditors' Report

***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of Denver Southeast Suburban Water and Sanitation District (the "District") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Denver Southeast Suburban Water and Sanitation District as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows for the general fund for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

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

*Stratagem PC*  
*Certified Public Accountants*  
*Lakewood, Colorado*

April 17, 2019

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

The management of Denver Southeast Suburban Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2018.

**District Operations**

The composition of District staff now holds 22 full-time equivalents (FTE) in 2019. The increase by three FTEs in 2019 is to continue to grow the in-house maintenance crew, to begin training a replacement for wastewater staff close to retirement, and to provide redundancy for the District's electrician and bring the SCADA and instrumentation work in-house. The District will continue to reduce its reliance on contracted labor for routine and preventative maintenance.

The District continued to grow steadily, selling 51 water and sewer taps to new homes as compared to only 36 new taps in 2017. A new development with over 300 production homes is nearing construction completion of its infrastructure. The District anticipates the bulk of the water and sewer taps sold in the District in 2019 will be in the new development, Stone Creek Ranch.

The total precipitation and pattern of precipitation in 2018 was dry and sporadic. 2018 showed more extreme weather than the prior few years. Generally, temperatures were hotter in the summer months and colder in the winter months than in 2017. The spring precipitation was below the previous years and customers compensated for that by starting their irrigation systems early. June and July saw six weeks of reprieve from the dry conditions with above average precipitation. Total precipitation experienced in the area in 2018 was 14.8 inches, up from the annual precipitation totals in 2017 (11.7 in) and 2016 (12.8 in) but still 2.3 inches below the state annual average of 17.1 inches.

Customers' water usage in 2018 was higher than the demand from 2017. The main factor for the increase in water consumption was the constant construction activity. The water needed for grading of Stone Creek Ranch was considerable. Also, our bulk water station saw lots of demand from water trucks supplying another construction project outside of the District. By the end of 2018, total gallons pumped was approximately 1.12 billion gallons, over 15% more water pumped than in 2017.

The District converted its potable water disinfection system in the spring in anticipation of the WISE Project coming on line in the summer. The conversion was executed perfectly without any customer interruptions or complaints.

The District also began a multi-year project to replace its oldest and most impacted potable water pipelines. This project is funded by low interest loans from the Colorado Water Resources and Power Development Authority.

Several cooperative-style agreements were inked in 2018 between the District and its neighboring water provider districts to regionalize the service each provides to its customers. First, the District will provide wholesale wastewater to Parker Water and Sanitation District (PWSD) by treating the wastewater from a new development inside PWSD's service area. In the agreement PWSD purchased excess capacity in the District's existing wastewater treatment plant. PWSD and the District executed two more agreements pertaining to the WISE project. First, the District secured uninterruptable capacity in Parker's infrastructure to move its WISE water from the Ridgeway Pipeline down through PWSD and into Pinery's service area. Also, PWSD is working with the District to use Pinery's WISE water in the summer time and deliver back to the Pinery in the fall and winter.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

District Staff also completed an update to the District's 2010 Water Conservation Master Plan by completing the 2018 Water Efficiency Plan and getting it approved by the Colorado Water Conservation Board.

**Financial Highlights**

- Net position increased \$3,880,837 while revenues increased 22.23% and expenses increased 10.82%.
- The net operating profit of \$391,561 was a decrease of \$32,536 from last year. Excluding depreciation, the net operating income was \$4,200,597.
- Operating revenues increased 10.78% from the prior year.
- Operating expenses exclusive of depreciation increased 16.91% from the prior year.
- Customers on line for water service at year end increased by 96 single-family residential equivalent units to 4,480 at year end.
- Funds available (current assets plus other assets less current liabilities exclusive of the current portion of long-term obligations) increased \$4,146,287 to \$16,016,863 at December 31, 2018.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

The District's net position increased \$3,880,837 in 2018. Current assets increased \$3,974,038 and capital assets, net of depreciation, decreased \$7,766.

**Statement of Net Position**

	December 31,		
	2018	2017	2016
<b>ASSETS</b>			
Current Assets	\$ 16,877,353	\$ 12,903,315	\$ 10,835,987
Other Assets	315,231	315,231	315,231
Capital Assets	104,414,173	104,421,939	99,199,184
Total Assets	<u>121,606,757</u>	<u>117,640,485</u>	<u>110,350,402</u>
<b>LIABILITIES</b>			
Current Liabilities	2,756,013	2,854,263	3,608,611
Long-Term Liabilities	22,938,635	22,754,950	17,094,526
Total Liabilities	<u>25,694,648</u>	<u>25,609,213</u>	<u>20,703,137</u>
<b>NET POSITION</b>			
Net Position Invested in Capital Assets	79,706,779	79,939,892	80,410,470
Restricted Net Position	3,326,483	3,306,472	3,296,055
Unrestricted Net Position	12,878,847	8,784,908	5,940,740
Total Net Position	<u>\$ 95,912,109</u>	<u>\$ 92,031,272</u>	<u>\$ 89,647,265</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Review of Change in Net Position**

	December 31,		
	2018	2017	2016
<b>REVENUES</b>			
Operating Revenue:			
Water Services	\$ 6,590,638	\$ 5,762,506	\$ 5,582,882
Sewer Services	2,411,006	2,362,852	2,237,631
Total Operating Revenue	<u>9,001,644</u>	<u>8,125,358</u>	<u>7,820,513</u>
Nonoperating Revenue:			
Investment Income	191,215	63,639	23,925
Other	220,068	209,738	194,529
Contributions:			
Tap Fees, Net of Cost Recovery Payments	1,961,599	1,293,746	1,905,526
County's Portion of Pipeline Replacement Project	396,000	-	-
Contributed Facilities	1,366,384	1,045,949	-
Other	137,777	122,417	410,334
Total Other Revenue	<u>4,273,043</u>	<u>2,735,489</u>	<u>2,534,314</u>
Total Revenue	13,274,687	10,860,847	10,354,827
<b>EXPENSES</b>			
Operating Expenses:			
Water	2,190,050	1,882,748	2,080,589
Sewer	1,111,254	941,046	856,914
Subtotal	<u>3,301,304</u>	<u>2,823,794</u>	<u>2,937,503</u>
General And Administrative	1,499,743	1,257,241	1,350,554
Depreciation	3,809,036	3,620,226	3,135,306
Total Operating Expenses	<u>8,610,083</u>	<u>7,701,261</u>	<u>7,423,363</u>
Nonoperating Expenses	783,767	775,579	509,981
Total Expenses	<u>9,393,850</u>	<u>8,476,840</u>	<u>7,933,344</u>
<b>CHANGE IN NET POSITION</b>	3,880,837	2,384,007	2,421,483
Net Position - Beginning of Year	<u>92,031,272</u>	<u>89,647,265</u>	<u>87,225,782</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 95,912,109</u>	<u>\$ 92,031,272</u>	<u>\$ 89,647,265</u>

Operating revenue increased by \$876,286. Revenue from the sale of tap fees, net of cost recovery payments increased \$667,853. Additionally, water services increased \$828,132 primarily due to the increase in water sales and irrigation fees in 2018.

Total operating expenses increased \$908,822 in 2018.



**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2018 AND 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. This budgetary accounting is required by state statutes. Additionally, the budget includes the separation of the enterprise and general government activities within the District.

Actual revenue of the District was below the budgeted revenue by \$2,776,658 due to \$3,870,000 of loan proceeds and \$3,944,800 of developer contributions being budgeted for 2018 when actual loan proceeds came in at \$1,952,444 and developer contributions came in at \$1,366,384. Without this variance, actual revenue was above budgeted revenue by \$1,719,314 primarily as a result of more water and sewer charges.

Total actual expenditures of the District were less than the appropriation by \$6,358,680, which includes a positive variance of \$5,888,240 for capital expenditures, of which \$2,367,804 was related to developer contributions which did not occur due to delays in project approvals and commencement.

**Capital Assets Activity**

The activity related to capital assets is as follows:

	December 31, 2017	Net Changes	December 31, 2018
Land and Easements	\$ 827,262	\$ -	\$ 827,262
Construction in Process	8,618,570	1,325,863	9,944,433
Water System:			
Water Rights	12,177,082	-	12,177,082
Water Facilities	71,477,528	1,296,948	72,774,476
Bingham Lake and Dam	542,502	-	542,502
Sewer System:			
Sewer Facilities	34,190,057	17,120	34,207,177
Wastewater Treatment Plant	14,453,151	1,028,035	15,481,186
Buildings	1,813,702	-	1,813,702
Equipment and Vehicles	1,306,005	61,701	1,367,706
Total Capital Assets	<u>145,405,859</u>	<u>3,729,667</u>	<u>149,135,526</u>
Accumulated Depreciation	<u>(40,983,920)</u>	<u>(3,737,433)</u>	<u>(44,721,353)</u>
Net Capital Assets	<u>\$ 104,421,939</u>	<u>\$ (7,766)</u>	<u>\$ 104,414,173</u>

The 2018 activity relating to capital assets reflects costs incurred by the District relating to the construction of water wells, sewer lines, and replacement of equipment at the wastewater treatment plant.

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

	December 31, 2015	Net Changes	December 31, 2016
Land and Easements	\$ 827,262	\$ -	\$ 827,262
Construction in Process	10,916,544	(4,803,677)	6,112,867
Water System:			
Water Rights	11,849,384	327,698	12,177,082
Water Facilities	54,887,523	11,085,548	65,973,071
Bingham Lake and Dam	542,502	-	542,502
Sewer System:			
Sewer Facilities	34,056,945	84,556	34,141,501
Wastewater Treatment Plant	13,784,285	14,794	13,799,079
Buildings	1,813,702	-	1,813,702
Equipment and Vehicles	1,159,770	16,042	1,175,812
Total Capital Assets	<u>129,837,917</u>	<u>6,724,961</u>	<u>136,562,878</u>
Accumulated Depreciation	<u>(34,228,388)</u>	<u>(3,135,306)</u>	<u>(37,363,694)</u>
Net Capital Assets	<u>\$ 95,609,529</u>	<u>\$ 3,589,655</u>	<u>\$ 99,199,184</u>

**Long-Term Debt**

All scheduled payments of principal and interest on the District's outstanding debt were paid as required during 2018.

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

**Economic Factors and Next Year's Budgets and Rates**

For 2019, the District has budgeted revenue from water and sewer charges of \$7,978,770, which is \$290,270 higher compared with 2018 budgeted figures. The District has also budgeted \$700,000 of water project fees that are intended to help fund the construction of future water improvement projects. \$5,120,000 of loan proceeds has been budgeted to fund planned capital outlay in 2019. 2019 operating expenses are budgeted at \$4,235,410, which is \$1,030 lower compared with 2018 budget amounts.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Request for Information**

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

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

## **BASIC FINANCIAL STATEMENTS**

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 12,699,755	\$ 8,932,983
Cash and Cash Equivalents - Restricted	3,326,483	3,306,472
Accounts Receivable	732,720	481,410
Prepaid Expenses	118,395	182,450
Total Current Assets	16,877,353	12,903,315
<b>OTHER ASSETS</b>		
Notes Receivable - Capacity Fee Agreements		
Unutilized Taps Service Charge Receivable	315,231	315,231
Total Other Assets	315,231	315,231
<b>CAPITAL ASSETS, NET</b>	104,414,173	104,421,939
Total Assets	\$ 121,606,757	\$ 117,640,485
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts and Retainage Payable	\$ 562,245	\$ 778,644
Accrued Payroll	62,389	62,395
Interest Payable	362,620	286,127
Current Maturities of Long-Term Obligations	1,768,759	1,727,097
Total Current Liabilities	2,756,013	2,854,263
<b>LONG-TERM OBLIGATIONS</b>	22,938,635	22,754,950
<b>NET POSITION</b>		
Net Investment in Capital Assets	79,706,779	79,939,892
Restricted	3,326,483	3,306,472
Unrestricted	12,878,847	8,784,908
Total Net Position	95,912,109	92,031,272
Total Liabilities and Net Position	\$ 121,606,757	\$ 117,640,485

See accompanying Notes to Basic Financial Statements.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>WATER OPERATIONS</b>		
Revenues	\$ 6,590,638	\$ 5,762,506
Direct Water Expenses	2,190,050	1,882,748
Depreciation - Water	<u>2,731,173</u>	<u>2,575,902</u>
<b>GROSS PROFIT FROM WATER OPERATIONS</b>	1,669,415	1,303,856
<b>SEWER OPERATIONS</b>		
Revenues	2,411,006	2,362,852
Direct Sewer Expenses	1,111,254	941,046
Depreciation - Sewer	<u>961,280</u>	<u>945,743</u>
<b>GROSS PROFIT FROM SEWER OPERATIONS</b>	<u>338,472</u>	<u>476,063</u>
<b>GROSS PROFIT FROM OPERATIONS</b>	2,007,887	1,779,919
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
General and Administrative	1,499,743	1,257,241
Depreciation	<u>116,583</u>	<u>98,581</u>
<b>INCOME FROM OPERATIONS</b>	391,561	424,097
<b>NONOPERATING REVENUES</b>	411,283	273,377
<b>NONOPERATING EXPENSES</b>	<u>783,767</u>	<u>775,579</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	19,077	(78,105)
<b>CAPITAL CONTRIBUTIONS</b>	<u>3,861,760</u>	<u>2,462,112</u>
<b>CHANGE IN NET POSITION</b>	3,880,837	2,384,007
Net Position - Beginning of Year	<u>92,031,272</u>	<u>89,647,265</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 95,912,109</u></u>	<u><u>\$ 92,031,272</u></u>

See accompanying Notes to Basic Financial Statements.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 8,714,599	\$ 8,196,486
Payments to Suppliers	(3,022,696)	(2,722,946)
Payments to Employees and Related Expenses	(1,804,744)	(1,607,937)
Other Receipts (Payments)	36,733	36,105
Net Cash Provided by Operating Activities	3,923,892	3,901,708
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Ready to Serve Fees	67,832	52,928
Other Income	136,736	138,310
Net Cash Provided by Noncapital Financing Activities	204,568	191,238
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Sale of Assets	15,500	18,500
Loan Proceeds	1,952,444	7,387,521
Contributions in Aid of Construction:		
Tap Fees	2,131,539	1,410,850
Other Contributed Capital	1,366,384	1,045,949
Receipts from Unutilized Taps Service Charges	137,777	122,417
County's Portion of Pipeline Replacement Project	396,000	-
Acquisition of Property, Plant and Equipment	(4,097,167)	(9,675,722)
Interest and Paying Agent Fees	(719,998)	(759,892)
Debt Principal Reduction	(1,714,373)	(1,680,580)
Net Cash Used by Capital and Related Financing Activities	(531,894)	(2,130,957)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments Matured	-	502,780
Net Investment Income Received	190,217	63,080
Net Cash Provided by Investing Activities	190,217	565,860
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,786,783	2,527,849
Cash and Cash Equivalents - Beginning of Year	12,239,455	9,711,606
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 16,026,238	\$ 12,239,455
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Income from Operations	\$ 391,561	\$ 424,097
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation	3,809,036	3,620,226
Decrease (Increase) in Accounts Receivable	(250,312)	107,233
Increase (Decrease) in Accounts Payable	(90,448)	(100,916)
Decrease (Increase) in Prepaid Expenses	64,055	(148,932)
Net Cash Provided by Operating Activities	\$ 3,923,892	\$ 3,901,708

See accompanying Notes to Basic Financial Statements.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

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

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Basis of Accounting**

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



**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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

**Operating Revenues and Expenses**

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

**Budgets**

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

**Cash Equivalents**

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

**Property Taxes**

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

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

The District filed a zero mill levy certification for collection in 2018.

**Capital Assets**

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

**Capital Assets (Continued)**

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

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

**Tap Fees and Contributed Lines**

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

**Cost Recovery Contracts**

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

**Water Rights**

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

**Amortization – Original Issue Discount/Premium**

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

**Compensated Absences**

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

**Board Designations**

The board of directors of the District has designated the following amounts of the unrestricted net position for the following purposes:

	<u>2018</u>	<u>2017</u>
Ground Water Protection	\$ 357,410	\$ 333,549
Rate Stabilization Reserve	1,000,000	1,000,000
Medical Benefits Reserve	-	56,686
Well Rehab	<u>389,501</u>	<u>389,501</u>
Total Board Designated Amounts	<u><u>\$ 1,746,911</u></u>	<u><u>\$ 1,779,736</u></u>

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2018 and 2017 are classified in the accompanying financial statements as follows:

	<u>2018</u>	<u>2017</u>
Statement of Net Position:		
Cash and Cash Equivalents	\$ 12,699,755	\$ 8,932,983
Cash and Cash Equivalents - Restricted	<u>3,326,483</u>	<u>3,306,472</u>
Total Cash and Investments	<u><u>\$ 16,026,238</u></u>	<u><u>\$ 12,239,455</u></u>

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

	<u>2018</u>	<u>2017</u>
Deposits with Financial Institutions	\$ 4,855,655	\$ 6,259,290
Cash on Hand	300	100
Investments	<u>11,170,283</u>	<u>5,980,065</u>
Total Cash and Cash Equivalents	<u><u>\$ 16,026,238</u></u>	<u><u>\$ 12,239,455</u></u>

**Deposits with Financial Institutions**

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

At December 31, 2018 and 2017 the District had the following deposits with financial institutions:

	<u>2018</u>	<u>2017</u>
Bank Balance:		
Insured Deposits	\$ 250,000	\$ 250,000
Deposits Collateralized in Single Institution Pools	<u>4,334,592</u>	<u>6,156,357</u>
Total Bank Balance	<u>\$ 4,584,592</u>	<u>\$ 6,406,357</u>
Carrying Balance:		
Insured Deposits	\$ 250,000	\$ 250,000
Deposits Collateralized in Single Institution Pools	<u>4,605,655</u>	<u>6,009,290</u>
Total Carrying Balance	<u>\$ 4,855,655</u>	<u>\$ 6,259,290</u>

**Investments**

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

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

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

**DENVER SOUTHEAST SUBURBAN 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>Amount</u>	
		<u>2018</u>	<u>2017</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 3,991,737	\$ 3,914,982
Colorado Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	7,178,546	2,065,083
Total		<u>\$ 11,170,283</u>	<u>\$ 5,980,065</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and 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 COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. 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.

**CSAFE**

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 4 LONG-TERM RECEIVABLES**

Long-term receivable activity for the years ended December 31, 2018 and 2017 was as follows:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year
Unutilized Taps Service Charge Receivable	\$ 315,231	\$ -	\$ -	\$ 315,231	\$ 315,231
Total Long-Term Receivables	<u>\$ 315,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,231</u>	<u>\$ 315,231</u>
	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Amounts Due Within One Year
Unutilized Taps Service Charge Receivable	\$ 315,231	\$ -	\$ -	\$ 315,231	\$ -
Total Long-Term Receivables	<u>\$ 315,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,231</u>	<u>\$ -</u>

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

**Intergovernmental Agreement – Canyons**

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

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2018 and 2017 was as follows:

	Balance December 31, 2017	Additions	Retirements/ Reclassi- fications	Balance December 31, 2018
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 827,262	\$ -	\$ -	\$ 827,262
Water Rights	12,177,082	-	-	12,177,082
Construction in Progress	8,618,570	1,392,142	(66,279)	9,944,433
Total Capital Assets, Not Being Depreciated	21,622,914	1,392,142	(66,279)	22,948,777
Capital Assets, Being Depreciated:				
Water Facilities	71,477,528	1,296,948	-	72,774,476
Bingham Lake and Dam	542,502	-	-	542,502
Sewer Facilities	34,190,057	17,120	-	34,207,177
Wastewater Treatment Plant	14,453,151	1,028,035	-	15,481,186
Buildings	1,813,702	-	-	1,813,702
GIS Program	234,462	14,454	-	248,916
Office and Field Equipment	284,346	50,619	-	334,965
Vehicles	787,197	68,231	(71,603)	783,825
Total Capital Assets, Being Depreciated	123,782,945	2,475,407	(71,603)	126,186,749
Less Accumulated Depreciation For:				
Water Facilities	(21,822,940)	(2,717,370)	-	(24,540,310)
Bingham Lake and Dam	(305,515)	(13,803)	-	(319,318)
Sewer Facilities	(8,027,774)	(535,922)	-	(8,563,696)
Wastewater Treatment Plant	(8,371,799)	(425,358)	-	(8,797,157)
Buildings	(1,388,159)	(27,606)	-	(1,415,765)
GIS Program	(149,850)	(13,166)	-	(163,016)
Office and Field Equipment	(259,802)	(24,953)	-	(284,755)
Vehicles	(658,081)	(50,858)	71,603	(637,336)
Total Accumulated Depreciation	(40,983,920)	(3,809,036)	71,603	(44,721,353)
Capital Assets, Net	<u>\$ 104,421,939</u>	<u>\$ 58,513</u>	<u>\$ (66,279)</u>	<u>\$ 104,414,173</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

	Balance December 31, 2016	Additions	Retirements/ Reclassi- fications	Balance December 31, 2017
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 827,262	\$ -	\$ -	\$ 827,262
Water Rights	12,177,082	-	-	12,177,082
Construction in Progress	6,112,867	4,888,325	(2,382,622)	8,618,570
Total Capital Assets, Not Being Depreciated	19,117,211	4,888,325	(2,382,622)	21,622,914
Capital Assets, Being Depreciated:				
Water Facilities	65,973,071	5,504,457	-	71,477,528
Bingham Lake and Dam	542,502	-	-	542,502
Sewer Facilities	34,141,501	48,556	-	34,190,057
Wastewater Treatment Plant	13,799,079	654,072	-	14,453,151
Buildings	1,813,702	-	-	1,813,702
GIS Program	215,595	18,867	-	234,462
Office and Field Equipment	271,408	12,938	-	284,346
Vehicles	688,809	98,388	-	787,197
Total Capital Assets, Being Depreciated	117,445,667	6,337,278	-	123,782,945
Less Accumulated Depreciation For:				
Water Facilities	(19,260,845)	(2,562,095)	-	(21,822,940)
Bingham Lake and Dam	(291,708)	(13,807)	-	(305,515)
Sewer Facilities	(7,493,377)	(534,397)	-	(8,027,774)
Wastewater Treatment Plant	(7,960,453)	(411,346)	-	(8,371,799)
Buildings	(1,360,554)	(27,605)	-	(1,388,159)
GIS Program	(134,303)	(15,547)	-	(149,850)
Office and Field Equipment	(242,235)	(17,567)	-	(259,802)
Vehicles	(620,219)	(37,862)	-	(658,081)
Total Accumulated Depreciation	(37,363,694)	(3,620,226)	-	(40,983,920)
Capital Assets, Net	<u>\$ 99,199,184</u>	<u>\$ 7,605,377</u>	<u>\$ (2,382,622)</u>	<u>\$ 104,421,939</u>

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

	2018	2017
Water	\$ 2,731,173	\$ 2,575,902
Sewer	961,280	945,743
General and Administrative	116,583	98,581
Total	<u>\$ 3,809,036</u>	<u>\$ 3,620,226</u>



**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 6 LONG-TERM OBLIGATIONS**

Long-term obligation activity for the years ended December 31, 2018 and 2017 was as follows:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year
CWRPDA Loan - 2002	\$ 2,325,000	\$ -	\$ 355,000	\$ 1,970,000	\$ 365,000
CWRPDA Loan - 2005	2,435,000	-	240,000	2,195,000	245,000
Refinancing Note - 2010	7,605,495	-	457,734	7,147,761	475,993
CWCB Loan A - 2014	1,766,534	-	41,148	1,725,386	42,384
CWCB Loan B - 2014	1,725,911	1,309,306	-	3,035,217	-
CWCB Loan D - 2014	210,665	75,908	-	286,573	-
CWRPDA Loan - 2015	8,336,911	567,230	620,491	8,283,650	628,519
Subtotal	<u>24,405,516</u>	<u>1,952,444</u>	<u>1,714,373</u>	<u>24,643,587</u>	<u>1,756,896</u>
Plus Loan Premium	76,531	-	12,724	63,807	11,863
Total Long-Term Obligations	<u>\$ 24,482,047</u>	<u>\$ 1,952,444</u>	<u>\$ 1,727,097</u>	<u>\$ 24,707,394</u>	<u>\$ 1,768,759</u>

  

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

**Loan Agreements**

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

The components of interest expense for this loan for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Interest	\$ 24,673	\$ 27,095
Administrative Fee	57,274	57,274
Total	<u>\$ 81,947</u>	<u>\$ 84,369</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**Loan Agreements (Continued)**

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

The components of interest expense for this loan for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Interest	\$ 31,828	\$ 39,440
Administrative Fee	38,400	38,400
Total	\$ 70,228	\$ 77,840

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

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

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**Loan Agreements (Continued)**

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

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

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

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

The components of interest expense for this loan for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Interest	\$ 77,936	\$ 81,611
Administrative Fee	117,563	117,563
Total	\$ 195,499	\$ 199,174

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,756,896	\$ 682,197	\$ 2,439,093
2020	1,790,183	646,088	2,436,271
2021	1,832,261	601,232	2,433,493
2022	1,895,164	539,860	2,435,024
2023	1,963,927	451,644	2,415,571
2024-2028	7,573,758	1,800,457	9,374,215
2029-2033	5,279,736	884,573	6,164,309
2034-2038	2,749,362	233,417	2,982,779
2039-2043	406,403	64,318	470,721
2044-2045	180,141	8,146	188,287
Total Payments	<u>25,427,831</u>	<u>5,911,931</u>	<u>31,339,762</u>
Less: Amounts Due Within One Year	<u>(1,756,896)</u>	<u>(682,197)</u>	<u>(2,439,093)</u>
Long-Term Portion	<u>\$ 23,670,935</u>	<u>\$ 5,229,734</u>	<u>\$ 28,900,669</u>

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

**NOTE 7 NET POSITION**

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

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2018 and 2017, the District had the following net investment in capital assets, calculated as follows:

	<u>2018</u>	<u>2017</u>
Net Investment in Capital Assets:		
Capital Assets, Net	\$ 104,414,173	\$ 104,421,939
Current Portion of Long-Term Obligations	(1,768,759)	(1,727,097)
Noncurrent Portion of Long-Term Obligations	<u>(22,938,635)</u>	<u>(22,754,950)</u>
Net Investment in Capital Assets	<u>\$ 79,706,779</u>	<u>\$ 79,939,892</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 7 NET POSITION (CONTINUED)**

The restricted component of net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of \$3,326,483 and \$3,306,472 as of December 31, 2018 and 2017, respectively, for payment of future debt service requirements, capital improvements and emergency reserves as required by Article X, Section 20 of the Constitution of the state of Colorado.

**NOTE 8 EMPLOYEE BENEFIT PLAN**

**Deferred Compensation Plan**

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

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

**NOTE 9 SUBDIVISION IMPROVEMENTS AGREEMENTS**

**Intergovernmental Agreement – Pinery West**

On October 30, 2002, the District entered into an agreement with Pinery West Metropolitan District No. 1 (Pinery West), whereby the developer will construct certain infrastructure improvements and subsequently convey the improvements to Pinery West, who in turn conveyed the improvements to the District. The cost of certain improvements are eligible for reimbursement to the developer through a portion of the tap fees collected from the property owners, but shall not exceed the actual costs without interest, of such improvements. Pinery West subsequently assigned its reimbursement rights to the developer. The amount to be allocated from tap fees towards such reimbursable items is \$7,584 per tap. The District remitted \$75,840 and \$53,088, respectively, for 10 and 7 tap fees, respectively, collected during 2018 and 2017 related to this agreement.

During 2007, and with the infrastructure improvements completed, the District performed an analysis of the actual costs incurred. Based upon the analysis, the District will make a reimbursement of \$7,584 per tap for a total of 816 taps or \$6,188,544. From 2002 through 2018, the District reimbursed \$5,642,496 for 744 taps; therefore, remaining future reimbursement is \$546,048 for 72 taps.

The District also agreed to collect an additional fee from property owners in the amount of \$800 per dwelling unit, the proceeds of which will be used to reimburse the developer the cost of constructing a golf course well. During 2018 and 2017 the District collected 10 and 7 taps, respectively, and paid \$8,000 and \$5,600 in 2018 and 2017, respectively.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 9 SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement – Town of Castle Rock**

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

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

Each tap shall continue to be charged such fee until one of the following occurs: 1) such tap is placed in service and a monthly service charge is paid to the District, or 2) all right, title and interest to such tap is transferred to the District, free and clear of liens and encumbrances which transfer the District shall accept, provided, however, that the District shall not be required to accept transfer of more than 150 single family residential sewer taps without the express consent of the District. The District will impose and collect user charges for the services provided by the District under the Agreement (the Service Charges). The Service Charges shall be based upon the wastewater flows measured at the FMS, applying the current schedule of rates set forth by the District. As of December 31, 2018, 936 taps have been issued.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 9 SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement – Canyons**

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

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

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

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2018 AND 2017**

**NOTE 9 SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement – Canyons (Continued)**

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

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

On July 19, 2017, the District entered into the third amendment to this agreement with the Canyons Developer which was satisfied as of December 31, 2017. Pursuant to the third amendment, the Canyons Developer paid \$122,417 in December 2017, for monthly service charge of unutilized taps using the current year's wholesale wastewater service rate as published by the District.

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

<u>As of January 1,</u>	<u>Amount</u>
2018	413
2019	461
2020	461
2021	461
2022	461
2023	461
2024	461
2025	461
2026	461
2027	968
2028	968
2029 and Thereafter	968 or such lesser amount calculated as described above, until taps fully utilized



**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 9 SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement – Canyons (Continued)**

In addition to the payment indicated above, the Canyons Developer agreed to purchase five (5) additional single family equivalent sewer taps, totaling \$33,800. The payment was received by the District in November 2016.

**Intergovernmental Agreement – The Timbers**

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

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

On December 13, 2017, the agreement was amended to acknowledge Timbers Development Group, Inc. and Timbers Investment 2015, LLC as the successors in interest to the Pinery Joint Venture and shall be deemed as the “Timbers Developer” and the lawful owners of all benefits and entitlements, including, but not limited to the right to receive reimbursements under this agreement. From April 2005 through August 2017, the District has reimbursed a total amount of \$666,000. In 2018, the District paid \$108,000, as the reimbursement due for the 24 taps that the District collected between September 2017 and December 2018. The remaining balance of \$26,000 will become due and payable to the Timbers Developer as tap fees are received by the District after December 31, 2018.

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 9 SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)**

**Developer Service Agreement – Stone Creek Ranch**

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

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

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 9 SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement – Cielo**

The District, Parker Water and Sanitation District (PWSD) and Cielo Metropolitan District (CMD) entered into an intergovernmental agreement on August 15, 2018. Pursuant to the agreement, the District desires to acquire dedicated capacity in a PWSD water pipeline through property located in the boundaries of CMD (Cielo Service Area) and PWSD and CMD desire to obtain wastewater treatment services from the District.

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

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

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 9 SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement – Wheeling and Capacity Allocation**

The District and Parker Water and Sanitation District (PWSD) entered into an intergovernmental agreement on May 10, 2018, to outline how the two entities will share the costs of capacity, maintenance, repair, replacement and operation of the Ridgeway Pipeline and the portions of the PWSD's existing water infrastructure that will be used by the District.

Pursuant to the agreement, PWSD will transport the District's WISE water through the local WISE infrastructure and PWSD's existing infrastructure. The District has already paid the capital cost for 1.5 million gallons per day (mgd) of capacity in the Ridgeway Pipeline. The District also paid \$828,151 to PWSD to secure 1.0 mgd of uninterrupted and permanent capacity in PWSD's existing infrastructure. Furthermore, PWSD will operate and maintain all of the infrastructure segments in good working order and cover the cost of all future capital replacement. PWSD will charge a "wheeling" rate of \$0.98 per 1,000 gallons (up to 1 million gallons per day) for the volume of water delivered to the District and make available additional capacity if necessary to transport the District's water at flow rates above 1.0 mgd for \$1.66 per 1,000 gallons.

**NOTE 10 WATER PROJECT FEE**

On January 12, 2011, the board of directors of the District established a water project fee to fund necessary water supply projects within the District. The water supply projects anticipated to be funded by the water project fee include, but are not limited to, additional Denver Basin wells to offset the declining production in the Denver Basin aquifers, investment and development of renewable water supply projects, and other projects as approved by the board of directors. The fee was effective March 1, 2011, and will continue until further resolution of the board of directors. During 2018 and 2017, the District collected \$706,200 and \$696,744 of water project fees, respectively.

**NOTE 11 AUTHORITY PARTICIPATION**

The District is a member of the Cherry Creek Project Water Authority and the South Metro Water Supply Authority. Capital projects of the respective authorities are documented via project participation agreements. Operating contributions to these organizations were \$47,600 in 2018 and \$45,348 in 2017.

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 11 AUTHORITY PARTICIPATION (CONTINUED)**

terms under which Denver and Aurora will deliver water to the South Metro WISE Authority members.

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

**NOTE 12 RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2018. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**NOTE 13 TAX, SPENDING AND DEBT LIMITATIONS**

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

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 13 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

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

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

**NOTE 14 SUBSEQUENT EVENTS**

**Purchase and Sale Agreement of WISE Infrastructure Capacity**

On February 20, 2019, the District and Meridian Metropolitan District (Meridian) entered into a purchase and sale agreement where Meridian will purchase excess WISE infrastructure capacity, related to the Western Pipeline project, in an amount of \$785,770. This amount shall be paid in full on or before 30 days from the effective date of the agreement. As of March 30, 2019, the District has received full payment from Meridian.

**SUPPLEMENTARY INFORMATION**

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>WATER OPERATIONS</b>		
Revenues:		
Water Sales	\$ 4,465,554	\$ 4,096,965
Water Supply Project Fee	706,200	696,744
Irrigation and Hydrant Fees	1,036,836	844,004
Ground Water Protection Fees	23,860	24,834
IREA Rebates	36,733	36,105
Other	321,455	63,854
Total Revenues	<u>6,590,638</u>	<u>5,762,506</u>
Direct Water Expenses:		
Depreciation	2,731,173	2,575,902
Auto Expenses/Vehicle Maintenance	38,149	28,629
Communications	-	72
Employee Benefits	202,350	185,131
Laboratory Testing and Chemicals	207,404	124,924
Legal	3,265	37,409
Outside Services	56,167	55,380
Payroll Taxes	52,308	49,077
Repairs, Maintenance, and Supplies	200,018	150,589
Salaries and Related Costs	707,783	657,368
Small Tools and Safety Items	7,022	10,891
Utilities	715,584	583,278
Total Direct Water Expenses	<u>4,921,223</u>	<u>4,458,650</u>
<b>GROSS PROFIT FROM WATER OPERATIONS</b>	1,669,415	1,303,856
<b>SEWER OPERATIONS</b>		
Revenues:		
Sewer User Charges	2,411,006	2,362,852
Total Revenues	<u>2,411,006</u>	<u>2,362,852</u>
Direct Sewer Expenses:		
Depreciation	961,280	945,743
Auto Expenses/Vehicle Maintenance	11,400	5,959
Cherry Creek Basin Fees	14,200	17,570
Communications	-	343
Employee Benefits	136,832	97,694
Laboratory Testing and Chemicals	82,673	86,597
Outside Services	22,562	5,584
Repairs and Maintenance - System	133,878	67,321
Repairs and Maintenance - Plant	-	41,661
Salaries and Related Costs	407,223	327,837
Payroll Taxes	31,502	24,965
Sludge Disposal	64,352	69,298
Small Tools and Safety Items	2,760	9,076
Utilities	203,872	187,141
Total Direct Sewer Expenses	<u>2,072,534</u>	<u>1,886,789</u>
<b>GROSS PROFIT FROM SEWER OPERATIONS</b>	<u>338,472</u>	<u>476,063</u>



**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION (CONTINUED)  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>GROSS PROFIT FROM OPERATIONS</b>	\$ 2,007,887	\$ 1,779,919
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Depreciation - Office Building and Equipment	116,583	98,581
Accounting and Audit	99,890	91,005
Admin Vehicle	415	-
Billing Systems Service	10,740	14,452
Data Processing	36,325	33,039
Directors' Fees	6,800	6,900
Dues and Seminars	18,770	19,538
Employee Benefits	74,822	87,714
Insurance	124,130	113,658
Legal	102,772	121,283
Miscellaneous	5,553	8,922
Office Expense	14,307	17,901
Outside Services	41,997	69,592
Repairs and Maintenance - Office	19,094	8,056
Salaries and Related Costs	309,241	283,594
Payroll Taxes	20,194	21,872
Safety and Training	23,608	28,909
Security Services	16,789	18,113
Conservation	82	5,000
Customer Communications	38,385	54,629
Utilities	27,014	25,480
Paying Agent Fees	-	1,500
CCPWA Assessment	20,489	20,489
SMWSA Assessment	27,111	24,859
CCPWA Water Purchase	123,426	7,935
WISE Water Purchase	169,880	-
WISE Participation - Operations	167,909	172,801
Total General and Administrative Expenses	1,616,326	1,355,822
<b>INCOME FROM OPERATIONS</b>	391,561	424,097
<b>NONOPERATING REVENUES</b>		
Net Investment Income	191,215	63,639
Ready to Serve Fees - Water	39,314	28,813
Ready to Serve Fees - Sewer	28,518	24,115
Cherry Creek Project Water Authority	42,932	56,770
Other Income	93,804	81,540
Net Gain (Loss) on Disposition of Assets	15,500	18,500
Total Nonoperating Revenues	411,283	273,377
<b>NONOPERATING EXPENSES</b>		
Interest and Paying Agent Fees	783,767	775,579
Total Nonoperating Expenses	783,767	775,579
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	19,077	(78,105)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION (CONTINUED)  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CAPITAL CONTRIBUTIONS</b>		
Tap Fees - Water	\$ 1,773,009	\$ 1,150,740
Tap Fees - Sewer	358,530	260,110
Cost Recovery Payments	(169,940)	(117,104)
Canyon's Revenue	137,777	122,417
Developer Contributions	1,366,384	1,045,949
Inclusion Fees	396,000	-
Total Capital Contributions	3,861,760	2,462,112
 <b>CHANGE IN NET POSITION</b>	 \$ 3,880,837	 \$ 2,384,007

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE –  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual	Variance
<b>WATER OPERATING INCOME</b>			
Water Sales	\$ 3,744,000	\$ 4,465,554	\$ 721,554
Water Supply Project Fee	690,000	706,200	16,200
Irrigation and Hydrant Fees	620,000	1,036,836	416,836
Ground Water Protection Fees	26,500	23,860	(2,640)
IREA Rebates	-	36,733	36,733
Other	40,000	321,455	281,455
Total Water Operating Income	<u>5,120,500</u>	<u>6,590,638</u>	<u>1,470,138</u>
<b>WATER OPERATING EXPENSES</b>			
Auto Expenses/Vehicle Maintenance	35,000	38,149	(3,149)
Employee Benefits	236,000	202,350	33,650
Laboratory Testing and Chemicals	185,000	207,404	(22,404)
Legal	30,000	3,265	26,735
Outside Services	75,000	56,167	18,833
Payroll Taxes	54,405	52,308	2,097
Repairs, Maintenance, and Supplies	262,000	200,018	61,982
Salaries and Related Costs	725,400	707,783	17,617
Small Tools and Safety Items	8,500	7,022	1,478
Utilities	790,000	715,584	74,416
Total Water Operating Expenses	<u>2,401,305</u>	<u>2,190,050</u>	<u>211,255</u>
<b>GROSS PROFIT FROM WATER OPERATIONS</b>	2,719,195	4,400,588	1,681,393
<b>SEWER OPERATING INCOME</b>			
Sewer User Charges	<u>2,350,000</u>	<u>2,411,006</u>	<u>61,006</u>
Total Sewer Operating Income	2,350,000	2,411,006	61,006
<b>SEWER OPERATING EXPENSES</b>			
Auto Expenses/Vehicle Maintenance	12,000	11,400	600
Cherry Creek Basin Fees	16,000	14,200	1,800
Employee Benefits	138,150	136,832	1,318
Laboratory Testing and Chemicals	85,000	82,673	2,327
Outside Services	10,000	22,562	(12,562)
Repairs and Maintenance	180,000	133,878	46,122
Salaries and Related Costs	395,800	407,223	(11,423)
Payroll Taxes	29,685	31,502	(1,817)
Sludge Disposal	84,500	64,352	20,148
Small Tools and Safety Items	5,000	2,760	2,240
Utilities	209,500	203,872	5,628
Total Sewer Operating Expenses	<u>1,165,635</u>	<u>1,111,254</u>	<u>54,381</u>
<b>GROSS PROFIT FROM SEWER OPERATIONS</b>	<u>1,184,365</u>	<u>1,299,752</u>	<u>115,387</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE –  
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual	Variance
<b>GROSS PROFIT FROM OPERATIONS</b>	\$ 3,903,560	\$ 5,700,340	\$ 1,796,780
<b>NONOPERATING REVENUES</b>			
Net Investment Income	20,000	191,215	171,215
Ready to Serve Fees - Water	30,000	39,314	9,314
Ready to Serve Fees - Sewer	25,000	28,518	3,518
Late Charges	45,000	53,553	8,553
Cherry Creek Project Water Authority	26,000	42,932	16,932
Other Income	55,000	40,251	(14,749)
Proceeds from Asset Disposition	15,000	15,500	500
Loan Proceeds	3,870,000	1,952,444	(1,917,556)
Contributions in Aid of Construction			
Tap Fees - Water	2,107,539	1,773,009	(334,530)
Tap Fees - Sewer	442,890	358,530	(84,360)
County's Portion of Pipeline Replacement Proj.	-	396,000	396,000
Canyons Revenue	122,000	137,777	15,777
Developer Contributions	3,944,800	1,366,384	(2,578,416)
Total Nonoperating Revenue	10,703,229	6,395,427	(4,307,802)
<b>NONOPERATING EXPENSES</b>			
Accounting and Audit	95,000	99,890	(4,890)
Admin Vehicle	1,500	415	1,085
Billing Systems Service	10,000	10,740	(740)
Data Processing	25,000	36,325	(11,325)
Directors' Fees	6,000	6,800	(800)
Dues and Seminars	30,000	18,770	11,230
Employee Benefits	97,850	74,822	23,028
Insurance	115,000	124,130	(9,130)
Paying Agent Fees	1,500	-	1,500
Legal	120,000	102,772	17,228
Miscellaneous	7,500	5,553	1,947
Office Expense	20,000	14,307	5,693
Outside Services	45,000	41,997	3,003
Repairs and Maintenance - Office	20,000	19,094	906
Salaries and Related Costs	329,600	309,241	20,359
Payroll Taxes	24,720	20,194	4,526
Safety and Training	24,000	23,608	392
Security Services	20,000	16,789	3,211
Conservation	35,000	82	34,918
Customer Communications	52,000	38,385	13,615
Utilities	25,000	27,014	(2,014)
CCPWA Assessment	20,500	20,489	11
SMWSA Assessment	27,000	27,111	(111)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE –  
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual	Variance
<b>NONOPERATING EXPENSES (CONTINUED)</b>			
CCPWA Water Purchase	\$ 20,000	\$ 123,426	\$ (103,426)
WISE Water Purchase	392,000	169,880	222,120
WISE Participation - Operations	175,000	167,909	7,091
Total Nonoperating Expenses	<u>1,739,170</u>	<u>1,499,743</u>	<u>239,427</u>
<b>DEBT SERVICE</b>			
Interest:			
CWRPDA Loan - 2015	213,419	213,420	(1)
CWCB-D DIA Connection - 2014	5,000	9,813	(4,813)
CWCB-A Eccv Pipeline - 2014	51,864	51,864	-
CWCB-B Wise Phase 1 - 2014	50,000	74,809	(24,809)
CWRPDA Loan - 2005	70,228	70,228	-
CWRPDA Loan - 2002	81,947	81,948	(1)
Revenue Note - 2010	294,410	294,409	1
Principal:			
CWRPDA Loan - 2015	620,491	620,491	-
CWCB-A Loan - 2014	41,148	41,148	-
CWRPDA Loan - 2005	240,000	240,000	-
CWRPDA Loan - 2002	350,000	355,000	(5,000)
Revenue Note - 2010	457,734	457,734	-
Total Debt Service	<u>2,476,241</u>	<u>2,510,864</u>	<u>(34,623)</u>
<b>CAPITAL OUTLAY</b>			
Water Projects:			
Cost Recovery Payments	120,000	169,940	(49,940)
Water Supply and Treatment	4,828,500	1,781,294	3,047,206
Contributed Developer Improvements	1,694,800	841,517	853,283
Total Water Projects	<u>6,643,300</u>	<u>2,792,751</u>	<u>3,850,549</u>
Wastewater Treatment Plant:			
Wastewater Treatment Plant	445,000	309,676	135,324
Contributed Developer Improvements	2,250,000	735,479	1,514,521
Total Sewer Projects	<u>2,695,000</u>	<u>1,045,155</u>	<u>1,649,845</u>
General:			
Capital Salaries	365,650	-	365,650
Computer/Networking/Hardware	50,000	48,822	1,178
GIS Program	20,500	14,454	6,046
Vehicles	75,000	68,231	6,769
Furniture and Office Equipment	10,000	1,797	8,203
Total General	<u>521,150</u>	<u>133,304</u>	<u>387,846</u>
Total Capital Outlay	<u>9,859,450</u>	<u>3,971,210</u>	<u>5,888,240</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE –  
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual	Variance
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ 531,928	\$ 4,113,950	\$ 3,582,022
Funds Available - Beginning of Year	12,665,606	12,091,379	(574,227)
<b>FUNDS AVAILABLE - END OF YEAR</b>	<b>\$ 13,197,534</b>	<b>\$ 16,205,329</b>	<b>\$ 3,007,795</b>
<b>FUNDS AVAILABLE ARE DEFINED AS FOLLOWS</b>			
Current Assets		\$ 16,877,353	
Other Assets		315,231	
Less Current Liabilities		(2,756,013)	
Adjustment For:			
Current Long-Term Obligations		1,768,759	
Other		(1)	
Total		<b>\$ 16,205,329</b>	

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,  
EXPENSES, AND CHANGE IN NET POSITION  
YEAR ENDED DECEMBER 31, 2018**

Revenues (Budgetary Basis)	\$ 15,397,071
Loan Proceeds	(1,952,444)
Cost Recovery Payments	<u>(169,940)</u>
Total Revenues per Statement of Revenues, Expenses, and Change in Net Position	13,274,687
Expenditures (Budgetary Basis)	11,283,121
Depreciation	3,809,036
Amortization - Loan Premium	(12,724)
Capital Outlay	(3,971,210)
Long-term Debt Principal	<u>(1,714,373)</u>
Total Expenses per Statement of Revenues, Expenses, and Change in Net Position	<u>9,393,850</u>
Change in Net Position per Statement of Revenues, Expenses, and Change in Net Position	<u><u>\$ 3,880,837</u></u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE  
(BUDGETARY BASIS)  
ENTERPRISE ACTIVITY  
YEAR ENDED DECEMBER 31, 2018**

**ENTERPRISE REVENUES**

Water Operating Income	\$ 6,590,638
Sewer Operating Income	2,411,006
Net Investment Income	191,215
Other Income	220,068
Loan Proceeds	1,952,444
Contributions in Aid of Construction	4,031,700
Total Enterprise Revenues	15,397,071

**ENTERPRISE EXPENDITURES**

Water Operating Expenses	2,190,050
Sewer Operating Expenses	1,111,254
Nonoperating Expenses	1,467,406
Debt Service	
Principal	1,714,373
Interest	796,491
Capital Outlay	3,971,210
Total Enterprise Expenditures	11,250,784

**EXCESS ENTERPRISE REVENUES OVER ENTERPRISE EXPENDITURES**

4,146,287

Enterprise Funds Available - Beginning of Year

11,870,576

**ENTERPRISE FUNDS AVAILABLE - END OF YEAR**

\$ 16,016,863

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



**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE  
(BUDGETARY BASIS)  
GENERAL GOVERNMENT ACTIVITY  
YEAR ENDED DECEMBER 31, 2018**

<b>GENERAL REVENUES</b>	\$	-
<b>GENERAL EXPENDITURES</b>		
Accounting and Audit		3,496
Directors' Fees		6,800
Dues and Seminars		657
Employee Benefits		2,619
Insurance		4,345
Legal		3,597
Salaries and Related Costs		10,823
Total General Expenditures		<u>32,337</u>
<b>EXCESS GENERAL REVENUES (UNDER) GENERAL EXPENDITURES</b>		(32,337)
General Funds Available - Beginning of Year		<u>220,803</u>
<b>GENERAL FUNDS AVAILABLE - END OF YEAR</b>	<b>\$</b>	<b><u>188,466</u></b>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
YEAR ENDED DECEMBER 31, 2018**

<u>Year Ending December 31,</u>	\$7,045,000 Loan Dated October 1, 2002 Colorado Water Resources and Power Development Authority Rates of 2.00% to 4.75% Principal and Interest Payable February 1 and August 1		\$4,800,000 Loan Dated May 25, 2005 Colorado Water Resources and Power Development Authority Rates of 3.35% Principal and Interest Payable February 1 and August 1 and August 1	
	Principal	Interest	Principal	Interest
2019	\$ 365,000	\$ 75,437	\$ 245,000	\$ 66,198
2020	370,000	70,249	250,000	59,438
2021	380,000	57,497	260,000	52,188
2022	410,000	26,962	265,000	46,933
2023	445,000	(10,563)	275,000	22,686
2024	-	-	280,000	35,440
2025	-	-	300,000	17,740
2026	-	-	320,000	(8,540)
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
<b>Total</b>	<b>\$ 1,970,000</b>	<b>\$ 219,582</b>	<b>\$ 2,195,000</b>	<b>\$ 292,081</b>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018**

<u>Year Ending December 31,</u>	\$10,335,213 Water Enterprise Revenue Refunding Note, Series 2010 Dated December 21, 2010. Interest Rate of 3.95% Principal due December 1 and Interest Payable June 1 and December 1		\$1,845,270 Loan Dated October 15, 2014 Colorado Water Conservation Board Contract C150411A ECCV Pipline Rates of 3.0% Principal and Interest Payable Annually	
	Principal	Interest	Principal	Interest
2019	\$ 475,993	\$ 277,656	\$ 42,384	\$ 51,762
2020	494,981	258,667	43,654	50,490
2021	514,728	238,922	44,964	49,180
2022	535,261	218,389	46,313	47,832
2023	556,614	197,035	47,702	46,442
2024	578,818	174,831	49,133	45,011
2025	601,907	151,740	50,607	43,537
2026	625,921	127,729	52,125	42,019
2027	650,890	102,760	53,689	40,455
2028	676,855	76,794	55,300	38,844
2029	703,857	49,793	56,959	37,185
2030	731,936	21,714	58,668	35,477
2031	-	-	60,428	33,717
2032	-	-	62,241	31,904
2033	-	-	64,108	30,037
2034	-	-	66,031	28,113
2035	-	-	68,012	26,132
2036	-	-	70,052	24,092
2037	-	-	72,154	21,991
2038	-	-	74,318	19,826
2039	-	-	76,548	17,596
2040	-	-	78,844	15,300
2041	-	-	81,210	12,935
2042	-	-	83,646	10,498
2043	-	-	86,155	7,989
2044	-	-	88,740	5,404
2045	-	-	91,401	2,742
Total	<u>\$ 7,147,761</u>	<u>\$ 1,896,030</u>	<u>\$ 1,725,386</u>	<u>\$ 816,510</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018**

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

Year Ending December 31,			Total		Total
	Principal	Interest	Principal	Interest	
2019	\$ 628,519	\$ 211,144	\$ 1,756,896	\$ 682,197	\$ 2,439,093
2020	631,548	207,244	1,790,183	646,088	2,436,271
2021	632,569	203,444	1,832,261	601,232	2,433,493
2022	638,590	199,744	1,895,164	539,860	2,435,024
2023	639,611	196,044	1,963,927	451,644	2,415,571
2024	647,639	191,994	1,555,590	447,276	2,002,866
2025	650,667	187,944	1,603,181	400,961	2,004,142
2026	653,696	183,569	1,651,742	344,777	1,996,519
2027	660,738	176,769	1,365,317	319,984	1,685,301
2028	665,773	171,819	1,397,928	287,457	1,685,385
2029	667,815	167,019	1,428,631	253,997	1,682,628
2030	689,857	148,269	1,480,461	205,460	1,685,921
2031	709,892	129,219	770,320	162,936	933,256
2032	726,935	109,869	789,176	141,773	930,949
2033	747,040	90,369	811,148	120,406	931,554
2034	779,152	56,919	845,183	85,032	930,215
2035	801,265	37,719	869,277	63,851	933,128
2036	818,378	18,625	888,430	42,717	931,147
2037	-	-	72,154	21,991	94,145
2038	-	-	74,318	19,826	94,144
2039	-	-	76,548	17,596	94,144
2040	-	-	78,844	15,300	94,144
2041	-	-	81,210	12,935	94,145
2042	-	-	83,646	10,498	94,144
2043	-	-	86,155	7,989	94,144
2044	-	-	88,740	5,404	94,144
2045	-	-	91,401	2,742	94,143
Total	<u>\$ 12,389,684</u>	<u>\$ 2,687,728</u>	<u>\$ 25,427,831</u>	<u>\$ 5,911,931</u>	<u>\$ 31,339,762</u>

**OTHER SUPPLEMENTARY INFORMATION**

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018**

**AD VALORUM PROPERTY TAX DATA**

History of the District's Mill Levy, Assessed Valuation, and Property Tax Collections

Levy/ Collection Year	Assessed Valuation	Increase (Decrease)	Percent Change	Debt Service Mill Levy	Taxes Levied	Taxes Collected	Debt Service Mill Levy	Percent of Levy Collected
2001/2002	\$ 89,652,819	\$ 15,884,391	21.5 %	10.000	\$ 1,401,600	\$ 1,412,900	10.000	100.81 %
2002/2003	97,482,505	7,829,686	8.7	8.800	896,528	907,238	8.800	101.19
2003/2004	102,453,235	4,970,730	5.1	8.800	857,846	866,529	8.800	101.01
2004/2005	108,898,520	6,445,285	6.3	3.150	901,588	908,758	3.150	100.80
2005/2006	124,506,210	15,607,690	14.3	3.150	343,030	352,304	3.150	102.70
2006/2007	140,866,660	16,360,450	13.1	1.900	392,195	382,607	1.900	97.56
2007/2008	166,876,427	26,009,767	18.5	0.000	267,647	276,336	0.000	103.25
2008/2009	184,608,610	17,732,183	10.6	0.000	-	33	0.000	N/A
2009/2010	194,234,310	9,625,700	5.2	0.000	-	-	0.000	N/A
2010/2011	197,048,900	2,814,590	1.4	0.000	-	-	0.000	N/A
2011/2012	163,524,840	(33,524,060)	(17.0)	0.000	-	-	0.000	N/A
2012/2013	164,046,170	521,330	0.3	0.000	-	-	0.000	N/A
2013/2014	160,868,813	(3,177,357)	(1.9)	0.000	-	-	0.000	N/A
2014/2015	161,838,380	969,567	0.6	0.000	-	-	0.000	N/A
2015/2016	190,712,910	28,874,530	17.8	0.000	-	-	0.000	N/A
2016/2017	192,388,750	1,675,840	0.9	0.000	-	-	0.000	N/A
2017/2018	198,149,570	5,760,820	3.0	0.000	-	-	0.000	N/A
2018/2019	200,593,700	2,444,130	1.2	0.000	-	-	0.000	N/A

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2018**

**SYSTEM ACCOUNTS**

<u>Classification</u>	<u>Number of Accounts</u>	<u>Percent of Total Accounts</u>
Residential	4,480	92.72 %
Commercial	30	0.62
Irrigation Only	62	1.28
Vacant Lots	260	5.38
Total	4,832	100.00 %

**WATER PROJECT FEE SCHEDULE**

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2018**

**CHARGES FOR WATER SERVICE**

**Water Rates and Charges  
(In Effect as of January 1, 2019 through December 31, 2019)**

Residential (Monthly)

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

Commercial (Monthly)

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

Large Irrigators (Separate Interruptible Meter, Billed Monthly)

Base Rate	\$ 29.22
All Usage	\$3.94/1,000 Gallons

Golf Courses

Base Rate	\$ 29.22
All Usage	\$3.56/1,000 Gallons for Usage up to 150 AF per Year for Each 9 Holes. For Usage Greater than 150 AF the Rate Becomes \$5.93/1,000 Gallons (Applies to Pinery CC)

Ready to Serve "Standby Fee" (Monthly)

Water and Sewer	\$ 18.75
Water Only	\$ 10.12

**REVENUE FROM WATER SALES**

Year	Gallons Used (in 000s)	Average Water Rates in Effect (per 1,000 Gallons)	Revenue from Water Sales
1999	656,000	\$ 1.82	\$ 1,195,279
2000	804,000	1.89	1,517,783
2001	858,903	1.78	1,531,737
2002	916,807	2.07	1,900,932
2003	814,840	2.11	1,718,359
2004	779,815	2.26	1,758,703
2005	950,599	2.51	2,390,298
2006	1,198,482	2.32	2,785,447
2007	1,026,474	2.66	2,733,243
2008	1,064,305	2.89	3,076,169
2009	801,394	3.82	3,064,370
2010	1,059,098	3.96	4,195,310
2011	1,036,388	4.03	4,171,747
2012	1,110,760	4.09	4,548,060
2013	924,465	4.32	3,997,419
2014	860,749	4.53	3,903,134
2015	872,497	4.87	4,251,331
2016	955,099	5.07	4,838,281
2017	979,903	5.11	5,004,823
2018	1,190,133	4.89	5,823,845



**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2018**

**CHARGES FOR WASTEWATER SERVICE**

Wastewater Rates and Charges  
(In Effect as of January 1, 2019 through December 31, 2019)

Residential (Monthly)

Flat Rate for All Users	\$	42.92
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Commercial (Monthly Based on Water Meter Reading)

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2018**

**CHARGES FOR WASTEWATER SERVICE**

Revenue from Wastewater Charges

<u>Year</u>	Users of Wastewater Services Average Number of Taps During the Year	Revenue from Water Wastewater Charges
2001	2,900	\$ 830,141
2002	3,086	854,511
2003	3,199	869,197
2004	3,302	927,696
2005	3,585	1,034,446
2006	3,773	1,114,160
2007	3,839	1,208,839
2008	3,901	1,352,717
2009	3,949	1,519,391
2010	3,972	1,659,788
2011	3,994	1,756,324
2012	4,051	1,855,419
2013	4,055	1,887,335
2014	4,129	1,971,562
2015	4,203	2,085,750
2016	4,198	2,237,631
2017	4,414	2,362,852
2018	4,351	2,411,006

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2018**

**ADDITIONAL CHARGES AND FEES OF THE SYSTEM**

Water and Wastewater Tap and Connection Fees  
(Effective January 1, 2019)

**RESIDENTIAL (per SFE with 3/4" Meter)**

Water Fee	\$	34,351
Sewer Fee		7,220
Total Fee	<u>\$</u>	<u>41,571</u>

**COMMERCIAL**

<u>Meter Size</u>	<u>Water Fee</u>	<u>Sewer Fee</u>	<u>Total Fee</u>
3/4" (1)	\$ 34,351	\$ 7,220	\$ 41,571
1" (2)	68,502	14,440	82,942
1-1/2" (4)	136,804	28,880	165,684
2" (7)	239,257	50,540	289,797
3" (16)	546,616	115,520	662,136

Sewer fees are determined based on meter size.

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

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2018**

	2013	2014	2015	2016	2017	2018
<b>OPERATING REVENUE</b>						
Water and Sewer Charges	\$ 5,985,580	\$ 6,013,065	\$ 6,391,305	\$ 6,892,915	\$ 7,156,561	\$ 7,582,760
Irrigation, Hydrant Fees, and Other	578,821	579,629	663,402	927,598	968,797	1,418,884
Total Operating Revenue	<u>6,564,401</u>	<u>6,592,694</u>	<u>7,054,707</u>	<u>7,820,513</u>	<u>8,125,358</u>	<u>9,001,644</u>
<b>OPERATING EXPENSES</b>						
Depreciation	2,460,197	2,582,588	2,700,890	3,135,306	3,620,226	3,809,036
Auto Expenses/Vehicle Maintenance	58,922	45,508	35,702	33,920	34,588	49,964
Salaries and Wages	1,126,288	1,112,022	1,192,309	1,241,697	1,268,799	1,424,247
Payroll Taxes	85,269	83,605	89,004	94,368	95,914	104,004
Employee Benefits	335,316	347,035	356,787	370,222	370,539	414,004
Utilities	829,288	735,541	787,259	771,736	795,899	946,470
Outside Services	14,928	142,355	126,401	91,558	130,556	120,726
Maintenance and Supplies	519,845	614,826	560,976	525,089	499,115	652,849
Professional Fees	517,151	344,473	454,231	571,893	249,697	205,927
Other Operating Expenses	222,218	187,945	234,984	236,180	226,946	191,563
Office Expense	15,809	18,812	16,747	16,216	17,901	14,307
Insurance	85,836	88,069	106,806	108,686	113,658	124,130
Directors' Fees	7,800	7,400	5,900	5,800	6,900	6,800
Sludge Disposal	71,227	66,170	57,249	58,815	69,298	64,352
CCWPA Assessment	34,148	40,978	40,978	20,489	20,489	20,489
CCPWA Water Purchase	10,467	-	-	-	7,935	123,426
WISE Water Purchase	-	-	-	-	-	169,880
WISE Participation - Operations	47,331	52,318	106,278	141,388	172,801	167,909
Total Operating Expenses	<u>6,442,040</u>	<u>6,469,645</u>	<u>6,872,501</u>	<u>7,423,363</u>	<u>7,701,261</u>	<u>8,610,083</u>
<b>INCOME FROM OPERATIONS</b>	122,361	123,049	182,206	397,150	424,097	391,561
<b>NONOPERATING REVENUE</b>						
Net Investment Income	17,314	13,859	14,188	23,925	63,639	191,215
Miscellaneous Other Income	209,367	135,257	119,979	132,913	138,310	136,736
Ready to Serve Fees	53,058	63,756	70,083	61,616	52,928	67,832
Gain (Loss) on Disposition of Assets	22,165	19,360	10,590	-	18,500	15,500
Contributions in Aid of Construction	768,014	3,121,593	2,931,456	2,315,860	2,462,112	3,861,760
Total Nonoperating Revenue	<u>1,069,918</u>	<u>3,353,825</u>	<u>3,146,296</u>	<u>2,534,314</u>	<u>2,735,489</u>	<u>4,273,043</u>
<b>NONOPERATING EXPENSES</b>						
Interest and Paying Agent Fees	234,703	596,039	205,139	509,981	775,579	783,767
Loan Issue Cost	-	39,548	51,783	-	-	-
Total Nonoperating Expenses	<u>234,703</u>	<u>635,587</u>	<u>256,922</u>	<u>509,981</u>	<u>775,579</u>	<u>783,767</u>
<b>NET INCOME/CHANGE IN NET POSITION</b>	<u>\$ 957,576</u>	<u>\$ 2,841,287</u>	<u>\$ 3,071,580</u>	<u>\$ 2,421,483</u>	<u>\$ 2,384,007</u>	<u>\$ 3,880,837</u>

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY  
COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY  
CLEAN WATER REVENUES BONDS, SERIES 2002A AND 2005A  
DECEMBER 31, 2018**

**CUSTOMER INFORMATION**

Years Ended December 31,	Total Estimated Residential Equivalent Units
2004	3,436
2005	3,585
2006	3,773
2007	3,993
2008	4,057
2009	4,090
2010	4,128
2011	4,152
2012	4,166
2013	4,185
2014	4,228
2015	4,272
2016	4,358
2017	4,384
2018	4,480

**TEN LARGEST CUSTOMERS OF THE SYSTEM**

Pinery Country Club  
Colorado Golf Club, LLC  
Pradera Country Club  
Douglas County School District RE-1  
Pinery West Metropolitan District  
Pinery Glen Homeowners Association  
Colorado Horse Park  
High Prairie Farms Metropolitan District  
Douglas County Parks and Recreation  
Pinery Homeowners Association

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY  
COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY  
CLEAN WATER REVENUES BONDS, SERIES 2002A AND 2005A (CONTINUED)  
DECEMBER 31, 2018**

	<u>2019 Budget</u>	<u>2018 Budget</u>
<b>REVENUE</b>		
Water, Operating:		
User Charges	\$ 3,860,000	\$ 3,744,000
Irrigation and Hydrant Fees	700,000	620,000
Water Supply Project Fee	700,000	690,000
Other	190,000	137,500
Sewer, Operating:		
User Charges	2,350,000	2,350,000
Other	178,770	145,000
Nonoperating:		
Loan Proceeds	5,120,000	3,870,000
Tap Fees	2,835,973	2,550,429
Other	4,295,000	4,066,800
Total Revenue	<u>20,229,743</u>	<u>18,173,729</u>
 <b>EXPENDITURES</b>		
Water, Operating:		
Utilities	650,000	790,000
Salaries and Related Costs	1,051,240	1,015,805
Other	1,278,500	1,265,000
Sewer, Operating:		
Utilities	210,000	209,500
Salaries and Related Costs	667,670	563,635
Other	378,000	392,500
Nonoperating:		
Insurance	120,000	115,000
Salaries and Related Costs	510,000	452,170
Other	510,000	502,500
Debt Service	2,524,092	2,476,241
Capital Outlay	12,302,000	9,859,450
Total Expenditures	<u>20,201,502</u>	<u>17,641,801</u>
 <b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	 28,241	 531,928
 Funds Available - Beginning of Year	 <u>13,075,397</u>	 <u>12,665,606</u>
 <b>FUNDS AVAILABLE - END OF YEAR</b>	 <u><u>\$ 13,103,638</u></u>	 <u><u>\$ 13,197,534</u></u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY  
COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY  
CLEAN WATER REVENUES BONDS, SERIES 2002A AND 2005A (CONTINUED)  
DECEMBER 31, 2018**

**SCHEDULE OF COVERAGE OF DEBT SERVICE REQUIREMENTS**

Year	Income	Operation and Maintenance Expenses	Available for Debt Service	Debt Service Require- ments	Debt Service Coverage
2004	\$ 20,094,587	\$ 2,459,610	\$ 17,634,977	\$ 1,893,570	9.31
2005	12,703,160	2,977,714	9,725,446	2,195,762	4.43
2006	9,076,622	3,334,176	5,742,446	2,142,845	2.68
2007	14,752,043	3,536,146	11,215,897	2,224,578	5.04
2008	7,674,924	4,173,068	3,501,856	2,110,270	1.66
2009	5,760,461	3,610,190	2,150,271	2,111,868 *	1.02
2010	7,321,442	3,895,966	3,425,476	2,024,307	1.69
2011	7,437,195	3,850,021	3,587,174	1,666,975	2.15
2012	7,919,673	3,796,440	4,123,233	1,565,716	2.63
2013	7,634,319	3,981,843	3,652,476	1,564,222	2.34
2014	9,946,519	3,926,605	6,019,914	1,683,173	3.58
2015	10,201,003	4,223,394	5,977,609	2,491,863	2.40
2016	10,354,827	4,288,057	6,066,770	2,441,847	2.48
2017	10,860,847	4,081,035	6,779,812	2,434,375	2.79
2018	13,274,687	4,801,047	8,473,640	2,439,093	3.47

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

**TEN LARGEST PROPERTY TAXPAYERS OF THE DISTRICT  
(Assessed Valuation for 2018 Taxes Due in 2019)**

<u>Taxpayer</u>	<u>Assessed Valuation Property in the District</u>	<u>Percentage of Total District Assessed Valuation</u>
CGC Equity Club LLC	\$ 1,932,390	0.96 %
CF Arcis VI LLC	1,407,290	0.70
Timbers Development Group, Inc.	1,335,490	0.67
CF Arcis V LLC	1,217,990	0.61
TF Pinery West LP	1,179,020	0.59
Colorado Equestrian Partners LLC	1,174,210	0.59
Comcast of Colorado X LLC	807,150	0.40
Betts Lake LLC	745,790	0.37
CGC Real Estate LLC	617,540	0.31
Celebrity Development of Colorado LLC	492,000	0.25
All Others	189,684,830	94.56
Total	<u>\$ 200,593,700</u>	<u>100.00 %</u>



**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY  
COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY  
CLEAN WATER REVENUES BONDS, SERIES 2002A AND 2005A (CONTINUED)  
DECEMBER 31, 2018**

**COMBINED STATEMENT OF DEBT**

<u>Designation</u>	<u>Amount Outstanding</u>
Water Enterprise Revenue Note, Series 2010	\$ 7,147,761
Local Government Bonds	18,280,070
Total	<u>\$ 25,427,831</u>

**DEBT SERVICE REQUIREMENTS OF THE DISTRICT**

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

**ESTIMATED DIRECT AND OVERLAPPING DEBT SCHEDULE**

	<u>#VALUE! Assessed Valuation</u>	<u>Outstanding General Obligation Debt (1)</u>	<u>Outstanding Debt Applicable to District</u>	
			<u>Percent</u>	<u>Amount</u>
The District	\$ 200,593,700	\$ -	100.00 %	\$ -
Douglas County School District RE-1	6,438,835,604	236,690,000	3.12	7,384,728
Parker Fire Protection District	4,709,198,110	-	-	-
Total				<u>\$ 7,384,728</u>

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT  
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY  
COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY  
CLEAN WATER REVENUES BONDS, SERIES 2002A AND 2005A (CONTINUED)  
DECEMBER 31, 2018**

**ASSESSED VALUATION, DEBT, AND DEBT RATIOS**

Actual Valuation	\$ 2,564,203,671
Assessed Valuation	\$ 200,593,700
Net General Obligation Direct Debt	\$ -
Net Direct and Estimated Overlapping Debt	\$ 7,384,728
Ratio of Net Direct Debt to Estimated Actual Valuation	- %
Ratio of net direct debt to assessed valuation	- %
Net direct debt per capita (1)	\$ -
Ratio of net direct and estimated overlapping debt to estimated actual valuation	0.29 %
Ratio of net direct and estimated overlapping debt to assessed valuation	3.68 %
Net direct and estimated overlapping debt per capita (1)	\$ 574
Estimated actual valuation per capita (1)	\$ 199,431
Assessed valuation per capita (1)	\$ 15,601
(1) Estimated permanent population	12,858