

WATER INFRASTRUCTURE AND SUPPLY EFFICIENCY PROJECT

3/14/2014

Loan Feasibility Study Supplemental Information

Prepared by:



Prepared for: Colorado Water Conservation Board

FEASIBILITY STUDY APPROVAL
Pursuant to Colorado Revised Statutes 37-60-121 & 122, and
in accordance with policies adopted by the Board, the
CWCB staff has determined this Feasibility Study meets all
applicable requirements for approval.

Signed

Date

3/11/14

Water Infrastructure and supply efficiency project

LOAN FEASIBILITY STUDY SUPPLEMENTAL INFORMATION

ONE | ENTERPRISE DATE

In 1965, the District was formed as the Denver Southeast Suburban Water and Sanitation District (Denver SE). Denver SE has been providing water and wastewater services since 1971. In the early 1990's, in an effort to give some geographic reference between the name and the service area, Denver SE began doing business as the "Pinery Water and Wastewater District". The District has qualified as a TABOR Enterprise since 1993.

TWO | COST BREAKDOWN OF PROJECT

See attached Exhibit 1.

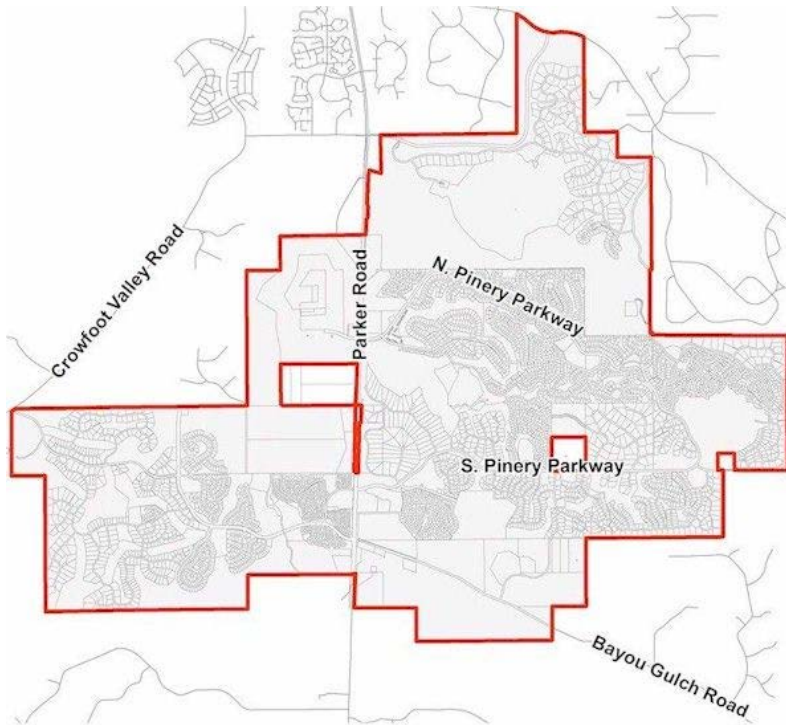
THREE | SERVICE AREA AND EXISTING WATER FACILITIES

The Denver Southeast Suburban Water and Sanitation Water doing business as the "Pinery Water and Wastewater District" is located in Douglas County, four miles south of the Town of Parker and north of Franktown along State Highway 83, or Parker Road. The District lies within the Cherry Creek Basin, encompassing approximately 8,500 acres, and provides drinking water and wastewater services to its predominately residential customers (See map below).

The drinking water system consists of seven alluvial and 18 Denver Basin water supply wells, seven pump stations, 10 finished water storage tanks, and over 107 miles of water distribution and transmission piping serving seven different pressure zones. These facilities are all connected to the District's Supervisory Control and Data Acquisition (SCADA) system.

The wastewater collection system consists of the Pinery Wastewater Reclamation Facility (2 MGD capacity) and more than 90 miles of sewer piping.

The District owns 1,220 acre-feet of senior tributary water rights and variable junior water rights on Cherry Creek. The District also owns approximately 13,430 acre-feet of nontributary water rights in the Denver Basin aquifers. Table 1 summarizes the District's water rights.



FOUR | WATER DEMANDS

The total water produced and treated for consumption in 2013 was 2,837 acre-feet. The District anticipates treating and delivering close to 2,900 acre-feet of water in 2014.

FIVE | NUMBER OF TAPS

The District has a total of approximately 4,193 active residential customer accounts and 94 commercial customer accounts.

SIX | MONTHLY WATER BILL

The District's residential customer average monthly water bill is \$67, ranging from \$37 in the winter months to \$97 in the summer months.

SEVEN | EXPECTED PROJECT YIELD

See attached Exhibit 1.

Table 1Denver Southeast Suburban
Water and Sanitation District

Water Rights Summary

Case No.	Description	Decreed Amount (af/yr)
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A. Tributary Water Rights		
W-6268	Harrison & Haley Ditches	1,220
W-6268	Junior Water Rights	variable
Subtotal		1,220

B. Nontributary Water Rights		
W-6265	Wells A, B, and C	243
W-6267	Well J	103
W-7241	Wells F, G, H, I, K, L, and M	1,519
83CW087-090E	Senior Corp East Side	2,261
82CW087W	Senior Corp West Side - Arapahoe	1,823
83CW088-090W	Senior Corp West Side	1,228
84CW208	Gondolier Farms	885
85CW203	DSSWSD Nontributary Determination	2,466
89CW086-089	Reata South	1,571
93CW146 & 2003CW344	Evans Ranch	1,146
85CW139	Wolf/Vistancia/Scott Road	184
Subtotal		13,429

Total Water Sources (ac-ft/yr)		14,649
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EXHIBIT 1

WATER INFRASTRUCTURE AND SUPPLY EFFICIENCY PROJECT

Loan Feasibility Study Supplemental Information

B&V PROJECT NO. 176888

PREPARED FOR

Colorado Water Conservation Board on Behalf
of the WISE Authority

25 FEBRUARY 2014



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Expected Project Yield

The Water Delivery Agreement (WDA) with Denver Water and Aurora Water allows for variable deliveries every year based on hydrology conditions. However, the WDA also guarantees that each participant will receive a minimum amount of water over any 10-year period. This guaranteed delivery amount is listed in Supplement Table 1, along with the corresponding average annual average yield (1/10th of the 10-year guaranteed delivery).

Supplement Table 1. Expected WISE Project Yield

WISE Authority Member	10-Year Guaranteed Delivery (AF)	Average Annual Delivery (AFY)
Castle Rock	10,000	1,000
Centennial	10,000	1,000
Cottonwood	4,000	400
Dominion	13,250	1,325
Inverness	5,000	500
Meridian	3,000	300
Parker	12,000	1,200
Pinery	5,000	500
Rangeview	5,000	500
Stonegate	5,000	500
Total	72,250	7,225

Detailed Project Cost Breakdown by Participant

The estimated amount that each WISE Authority member is required to pay for each project component is shown in Supplement Table 2 and is based on:

- The amount of water each WISE Authority member has committed to taking.
- The amount of local infrastructure that must be constructed to deliver each member's WISE water.

Supplemental Table 2 – WISE Project Capital Cost Opinion by Participant (\$Millions)

Component ID	Castle Rock	Centennial	Cottonwood	Dominion	Inverness	Meridian	Parker	Pinery	Rangeview	Stonegate
E22	0.05	0.05	0.02	0.06	0.02	0.01	0.06	0.02	0.02	0.02
E3	0.32	0.32	0.13	0.43	0.16	0.10	0.39	0.16	0.16	0.16
E5	0.00	0.00	0.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E7	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.00	0.00	0.00
E8	0.00	0.00	0.00	0.00	0.73	0.00	0.00	0.00	0.00	0.00
E9	0.00	0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E13P	1.11	0.00	0.00	1.47	0.00	0.00	0.00	0.55	0.00	0.55
E15	1.77	0.00	0.00	2.35	0.00	0.00	0.00	0.00	0.00	0.00
E16P	8.16	0.00	0.00	2.06	0.00	0.00	0.00	0.00	0.00	0.00
E16, E19, E20	8.56	0.00	0.00	2.16	0.00	0.00	0.00	0.00	0.00	0.00
E12	0.66	0.00	0.00	0.87	0.00	0.00	0.79	0.33	0.00	0.33
E13	1.05	0.00	0.00	1.39	0.00	0.00	1.26	0.52	0.00	0.52
E17	0.55	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E2P	1.04	1.04	0.41	1.37	0.52	0.31	1.24	0.52	0.52	0.52
E2	1.16	1.16	0.46	1.53	0.58	0.35	1.39	0.58	0.58	0.58
E1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.28	0.00
E14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.33	0.00	0.33
E21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.86	0.00	0.00
E11	0.00	0.00	0.00	12.19	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	24.43	24.43	2.83	1.55	25.88	2.01	0.89	5.13	5.87	2.56
Engineering/Design (8%)	1.95	1.95	0.23	0.12	2.07	0.16	0.07	0.41	0.47	0.20
Permitting/Easements (2%)	0.49	0.49	0.06	0.03	0.52	0.04	0.02	0.10	0.12	0.05
Subtotal	26.87	26.87	3.11	1.71	28.47	2.21	0.98	5.64	6.46	2.82
Contingency (30%)	8.06	8.06	0.93	0.51	8.54	0.66	0.29	1.69	1.94	0.84
Total Construction Cost	34.93	34.93	4.05	2.22	37.01	2.87	1.27	7.34	8.39	3.66
ECCV pipeline acquisition (WISE Authority portion)	4.06	4.06	1.62	5.37	2.03	1.22	4.87	2.03	2.03	2.03
DIA Connection Fee	1.00	1.00	0.40	1.33	0.50	0.30	1.21	0.50	0.50	0.50
Total Capital Cost Opinion	40.0	9.1	4.2	43.7	5.4	2.8	13.4	10.9	6.2	6.8

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23 OCTOBER 2013



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1.0 Introduction

1.1 Background

Water providers in the South Metro area rely primarily on bedrock groundwater to supply the area's municipal and industrial water needs. Although there is a substantial amount of groundwater in the bedrock aquifers underlying the Denver area, these supplies do not have a natural source of replenishment and are thus considered to be non-renewable. Groundwater levels and well production data indicate that groundwater levels are declining in many areas as a result of groundwater pumping and South Metro water providers recognize the need to transition to a more renewable water supply portfolio.

In 2004, South Metro water providers formed the regional South Metro Water Supply Authority (SMWSA). SMWSA stemmed from the Douglas County Water Resource Authority (DCWRA), which started in 1992, and the South Metro Water Supply Study Board formed in January 2000. Currently there are fourteen members of SMWSA and those interested in participating in the Water Infrastructure and Supply Efficiency (WISE) partnership (described in Section 1.2) formed the WISE Authority in 2013. Members of the WISE Authority include:

- Town of Castle Rock (Castle Rock)
- Centennial Water and Sanitation District (Centennial)
- Cottonwood Water and Sanitation District (Cottonwood)
- Dominion Water and Sanitation District (Dominion)
- Inverness Water and Sanitation District (Inverness)
- Meridian Metropolitan District (Meridian)
- Parker Water and Sanitation District (Parker)
- Pinery Water and Wastewater District (Pinery)
- Rangeview Metropolitan District (Rangeview)
- Stonegate Village Metropolitan District (Stonegate)

Of the 10 WISE Authority member entities, six have indicated a desire to obtain funding support through the Colorado Water Conservation Board (CWCB) loan program in Fiscal Year 2013-2014. Those entities are: Cottonwood, Inverness, Parker, Pinery, Rangeview, and Stonegate. Detailed information regarding each entity including the year and statute under which the entity was formed, the number of customers/taps served, current water usage, future growth plans, the identification of revenue sources, and a description of existing water supply facilities was provided by each applicant with their loan application.

1.2 Project Overview

Aurora Water and Denver Water import raw water from the Colorado River and Arkansas River basins. This water, along with reusable South Platte supplies, is stored, treated, and delivered to customers in South Platte River basin as potable water. Under Colorado water law, water users have the right to reuse water originating from a non-tributary supply source, as well as in-basin water rights that are decreed for reuse. Aurora Water's and Denver Water's municipal return flows

ultimately end up in the Middle South Platte River. These reusable return flows can be used to provide additional water to the south Denver metropolitan region.

The Aurora Water Prairie Waters Project (PWP) provides a drought-resistant water supply and involves:

- Diversion of water from the Middle South Platte River via alluvial wells and river bank filtration.
- Aquifer recharge and recovery (ARR).
- Conveyance of pre-treated water through pumping facilities and pipelines.
- Advanced water treatment at the Binney Water Purification Facility (Binney WPF).

After treatment, this water is blended with treated mountain water to produce potable water with a total dissolved solids (TDS) concentration of between 300 and 500 milligrams per liter (mg/L). PWP was designed to meet the current and future drinking water demands of Aurora during drought years. However, during off-peak or non-drought periods when Aurora is not utilizing the full PWP capacity, these facilities can be utilized by WISE Authority members through the WISE partnership. This partnership involves three entities: Aurora Water, Denver Water and the WISE Authority.

In drought years, Denver Water can benefit from having access to its unused reusable return flows or other potentially available water in the Middle South Platte River through the use of the PWP system. Under this scenario, raw mountain water will be conveyed through the Rampart system to the Binney WPF for treatment and blending. In non-drought years, Denver Water can make its available reusable return flows accessible to WISE Authority members. During wet years, Aurora Water and/or Denver Water may have available mountain water that could be made be available to WISE Authority members in addition to unused reusable return flows. Primary benefits of mountain water are that it can be delivered by gravity (instead of pumping), it is relatively cost-effective to treat due to its high quality, and it can be used to blend with other higher TDS water sources.

Water deliveries from the WISE partnership will be variable and at times intermittent. The potable water can be directly used in participants' distribution systems when demands for the water coincide with the availability of supplies. To the degree that deliveries exceed demand for the water (in any given month or day), that excess water can be put into storage for later withdrawal. Storage sites that may be utilized include Rueter-Hess Reservoir (RHR) and aquifer storage and recovery (ASR).

The WISE project involves four major infrastructure components in addition to Aurora Water's existing PWP system:

- A connection from Denver Water's distribution system near Denver International Airport to Aurora's PWP.
- A pump station and pipeline from the Binney WPF to connect to the existing ECCV pipeline.
- Acquisition of the existing ECCV pipeline.

- Local infrastructure to deliver WISE water from the ECCV pipeline turnout to each WISE Authority member.

The estimated total project cost is \$142.5M. The amount that each WISE Authority member is required to pay depends on:

- The amount of water each WISE Authority member has committed to taking.
- The amount of local infrastructure that must be constructed to deliver each member's WISE water.

As a result, the amount of loan funding being requested by each applicant varies as shown in Table 1 below.

Table 1. CWCB Loan Request Amounts

WISE Authority Member	WISE Project Cost Share (\$M)	CWCB Loan Request (\$M)
Cottonwood	\$4.2	\$4.0
Inverness	\$5.4	\$5.0
Parker	\$13.4	\$12.0
Pinery	\$10.9	\$10.0
Rangeview	\$6.2	\$6.0
Stonegate	\$6.8	\$6.0
Total*	\$90.6	\$44.0
*This total does not include costs for participants not seeking a loan from the Colorado Water Conservation Board (CWCB). The total capital project cost is estimated to be \$142.5M.		

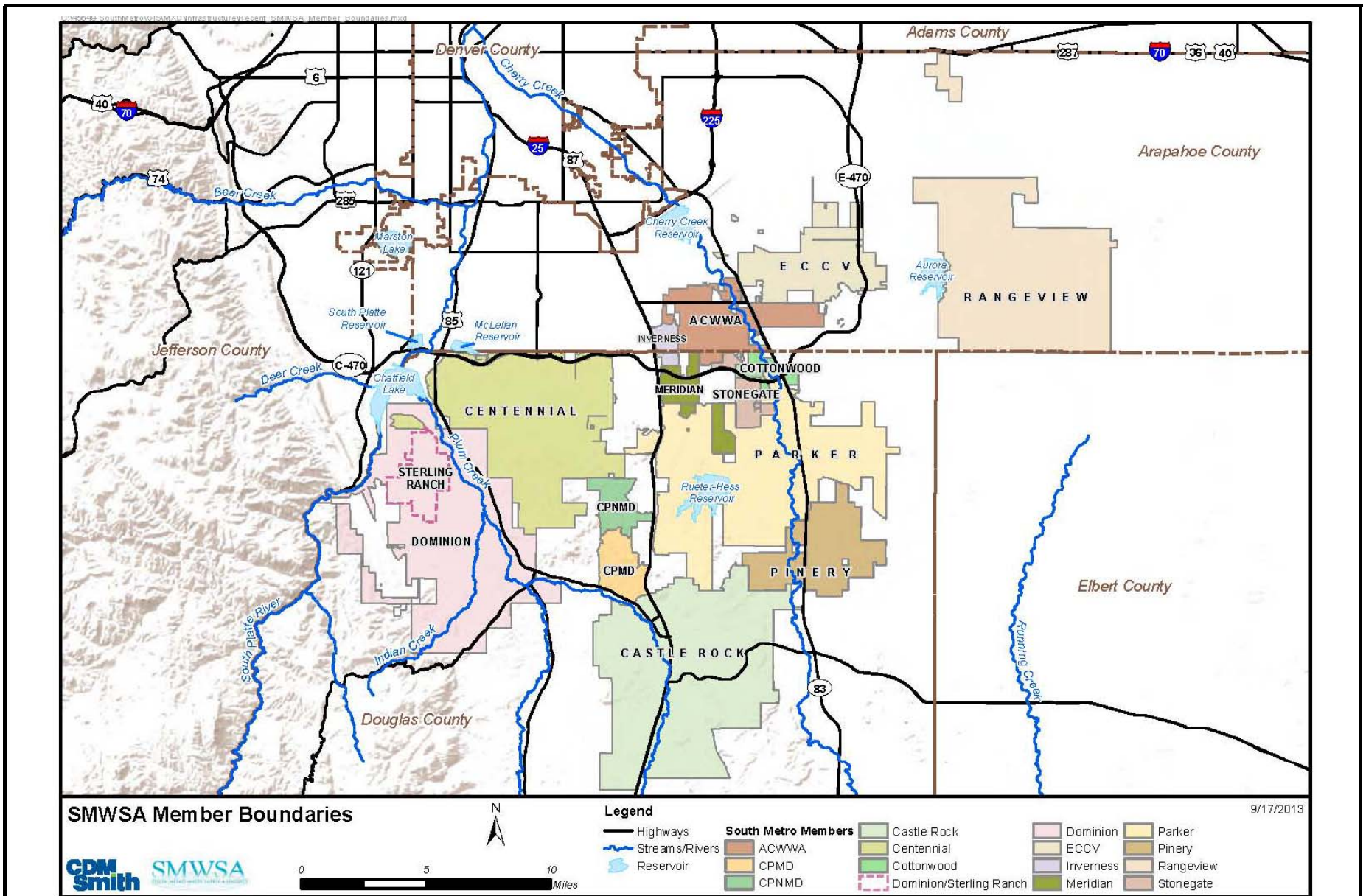
1.3 Study Area Description

SMWSA's members include 14 water providers that work together to plan, source and develop water for Douglas and Arapahoe Counties. Collectively the members serve about 80 percent of Douglas County and 10 percent of Arapahoe County. Figure 1 shows the location and relative size of the SMWSA members' existing service areas. The future service areas are anticipated to cover over 200 square miles at buildout, primarily within Douglas County.

Douglas County

Douglas County, Colorado lies close to the center of the state along the I-25 Corridor between the major urban activity centers of Denver and Colorado Springs. It encompasses over 540,000 acres and elevations range from roughly 5,400 to 9,800 feet.

Douglas County is one of the fastest growing counties in Colorado. By the year 2030, the population is expected to surpass 444,000 people, as shown on Figure 2 from the Douglas County 2030 Comprehensive Master Plan, 2008.



Source: South Metro Water Supply Authority

WISE Authority

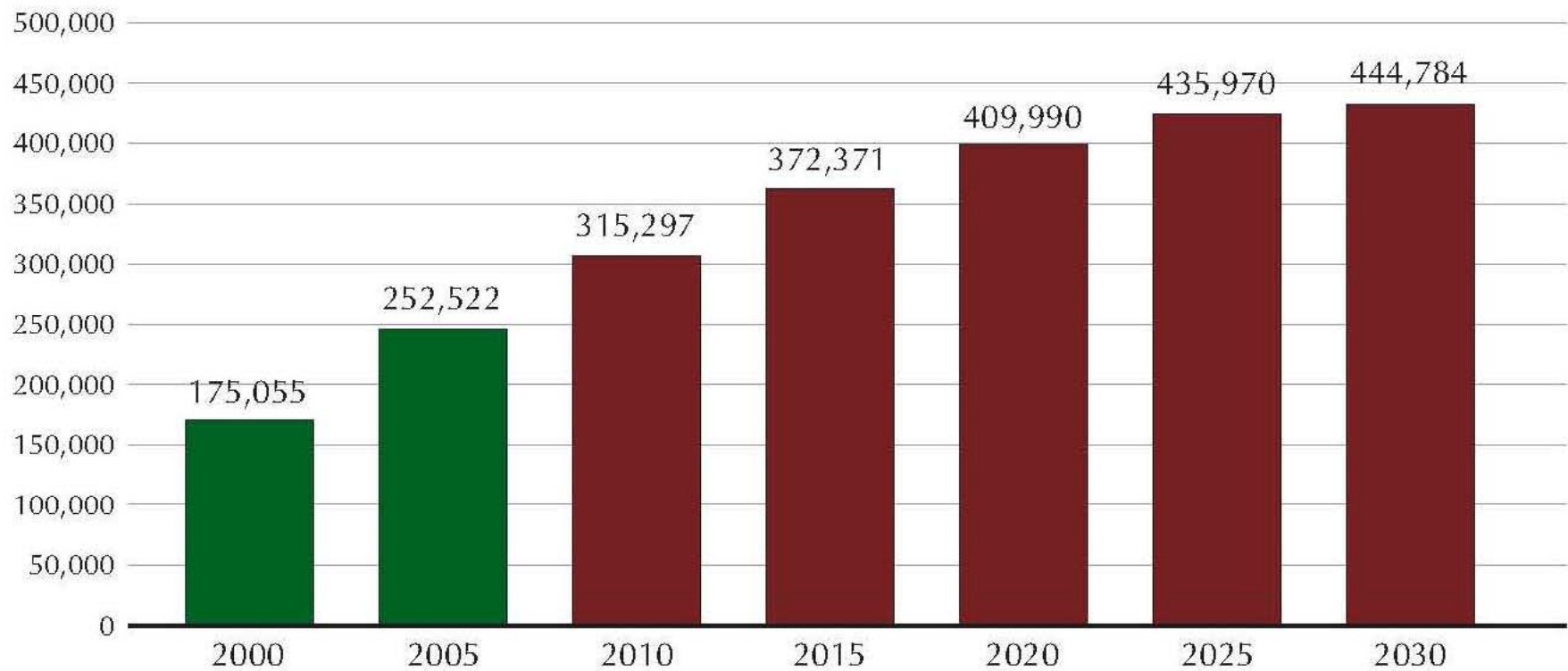
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SMWSA Service Area

Figure

1



Source: Douglas County 2030 Comprehensive Master Plan, 2008

WISE Authority



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Douglas County Population Projections (2000 – 2030)

**Figure
2**

Douglas County has experienced significant job growth since the year 2000. From 2000 to 2006, the labor force grew by 30,700, averaging nearly 6,140 new jobs per year. While jobs in the County are still mostly in the service industry; professional, technical, and health care employment opportunities are growing rapidly. By 2030 total County employment could reach almost 262,000 jobs, as shown on Figure 3 from the Douglas County 2030 Comprehensive Master Plan, 2008.

Land use in Douglas County includes both urban and rural communities, as well as significant amounts of forest land and open space, as shown on the attached Map 1.1 of the Douglas County 2030 Comprehensive Master Plan.

Arapahoe County

Arapahoe County, Colorado is also located close to the center of the state, primarily east of I-25. It encompasses over 515,000 acres at an average elevation of 5,400 feet.

According to the 2001 Arapahoe County Comprehensive Master Plan, agriculture is the predominant land use in the County, mostly in the eastern two-thirds of the County. Institutional uses, including schools, public facilities and churches, account for roughly 6 percent of the land use in the County. Non-residential uses, including retail, commercial, industrial and utilities, account for roughly 2 percent of the County's land area, residential land uses account for over 8 percent, and vacant land accounts for the remaining 2 percent.

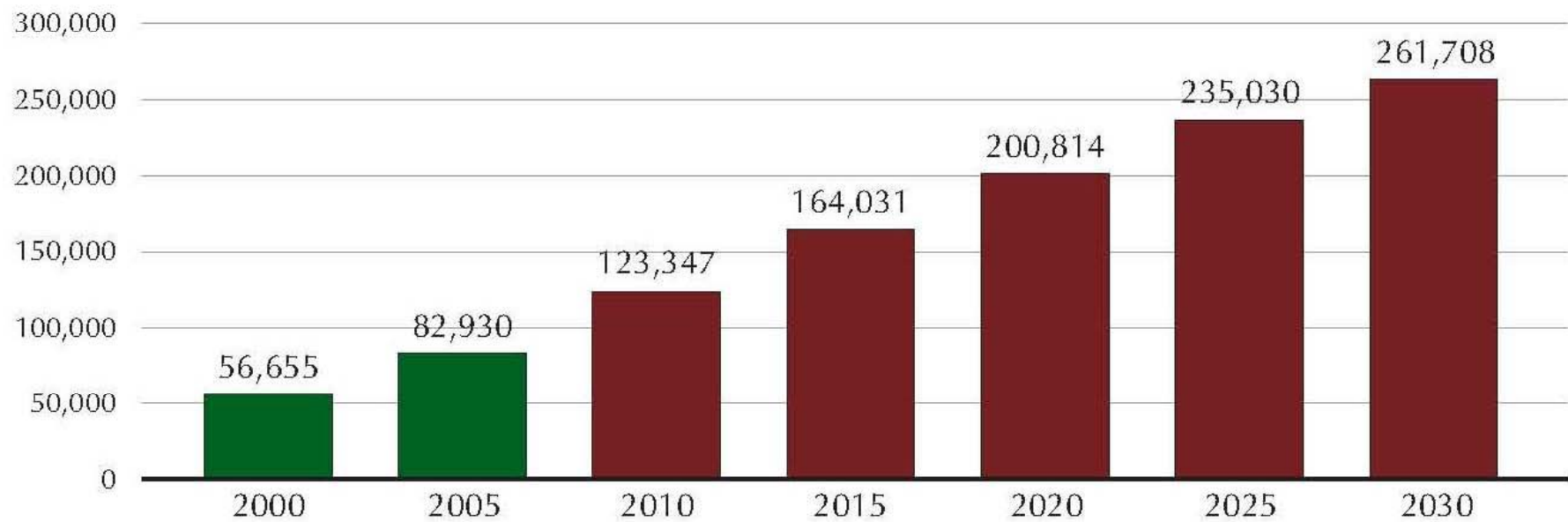
Arapahoe County, like the rest of Colorado, saw a tremendous amount of population growth and new development during the 1990s. In 1990, the population of Arapahoe County was 391,511. The Colorado State Demography Office estimated the population of Arapahoe County to be roughly 575,000 in 2010 and projects the County's population to increase to roughly 762,000 by 2030.

The areas of most plant and animal species significance include the prairie grasslands, which make up a significant portion of eastern Arapahoe County, and the forest dominated riparian areas, which are located along several of the major drainageways.

1.4 Previous Studies

SMWSA initiated its renewable supply planning in the early 2000s. Since that time, planning efforts have helped define near- and long-term renewable supply sources and infrastructure as summarized below.

- 2004 South Metro Water Supply Study.** This study was a joint effort between SMWSA, Denver Water, and the Colorado River Water Conservation District to investigate alternatives for meeting the water supply needs of the South Denver metropolitan area through the year 2050. Alternatives included the continued use of Denver Basin groundwater, better management of existing resources, and importation of additional renewable water supplies through the "conjunctive use" of surface water and ground water supplies.



Source: Douglas County 2030 Comprehensive Master Plan, 2008

WISE Authority



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Douglas County Employment Projections (2000 – 2030)

**Figure
3**

- **2007 Regional Water Master Plan.** The 2007 Regional Water Master Plan identified a phased approach to implementing renewable water supplies and related infrastructure that included:
 - **Near-Term.** Introduction of new surface water through interconnections between water providers and employing others' unused renewable supplies on a temporary basis, without major new infrastructure.
 - **Mid-Term (2025).** Additional renewable water through the acquisition of new supplies, while reducing the need for major new transmission pipelines.
 - **Long-Term.** Acquisition of additional water rights to meet the remaining renewable goals for buildout conditions, possibly through partnering with others on a major transmission pipeline investment.
- **2008 Mid-Term Water Delivery Project Plan.** In 2008, SMWSA developed a draft Mid-Term Water Delivery Project Plan that focused on the infrastructure and actions needed to bring mid-term renewable water supplies to SMWSA project participants through the East Cherry Creek Valley (ECCV) Northern Transmission System.
- **Draft 2010 Regional Water Supply Master Plan Update.** This report built upon SMWSA's previous master planning efforts and focused on near- and mid-term efforts to implement renewable supplies through regional partnerships, specifically the WISE partnership.
- **2013 Douglas County Rural Water Supply System Feasibility Study.** This study reviewed recent Denver Basin groundwater studies and water level data to assess the sustainability of current and future use of Denver Basin groundwater by rural residents and water districts. The study also evaluated the potential opportunity to convey renewable water from Aurora Water's PWP system through WISE Authority member infrastructure to the northwest and northeast areas of Douglas County, which could potentially serve over 5,000 rural homes currently using individual wells.

2.0 Water Supply and Demand

2.1 Existing Water Supply Sources

WISE Authority members currently use a combination of non-tributary groundwater, alluvial wells, surface water, and return flows to meet water demands.

Colorado water law for non-tributary ground water ties water ownership to the ownership of the land below which the aquifer lies. Water providers acquire non-tributary groundwater rights by requiring dedication of such rights to the water provider for service. Therefore, the non-tributary water rights available to each water provider are generally those water rights associated with the property within their service area boundaries. The non-tributary groundwater available to the water providers in the South Metro area is from the Denver Basin. The Denver Basin is comprised of the Dawson, Denver, Arapahoe, and Laramie-Fox Hills aquifers. These aquifers are deep sedimentary rock formations that are characterized by very low recharge rates and are considered to be a non-renewable water resource.

In Douglas County, the USGS estimates that 49 million acre-feet of water are theoretically recoverable although practical development levels have not been established. The actual availability of groundwater for municipal purposes is restrained by legal and physical factors. In general, these aquifers consist of very dense sandstones, which are relatively slow draining, and the production levels in gallons per minute are somewhat limited. The best producing aquifer is the Arapahoe aquifer, where wells generally produce 300 up to 1,500 gallons per minute. The production rates of wells in the Dawson and Denver Formations generally range from between 50 and 200 gallons per minute and between 100 and 300 gallons per minute for the Laramie-Fox Hills Formation. However, low water quality plus high costs for development limit the current use of the Laramie-Fox Hills Aquifer.

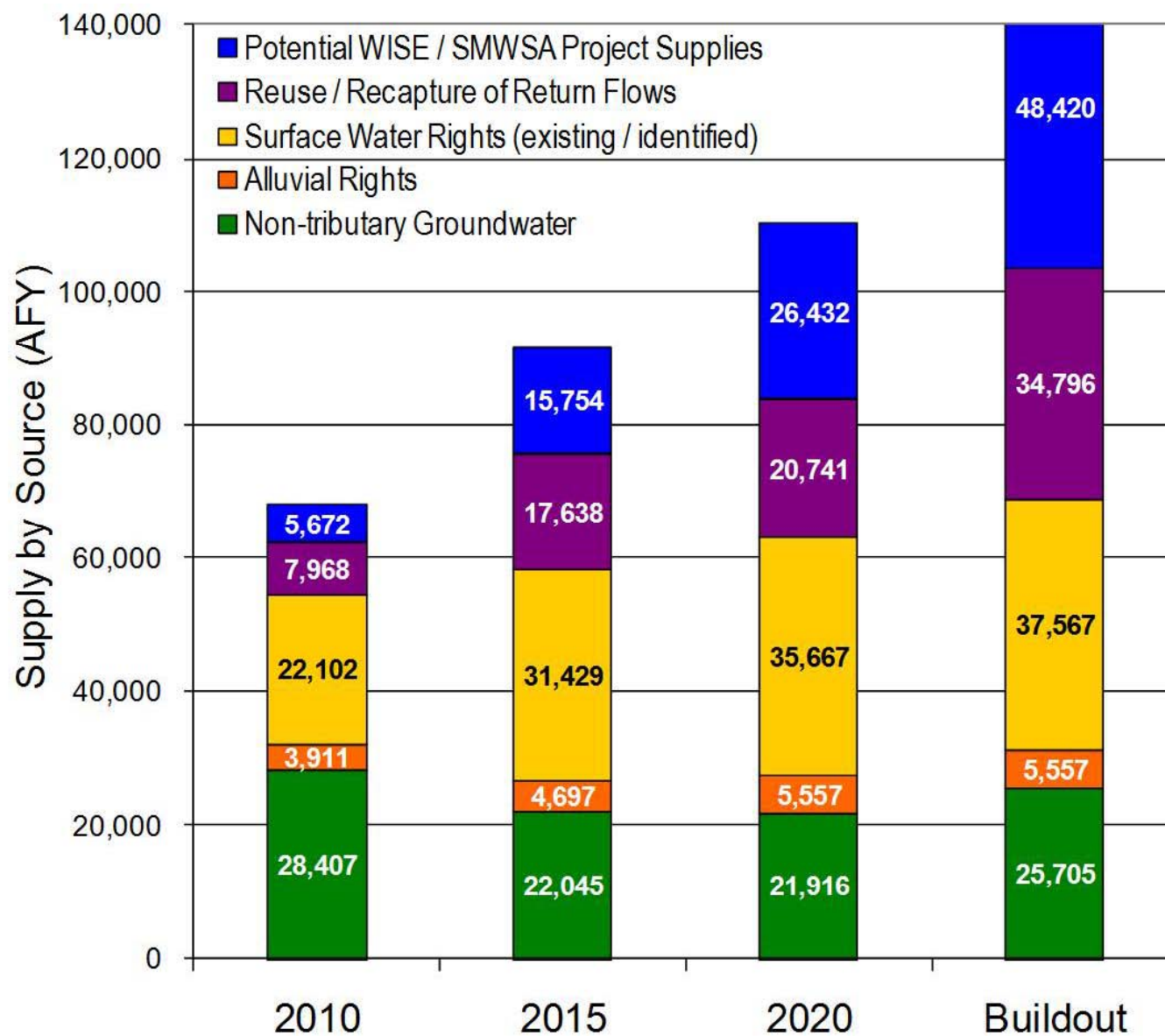
The majority of the South Metro municipal water delivery systems are designed for a maximum day demand, with peak hour demands met through storage. While SMWSA members' aggregate non-tributary groundwater rights of about 111,000 acre-feet per year (AFY) could nearly meet the projected buildout demands of 122,000 AFY, the members intend to substantially transition away from groundwater, using less than 20,000 AFY of non-tributary groundwater at buildout. Figure 4 from the draft 2010 Regional Water Supply Master Plan Update shows the SMWSA members' aggregated supplies by source category for each planning phase.

2.2 Existing and Future Water Demands

Figure 5 from the draft 2010 Regional Water Supply Master Plan Update shows the SMWSA members' projected total water demands (potable and non-potable), after conservation savings.

2.3 Adequacy of Water Rights/Existing Yields

As discussed previously, SMWSA members intend to substantially transition away from groundwater. In order to meet projected water demands, alternative renewable water supplies are needed.



Source: Draft 2010 Regional Water Supply Master Plan Update

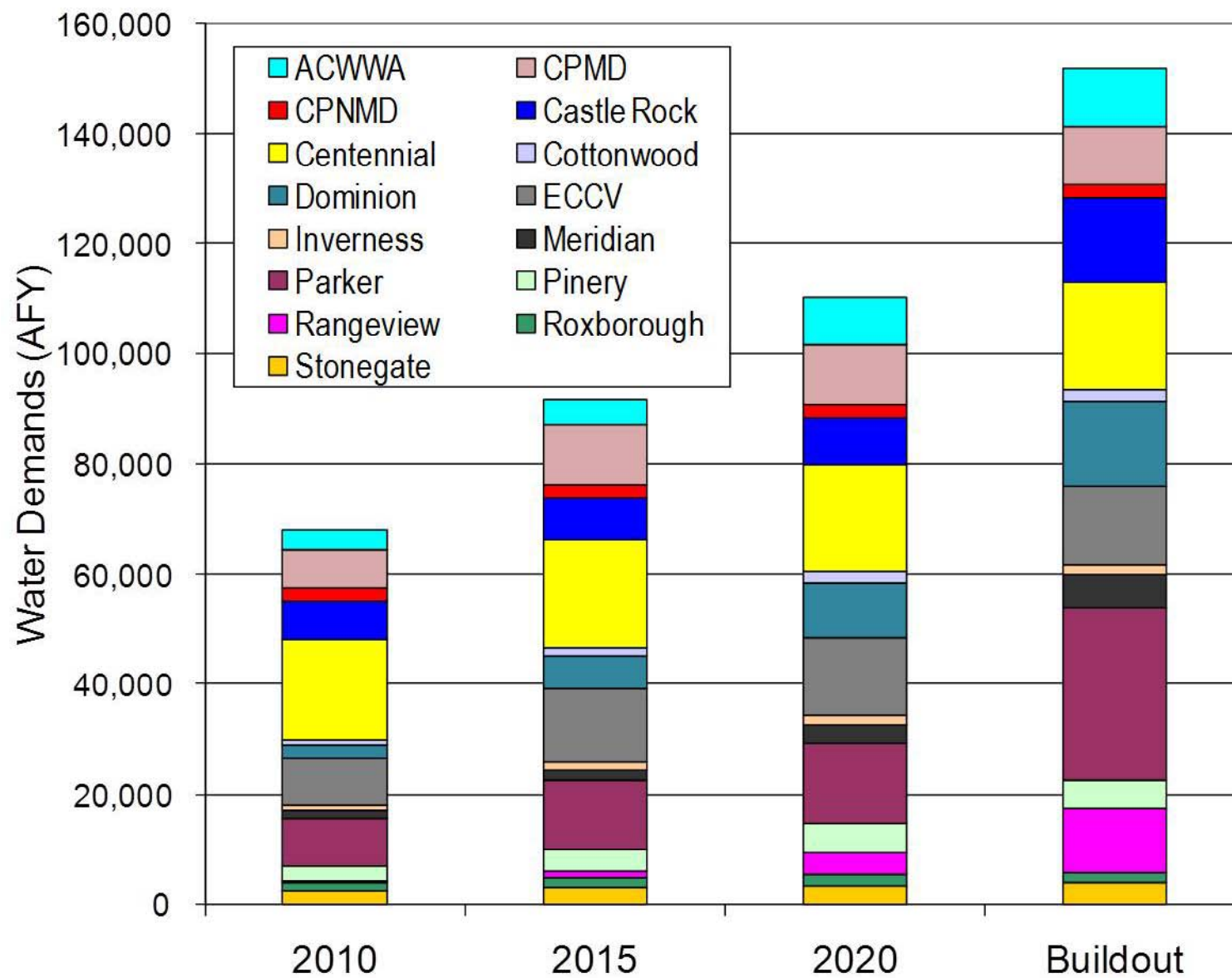
WISE Authority



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SMWSA Members' Projected Aggregated Supplies by Source

**Figure
4**



Source: Draft 2010 Regional Water Supply Master Plan Update

WISE Authority



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SMWSA Members' Projected Aggregated Demands

**Figure
5**

3.0 Alternatives Development and Analysis

The following section describes three alternatives that were considered in the development of this study.

3.1 Alternative 1 – No Action

Under this alternative, South Metro water providers would continue to primarily use groundwater to serve their customers. As discussed previously, these supplies do not have a natural source of replenishment and are considered non-renewable. Data indicate that groundwater levels are declining in many areas as a result of groundwater pumping. Therefore, the amount of energy required to extract the groundwater is higher, increasing the costs to deliver this supply. Based on these reasons, this alternative is considered irresponsible and was not evaluated further.

3.2 Alternative 2 – East Cherry Creek Valley Water and Sanitation District Northern Transmission System

The East Cherry Creek Valley (ECCV) Northern Transmission System consists of approximately 32 miles of 48-inch diameter steel pipeline capable of conveying 47 million gallons per day (mgd) of water from the Barr Lake area to the ECCV storage tanks at Smoky Hill Road and Highway E-470. The ECCV Northern Water Treatment Plant (WTP) is located at the northern end of the transmission system and will be ultimately be capable of treating 47 mgd at buildout.

ECCV indicated that approximately 8.0 mgd of firm capacity (available year round) could potentially be available to SMWSA members. ECCV also indicated that up to 29.0 mgd of variable capacity (not available year round) could potentially be available to SMWSA members.

Under this alternative, water from the Middle South Platte River, primarily consisting of transferred agricultural water, would be treated for SMWSA members at the ECCV Northern WTP. Treated water would then be conveyed to the ECCV storage tanks at Smoky Hill, and subsequently conveyed to SMWSA delivery locations through local infrastructure. Three local delivery infrastructure scenarios were developed for this alternative (Scenarios A, B, and C).

Table 2 shows the estimated capital and operation and maintenance (O&M) costs associated with this alternative (in 2008 dollars). The cost opinions that were developed did not include the following items: water rights, pipeline from water source to ECCV Northern WTP, local storage (if necessary), local retreatment (treating stored water for peak demands), or local distribution costs beyond the indicated storage/delivery points. These costs either carry significant uncertainties or are based on provider specific systems and decisions.

Table 2. Capital and O&M Cost Opinions for the ECCV Northern Transmission System Alternative

Scenario	Capital Cost Opinion (\$M)	Annual O&M Cost Opinion (\$M/year)
Scenario A	\$479	\$13.8
Scenario B	\$472	\$13.8
Scenario C	\$460	\$13.7

Since the ECCV northern pipeline is already in place, there will not be additional impacts to the man-made and natural environment. Furthermore, purchasing existing capacity will not require the myriad of permits needed for construction of a new pipeline, with the exception of the local delivery infrastructure. However, this alternative would require several water rights change cases for the transfer South Platte River agricultural supplies, which could take several years and may or may not be successful.

3.3 Alternative 3 – WISE Project

Under this alternative, Aurora Water would provide treated water to WISE participants during off-peak or non-drought periods when Aurora is not utilizing the full PWP capacity. In drought years, Denver Water will utilize the PWP system to access reusable return flows or other potentially available water in the Middle South Platte River. Water deliveries from the WISE partnership will be variable and at times intermittent. The potable water can be directly used in participants' distribution systems when demands for the water coincide with the availability of supplies. To the degree that deliveries exceed demand for the water (in any given month or day), that excess water can be put into storage for later withdrawal. Storage sites that may be utilized include RHR and ASR.

Water deliveries will be made to participants based on the amount defined in the Water Delivery Agreement. This defined volume is referred to as the subscription level, and is based on average annual water deliveries over a 10-year block of time in acre-feet per year. Table 3 lists the amount of water each WISE Authority member has committed to as part of the Water Delivery Agreement between Aurora Water, Denver Water and the WISE Authority.

The amount of renewable water each WISE Authority member seeks to obtain through the WISE project is a function of the member's own individual water supply planning, incorporating a broad set of influencing factors such as overall renewable supply goals, current or anticipated availability of other supply sources, anticipated growth in demand, and economic drivers.

Table 3. WISE Subscription Levels

WISE Authority Member	WISE Subscription Level (AFY)
Castle Rock	1,000
Centennial	1,000
Cottonwood	400
Dominion	1,325
Inverness	500
Meridian	300
Parker	1,200
Pinery	500
Rangeview	500
Stonegate	500
Total	7,225

Facilities associated with this alternative include a new pump station located at the BWPF. Water would be pumped generally west to a high point located near the intersection of Smoky Hill Road and Highway E-470. From this location, water would flow by gravity south and then west along the Highway E-470/C-470 corridor through an existing pipeline currently owned and operated by ECCV known as the ECCV Western Pipeline. Several turnouts would be constructed to deliver water directly to WISE participants with systems adjacent to this pipeline. A turnout and pump station would also be constructed near the intersection of Chambers Road and E-470 to deliver water to participants located south of the ECCV western pipeline. A pipeline would be constructed from the pump station south along the eastern side of Rueter-Hess Reservoir. A third booster pump station would be constructed to convey water to Participants and Partners located south of Rueter-Hess Reservoir. In total, this option includes three new pump stations, 45 miles of new pipelines varying between 8- and 42- inches in diameter, and 15 miles of existing pipe to be acquired from ECCV.

The pump station and pipeline from the Binney WPF to connect to the existing ECCV pipeline, as well as the existing ECCV Western Pipeline are considered core facilities. Core facilities are those downstream of the Binney WPF clearwell that are necessary for service to all or most of the participants. Core infrastructure costs are shared by all participants based on the participant's subscription level. Local facilities are those that are necessary for one or more participants to receive water from the ECCV pipeline turnout to each WISE Authority member. Local infrastructure costs are shared only by the participants that utilize the infrastructure, based on the participant's percent of the design flow used to size the infrastructure.

The estimated amount that each WISE Authority member is required to pay is shown in Table 4 and is based on:

- The amount of water each WISE Authority member has committed to taking.
- The amount of local infrastructure that must be constructed to deliver each member's WISE water.
- O&M costs include both fixed and variable (electricity) costs, as well a water rate charge of \$5.50 per 1,000 gallons.

Table 4. WISE Authority Participant Project Cost Share

WISE Authority Member	Capital Cost Share (\$M)	O&M Cost Share (\$/year)
Castle Rock	\$40.0	\$2,310,000
Centennial	\$9.1	\$1,872,000
Cottonwood	\$4.2	\$750,000
Dominion	\$43.7	\$2,755,000
Inverness	\$5.4	\$938,000
Meridian	\$2.8	\$562,000
Parker	\$13.4	\$2,252,000
Pinery	\$10.9	\$977,000
Rangeview	\$6.2	\$939,000
Stonegate	\$6.8	\$969,000
Total	\$142.5	\$14,324,000

Since the ECCV Western Pipeline is already in place there will not be additional impacts to the man-made and natural environment. Furthermore, purchasing existing capacity will not require the myriad of permits needed for construction of a new pipeline, with the exception of the local delivery infrastructure. Additionally, this alternative utilizes existing water rights and no court actions are required to allow the water to be used by the WISE Authority participants.

4.0 Selected Alternative

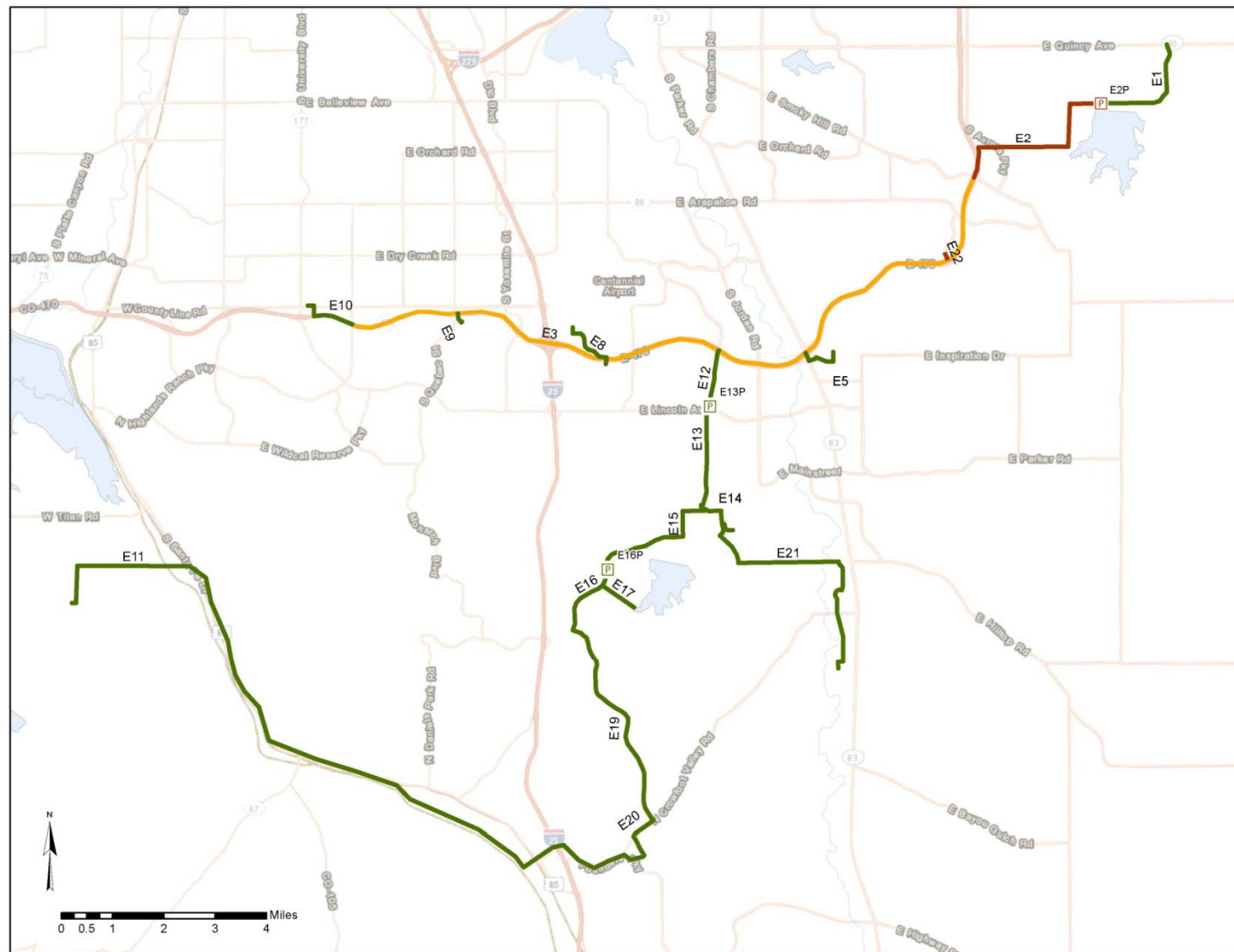
4.1 Detailed Project Description

The WISE project was selected as the preferred alternative. A map showing the proposed pipeline alignment and the delineation of core versus local infrastructure is shown on Figure 6. A description of each component is provided in Table 5.

Table 5. WISE Project Components

Component ID	Type	Description
E22	Core	Temporary connection to Aurora Water
E3	Core	ECCV pipeline, pump station modifications, groundwater treatment plant, and storage tank (WISE Authority portion)
E5	Local	ECCV to Cottonwood
E7	Local	ECCV to Meridian pipeline
E8	Local	ECCV to Inverness pipeline
E9	Local	ECCV to Centennial
E13P	Local	Pump station at Parker Water Treatment Plant (WTP)
E15	Local	Pipeline from Parker WTP pump station to Newlin Gulch pump station
E16P	Local	Newlin Gulch pump station
E16, E19, E20	Local	Pipeline from Newlin Gulch to Castle Rock
E12	Local	ECCV to Lincoln pipeline
E13	Local	Pipeline from Lincoln to Parker WTP pump station
E17	Local	Pipeline from Newlin Gulch to RHR
E2P	Core	Pump station at Binney WPF
E2	Core	Pipeline from Binney WPF to Smoky Hill pump station
E1	Local	Pipeline from Binney WPF to Rangeview
E14	Local	Pipeline from Parker WTP to Stonegate
E21	Local	Pipeline from Stonegate to Pinery
E11	Local	Pipeline to Dominion from ECCV or Crowfoot Valley
	Core	DIA Connection

All pipelines for this project have been sized to not exceed a velocity of five feet per second during the maximum flow condition. All pump stations have been sized to produce a minimum pressure of at least 10 pounds per square inch (psi) at the highest point downstream of the pump station. Pipelines, pump stations and connection facilities are predominately located within multi-use public rights-of-way. Detailed design of the facilities has not yet been completed, but typical pipeline trench cross sections are anticipated for the pipeline and standard horizontal or vertical centrifugal pumps are anticipated for the pump station.



WISE PROJECT
INFRASTRUCTURE

Legend

Proposed Pump Stations

 Core

 Local

Proposed Pipe Cost Category

- Core
- ECCV (Core)
- Local

Source: Black & Veatch

4.2 Detailed Cost Estimate

Table 6 details the capital cost opinion for each component of the WISE project for the WISE Authority.

Table 6. WISE Project Capital Cost Opinion

ID	Component	Cost Opinion
E22	Temporary connection to Aurora Water	\$0.4
E3	ECCV pump station modifications, groundwater treatment plant, and storage tank (WISE Authority portion)	\$2.3
E5	ECCV to Cottonwood	\$0.6
E7	ECCV to Meridian pipeline	\$0.1
E8	ECCV to Inverness pipeline	\$0.7
E9	ECCV to Centennial	\$0.3
E13P	Pump station at Parker Water Treatment Plant (WTP)	\$3.7
E15	Pipeline from Parker WTP pump station to Newlin Gulch pump station	\$4.1
E16P	Newlin Gulch pump station	\$10.2
E16, E19, E20	Pipeline from Newlin Gulch to Castle Rock	\$10.7
E12	ECCV to Lincoln pipeline	\$2.9
E13	Pipeline from Lincoln to Parker WTP pump station	\$4.8
E17	Pipeline from Newlin Gulch to RHR	\$0.6
E2P	Pump station at Binney WPF	\$7.5
E2	Pipeline from Binney WPF to Smoky Hill pump station	\$8.3
E1	Pipeline from Binney WPF to Rangeview	\$1.3
E14	Pipeline from Parker WTP to Stonegate	\$0.6
E21	Pipeline from Stonegate to Pinery	\$2.9
E11	Pipeline to Dominion from ECCV or Crowfoot Valley	\$12.2
Subtotal		\$74.1
Engineering/Design (8%)		\$5.9
Permitting/Easements (2%)		\$1.5
Subtotal		\$81.5
Contingency (30%)		\$24.4
Total Construction Cost Opinion		\$105.9
ECCV pipeline acquisition (WISE Authority portion)		\$29.3
DIA Connection Fee		\$7.3
Total Capital Cost Opinion		\$142.5

4.3 Implementation Schedule

Figure 7 shows the anticipated implementation schedule. All facilities are scheduled to be constructed by mid-2020. Major milestones to note include:

- All agreements will be finalized by the end of 2013.
- Design of the infrastructure required to make initial connections to all of the WISE Authority participants will begin in 2014. Construction of these components will begin in 2015 and will be completed mid-2016.
- Design of the Chambers reach infrastructure will begin in 2016. These components will be constructed in 2017.
- Design of the permanent infrastructure to bypass Aurora Water's distribution system as well as the long-term connections will begin in 2018. Construction of these components will begin in 2019 and will be completed mid-2020.

4.4 Institutional Considerations

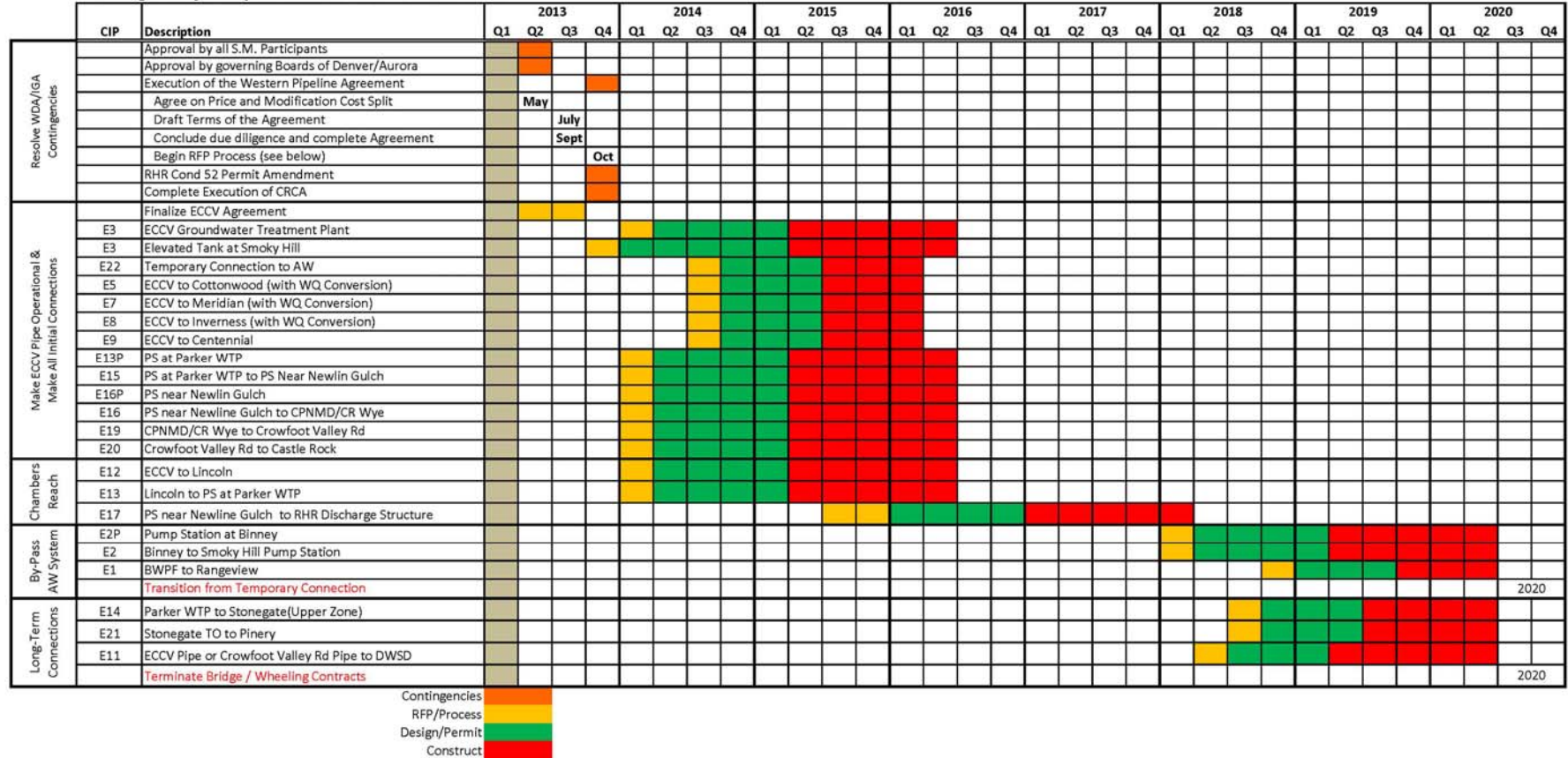
There are four agreements that play an important role in enabling the WISE partnership, as described below:

- **Aurora Water – Denver Water Operational Agreement.** This agreement outlines the terms under which Aurora Water and Denver Water will cooperate in delivering water to the WISE Authority and the terms under which Denver Water can take deliveries.
- **WISE Water Delivery Agreement (WDA).** This is the overarching agreement that defines the terms under which deliveries of potable water to WISE Authority members are made by Aurora Water and Denver Water using available capacity in Aurora Water's PWP system. The signatories to this agreement are Aurora Water, Denver Water, and the WISE Authority.
- **WISE Authority Intergovernmental Agreement (IGA).** Individual entities of the WISE Authority are not signatories to the WISE Water Delivery Agreement. Therefore, the WISE Authority IGA binds them to the terms of the WDA, creates the WISE Authority, and defines each participant's responsibilities to the WISE Authority and other participants.
- **Colorado River Cooperative Agreement (CRCA).** The CRCA is the product of years of negotiations that involved parties stretching from Grand Junction to the Denver metro area. The agreement outlines a path of cooperation and collaboration in managing the state's water resources and became effective on September 26, 2013.

4.5 Impact Mitigation

The following is a description of potential environmental impacts that have been considered during the development of the WISE project. These impacts are negligible and therefore, no mitigation is proposed.

Phasing of Projects by Critical Path Items: Version 8-1-13



Source: Black & Veatch

WISE Authority



CWCB Loan Feasibility Study

WISE Project Implementation Schedule

**Figure
7**

- **Water quality.** WISE water will first be treated by Aurora Water’s Binney WPF and will not degrade the water quality in existing storage reservoirs or ASR facilities.
- **South Platte River stream flows.** The reusable water supplies that Aurora Water and Denver Water will provide to WISE are either foreign to the South Platte River basin (imported from another basin) or can be fully consumed (i.e. non-tributary groundwater and the fully consumable component of transferred agricultural water rights). These supplies will continue to increase as the Denver metropolitan area population grows. Therefore, the changes in flows in the reach of interest for the South Platte River associated with WISE water are estimated to have no effect to temporary minor effects on the aquatic environment.
- **Waters of the U.S.** The primary concern is conveyance infrastructure that will need to be constructed from Aurora Water’s Binney WPF system each of the participant’s systems. Pipeline crossings of waters of the U.S. and wetlands subject to the Corps’ jurisdiction will be identified during design, and the discharge of dredge and fill material into jurisdictional waters and wetlands will be avoided by rerouting pipelines, boring, or tunneling under the jurisdictional drainage or wetland.
- **Endangered species.** The proposed conveyance for WISE would cross drainages in Douglas County that have been mapped by Douglas County, with concurrence from the U.S. Fish and Wildlife Service, as habitat for the federally-threatened Preble’s meadow jumping mouse (Preble’s). Some of this habitat has also been designated by the Service as critical habitat. The WISE participants will avoid adverse impacts to Preble’s habitat by tunneling or boring under all mapped Preble’s habitat. Tunneling under drainages, wetlands and Preble’s habitat will also avoid adversely affecting two federally-threatened plant species that may occur in Douglas County, the Colorado butterfly plant and Ute ladies’-tresses orchid.

The WISE participants are currently coordinating with the U.S. Army Corps of Engineers (Corps) and the Service on Endangered Species Act (ESA) compliance for WISE water that will be stored in RHR. The Corps is consulting with the Service on depletions to the Platte River and associated effects on federally-listed species and their designated critical habitat in Nebraska. The Corps will conduct a biological assessment and the Service will issue a biological opinion.

4.6 Financial Plan

A financial plan for each entity is provided as an attachment and includes the following information:

- Funding sources
- Financial impacts
- Revenue and expenditure projections
- TABOR issues
- Collateral
- Sponsor creditworthiness

Land Use

Map 1.1

Comprehensive Master Plan 2030

May 12th, 2008

COMPREHENSIVE MASTER PLAN AREAS

- CHATFIELD URBAN AREA
- PRIMARY URBAN AREA (PUA)
- RURAL COMMUNITIES
- SEPARATED URBAN AREA (SUA)
- NON-DOUGLAS COUNTY BASED MUNICIPALITIES
- NON-URBAN AREA

MUNICIPAL PLANNING AREAS

- MUNICIPAL PLANNING AREA (INCORPORATED)
- MUNICIPAL PLANNING AREA (UNINCORPORATED)
- CASTLE ROCK IGA BOUNDARY & BUFFER AREA
- PARKER IGA BOUNDARY & BUFFER AREA
- MUNICIPAL PLANNING AREA INCLUSIVE OF COUNTY PUA

SIGNIFICANT OPEN SPACE & PARKS

- OPEN SPACE
- COUNTY OPEN SPACE WITHIN INCORPORATED AREAS
- PIKE NATIONAL FOREST
- PARKS

- Townships
- Sections
- County Boundary
- Lakes
- Streams
- Interstate
- US Highways
- State Highways
- Major Roads

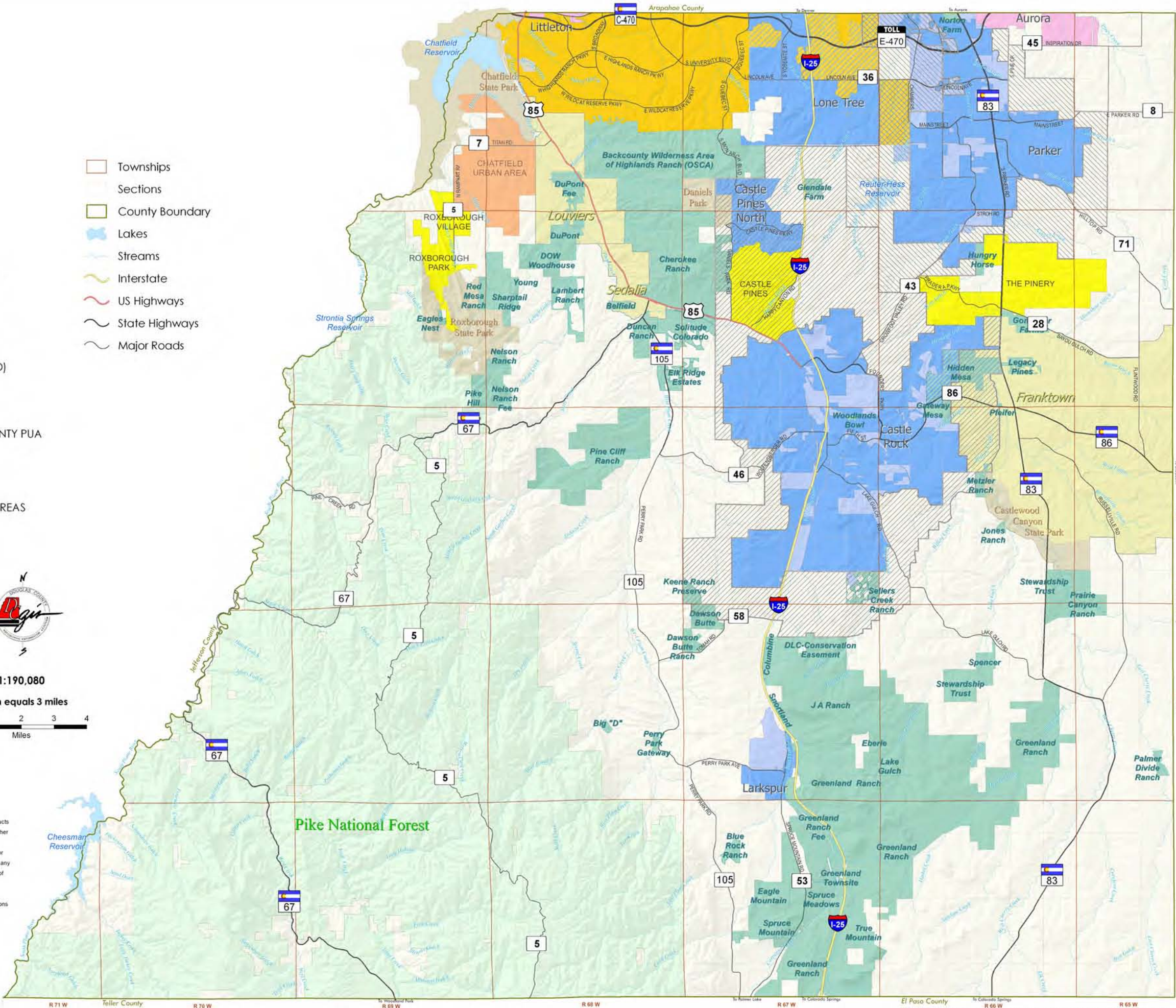


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Douglas County GIS Division
Philip S. Miller Bldg., 100 Third St.
Castle Rock, Colorado 80104



Financial Plan for Denver Southeast Suburban Water & Sanitation District

Funding Sources

Total project costs for the District's subscription of 500 acre feet (AF) of renewable water from the Water Infrastructure and Supply Efficiency (WISE) Project is \$10,900,000. Sources of funds for the project include \$10,000,000 in loan proceeds and \$900,000 of existing District funds. Estimated debt payments are calculated at \$577,878 per year based on a 30-year, 3.00% loan. A summary of estimated project costs and sources of funds is presented below:

Total Project Costs	\$10,900,000
District Existing Funds	<u>\$(900,000)</u>
Funds Requested	\$10,000,000
Terms Requested	30 Years at 3.00% Interest
Annual Payment	\$577,878

* Loan from ECCV with balloon payment in 2023.

Funds for loan repayment will be generated from user charges.

Financial Impacts

The 3.00% increase in user charges required for debt service will have an impact on existing and future customers. However, the increase will meet the affordability criterion developed by the Colorado Department for Public Health and Environment (CDPHE). Under this criterion, user charges for water are considered affordable if the annual user charge is less than 1.5% of the median household income (MHI). Based upon the Town of Parker's MHI of \$92,917 from the 2007-2011 American Community Survey, 1.5% is calculated to be at \$1,394. The District's current average annual user charges for water per household is \$848 which is 0.91% of MHI or \$998 (includes \$150 Water Project Fee at \$12.50 per month per customer) which is 1.07% of MHI. With the 3.00% increase in user charges, the annual user charges per household will be \$873 which is 0.94% of MHI and \$1,028 (with Water Project Fee) which is 1.11% of MHI. These figures as shown are below the indicated affordability criterion.

Revenue and Expenditure Projections

Appendix A includes the District's revenue and expenditure projections over the 30-year period.

TABOR Issues

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 provision of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

Entering into the loan to finance the project will not result in any TABOR issues for the District. As authorized by TABOR, the District has established a water activity enterprise. The District will enter into the loan by and through its water activity enterprise, and the revenues pledged to repay the loan will be water user charges and fees collected by the enterprise. As such, pursuant to TABOR, the loan will be an enterprise borrowing and will not constitute a multiple fiscal year obligation of the District for which prior voter authorization is required pursuant to TABOR.

Collateral

The loan will be secured as to repayment by a pledge of system revenues from the District, acting by and through its water activity enterprise. It is anticipated that the District will covenant to set its water fees and user charges at a level adequate to meet annual principal and interest payments on the loan along with operations, maintenance and capital obligations.

Creditworthiness

The District's unaudited financial statements, dated July 31, 2013, are included in Appendix B. Financial audits for the last three years, 2010, 2011, and 2012 are included in Appendix C. In addition, the District's 2013 adopted budget is shown in Appendix D.

Appendix A

APPENDIX A

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT

PROJECTION OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

As of December 31, 2012 and for the Calendar Years Ending Through 2043

Summary

Year	Cash Receipts					Total Net Receipts	Cash Disbursements						Total Disbursements	Annual Cash Surplus (Deficit)	Cumulative Cash Surplus/ (Deficit)	Required Cumulative Cash Surplus	Cumulative Cash Available	Year
	Tap Fees	User Charges	Other 3.00%	Interest 0.50%	Debt Proceeds		Operations/ Maintenance/ Administrative	Replacement Capital/ Maintenance	New Capital Improvements	Debt Refinance and Issue Costs	Cost Recovery Payments	Debt Service						
	(See Page 6)	(See Page 8)			(See Page 10)		(See Page 9)	(See Page 10)	(See Page 10)		(See Page 12)	(See Page 14)						
2012															13,067,674	3,561,075	9,506,599	2012
2013	705,067	6,756,867	220,000	20,000	-	7,701,934	4,152,833	1,934,404	5,065,596	190,000	66,420	1,565,716	12,974,969	(5,273,035)	7,794,639	3,561,075	4,233,564	2013
2014	1,727,815	6,955,478	226,600	38,973	2,427,000	11,375,867	4,329,110	1,815,000	6,196,824		68,420	1,564,222	13,973,575	(2,597,709)	5,196,930	3,561,075	1,635,855	2014
2015	3,648,021	7,300,759	233,398	25,985	4,246,000	15,454,163	4,492,628	5,770,000	1,723,685		68,420	1,692,323	13,747,056	1,707,107	6,904,037	3,561,075	3,342,962	2015
2016	4,523,032	7,718,875	240,400	34,520	5,266,000	17,782,828	4,796,100	5,775,000	1,096,054		178,420	2,017,610	13,863,184	3,919,643	10,823,680	3,561,075	7,262,605	2016
2017	3,602,453	8,150,041	247,612	54,118	292,000	12,346,224	5,180,568	300,000	2,274,695		178,420	2,444,060	10,377,743	1,968,481	12,792,162	3,561,075	9,231,087	2017
2018	3,628,862	8,647,042	255,040	63,961	4,251,000	16,845,905	5,537,245	300,000	7,672,946		178,420	2,460,977	16,149,588	696,317	13,488,479	3,561,075	9,927,404	2018
2019	2,886,226	9,157,109	262,692	67,442	297,000	12,670,469	5,937,407	1,500,000	780,203		68,420	2,705,509	10,991,540	1,678,929	15,167,408	3,561,075	11,606,333	2019
2020	3,005,204	9,678,238	270,572	75,837	320,000	13,349,851	6,448,431	1,500,000	1,738,066		68,420	2,719,567	12,474,484	875,367	16,042,775	3,561,075	12,481,700	2020
2021	848,762	10,209,031	278,689	80,214	267,000	11,683,696	6,823,301	300,000	296,186		68,420	2,741,919	10,229,826	1,453,870	17,496,645	3,561,075	13,935,570	2021
2022	1,789,741	10,728,187	287,050	87,483	267,000	13,159,461	7,061,994	450,000	2,946,186		178,420	2,756,852	13,393,452	(233,990)	17,262,654	3,561,075	13,701,579	2022
2023	1,836,294	11,263,736	295,662	86,313	1,230,000	14,712,005	7,305,708	1,500,000	2,516,298		178,420	2,781,225	14,281,650	430,354	17,693,009	2,311,075	15,381,934	2023
2024	1,821,594	11,813,099	304,531	88,465	137,000	14,164,689	7,556,627	300,000	212,904		178,420	2,391,176	10,639,127	3,525,562	21,218,571	2,311,075	18,907,496	2024
2025	695,417	12,320,680	313,667	106,093	-	13,435,858	7,801,741	300,000	-		68,420	2,402,819	10,572,980	2,862,878	24,081,448	2,311,075	21,770,373	2025
2026	716,040	12,764,275	323,077	120,407	-	13,923,799	8,047,158	300,000	-		49,420	2,401,373	10,797,951	3,125,849	27,207,297	2,311,075	24,896,222	2026
2027	737,281	13,221,297	332,770	136,036	-	14,427,384	8,300,276	300,000	-		45,920	2,058,494	10,704,689	3,722,695	30,929,992	2,311,075	28,618,917	2027
2028	759,160	13,694,253	342,753	154,650	-	14,950,815	8,561,336	300,000	-		45,920	2,058,493	10,965,749	3,985,066	34,915,058	2,311,075	32,603,983	2028
2029	781,694	14,144,509	353,035	174,575	-	15,453,814	8,825,901	300,000	-		45,920	2,058,494	11,230,315	4,223,500	39,138,558	2,311,075	36,827,483	2029
2030	2,504,970	14,639,945	363,626	195,693	-	17,704,234	9,113,278	300,000	-		155,920	2,058,494	11,627,692	6,076,542	45,215,099	1,277,554	43,937,545	2030
2031	2,634,600	15,191,355	374,535	226,075	-	18,426,566	9,410,443	300,000	-		160,920	1,304,844	11,176,207	7,250,359	52,465,458	1,277,554	51,187,904	2031
2032	2,713,398	15,763,891	385,771	262,327	-	19,125,388	9,717,230	300,000	-		160,920	1,304,844	11,482,994	7,642,393	60,107,851	1,277,554	58,830,297	2032
2033	1,459,333	16,328,286	397,344	300,539	-	18,485,503	10,021,873	300,000	-		45,920	1,304,844	11,672,637	6,812,865	66,920,716	1,277,554	65,643,162	2033
2034	3,476,106	16,925,263	409,265	334,604	-	21,145,237	10,353,891	300,000	-		45,920	577,878	11,277,689	9,867,548	76,788,265	1,277,554	75,510,711	2034
2035	2,163,607	17,556,658	421,543	383,941	-	20,525,749	10,683,995	300,000	-		45,920	577,878	11,607,793	8,917,957	85,706,221	1,277,554	84,428,667	2035
2036	3,814,186	18,213,443	434,189	428,531	-	22,890,349	11,038,917	300,000	-		45,920	577,878	11,962,715	10,927,634	96,633,856	1,277,554	95,356,302	2036
2037	1,641,488	18,879,730	447,215	483,169	-	21,451,602	11,384,844	300,000	-		8,000	577,878	12,270,722	9,180,880	105,814,736	1,277,554	104,537,182	2037
2038	1,690,493	19,518,757	460,631	529,074	-	22,198,954	11,741,590	300,000	-		8,200	577,878	12,627,668	9,571,287	115,386,022	1,277,554	114,108,468	2038
2039	837,424	20,159,682	474,450	576,930	-	22,048,487	12,101,352	300,000	-		4,000	577,878	12,983,230	9,065,257	124,451,279	1,277,554	123,173,725	2039
2040	717,983	20,798,378	488,684	622,256	-	22,627,301	12,470,841	300,000	-		4,000	577,878	13,352,720	9,274,581	133,725,861	1,277,554	132,448,307	2040
2041	516,382	21,449,316	503,344	668,629	-	23,137,671	12,849,616	300,000	-		4,000	577,878	13,731,494	9,406,176	143,132,037	1,277,554	141,854,483	2041
2042	378,732	22,112,416	518,444	715,660	-	23,725,252	13,238,526	300,000	-		1,000	577,878	14,117,404	9,607,849	152,739,885	1,277,554	151,462,331	2042
2043	390,094	22,792,629	533,998	763,699	-	24,480,420	13,639,205	300,000	-		-	577,878	14,517,083	9,963,337	162,703,223	1,277,554	161,425,669	2043
	58,651,459	434,853,224	11,000,589	7,906,203	19,000,000	531,411,475	268,923,963	27,144,404	32,519,643	190,000	2,425,280	50,572,637	381,775,926	149,635,549				

Appendix B

APPENDIX B

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
FINANCIAL STATEMENTS

July 31, 2013

TABLE OF CONTENTS

	PAGE
ACCOUNTANT'S COMPILATION REPORT.....	1
FINANCIAL STATEMENTS.....	2
SUPPLEMENTARY INFORMATION.....	4



CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Accountant's Compilation Report

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

We have compiled the accompanying statement of net position of Denver Southeast Suburban Water and Sanitation District as of July 31, 2013, and the related statement of revenues, expenses, and changes in net position for the period from January 1, 2013 through July 31, 2013, and the accompanying supplementary information which is presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary schedules in accordance with accounting principles generally accepted in the United States of America, and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary schedules.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information, in the form of financial statements and supplementary schedules, without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements or supplementary schedules. During our compilation, we did become aware of certain departures from accounting principles generally accepted in the United States of America that are described in the following paragraph.

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

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to Denver Southeast Suburban Water and Sanitation District.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
August 30, 2013

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

JULY 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 5,269,381
Restricted cash and investments	3,693,115
Accounts receivable	973,640
Prepaid expenses	33,185
Total current assets	<u>9,969,321</u>

OTHER ASSETS

Notes receivable - Capacity fee agreements	<u>2,119,437</u>
Total other assets	<u>2,119,437</u>

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	113,680,709
Accumulated depreciation	<u>(28,054,132)</u>
Net property, plant and equipment	<u>85,626,577</u>

TOTAL ASSETS \$ 97,715,335

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts and retainage payable	\$ 669,178
Interest payable	62,255
Current maturities of long term debt	<u>189,013</u>
Total current liabilities	<u>920,446</u>

LONG TERM OBLIGATIONS

Long term obligations	<u>16,410,540</u>
Total long term obligations	<u>16,410,540</u>

NET POSITION

Net position	<u>80,384,349</u>
Total net position	<u>80,384,349</u>

TOTAL LIABILITIES AND NET POSITION \$ 97,715,335

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE SEVEN MONTHS ENDED JULY 31, 2013**

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Total</u>
OPERATIONS			
Operating revenues	\$ 2,494,596	\$ 1,147,706	\$ 3,642,302
Direct expenses	(1,151,667)	(493,171)	(1,644,838)
Depreciation	(780,264)	(536,827)	(1,317,091)
Gross profit from operations	<u>562,665</u>	<u>117,708</u>	<u>680,373</u>
GENERAL AND ADMINISTRATIVE			
Expenses	402,842	268,561	671,403
Depreciation	58,316	38,877	97,193
Income (loss) from operations	<u>101,507</u>	<u>(189,730)</u>	<u>(88,223)</u>
NON-OPERATING REVENUES	38,877	25,918	64,795
NON-OPERATING EXPENSES	(220,977)	(139,251)	(360,228)
Income (loss) before contributions	<u>(80,593)</u>	<u>(303,063)</u>	<u>(383,656)</u>
CAPITAL CONTRIBUTIONS			
Tap fees	362,058	119,096	481,154
Cost recovery payments	(68,488)	-	(68,488)
Change in Net Position	<u>\$ 212,977</u>	<u>\$ (183,967)</u>	<u>29,010</u>
TOTAL NET POSITION - BEGINNING OF YEAR			<u>80,355,339</u>
TOTAL NET POSITION - END OF YEAR			<u>\$ 80,384,349</u>

These financial statements should be read only in connection with the accompanying accountant's compilation report.

SUPPLEMENTARY INFORMATION

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL
FOR THE SEVEN MONTHS ENDED JULY 31, 2013

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Budget/Actual Percent Budget = 58.33%</u>
WATER OPERATIONS			
Water revenue	\$ 4,979,840	\$ 2,494,596	50.09%
Direct water expenses	<u>(2,107,480)</u>	<u>(1,151,666)</u>	<u>54.65%</u>
Gross profit (loss) from water operations	<u>2,872,360</u>	<u>1,342,930</u>	<u>46.75%</u>
Non-operating water revenue	4,066,000	38,877	0.96%
Non-operating water expenses	(668,698)	(402,844)	60.24%
Debt service - water	(1,053,650)	(408,383)	38.76%
Capital outlay - water - replacement	<u>(194,762)</u>	<u>(429,292)</u>	<u>220.42%</u>
Subtotal net water operations	<u>5,021,249</u>	<u>141,288</u>	<u>2.81%</u>
SEWER OPERATIONS			
Sewer revenue	2,145,027	1,147,706	53.51%
Direct sewer expenses	<u>(930,856)</u>	<u>(493,171)</u>	<u>52.98%</u>
Gross profit (loss) from sewer operations	<u>1,214,171</u>	<u>654,535</u>	<u>53.91%</u>
Non-operating sewer revenue	44,000	25,918	58.90%
Non-operating sewer expenses	(445,799)	(268,563)	60.24%
Debt service - sewer	(812,066)	(679,107)	83.63%
Capital outlay - sewer - replacement	<u>(314,542)</u>	<u>(325,712)</u>	<u>103.55%</u>
Subtotal net sewer operations	<u>(314,235)</u>	<u>(592,929)</u>	<u>188.69%</u>
TAP FEES			
Tap fees - water	357,060	362,058	101.40%
Tap fees - sewer	<u>110,007</u>	<u>119,096</u>	<u>108.26%</u>
Total tap fee revenue	467,067	481,154	103.02%
Capital outlay water - new capital	(11,064,529)	(3,413,340)	30.85%
Cost recovery payments	<u>(66,420)</u>	<u>(68,488)</u>	<u>103.11%</u>
Subtotal tap fee coverage	<u>(10,663,882)</u>	<u>(3,000,674)</u>	<u>-28.14%</u>
EXCESS REVENUE OVER (UNDER)			
EXPENDITURES	(5,956,868)	(3,452,315)	57.96%
FUNDS AVAILABLE - BEGINNING	<u>12,178,527</u>	<u>12,697,224</u>	<u>104.26%</u>
FUNDS AVAILABLE - ENDING	<u><u>\$ 6,221,659</u></u>	<u><u>\$ 9,244,909</u></u>	<u><u>148.59%</u></u>

These financial statements should be read only in connection with the accompanying accountant's compilation report.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL
FOR THE SEVEN MONTHS ENDED JULY 31, 2013

	<u>Annual</u> <u>Budget</u>	<u>Year to Date</u> <u>Actual</u>	<u>Budget/Actual</u> <u>Percent</u>
			Budget = 58.33%
WATER OPERATING REVENUE			
Water user charges	\$ 3,500,340	\$ 1,724,099	49.26
Water supply project fee	701,000	383,450	54.70
Irrigation fees	642,500	313,313	48.76
Tap surcharge - Pradera	4,000	11,197	279.92
Tap surcharge - Timbers	2,000	-	-
Tap surcharge - CO Golf	2,000	800	40.00
Ground water protection	23,000	12,945	56.28
Ready to serve fees - water	30,000	15,730	52.43
Cherry Creek Project Water Authority	70,000	29,510	42.16
Other income	5,000	3,552	71.04
Total water operating revenue	<u>4,979,840</u>	<u>2,494,596</u>	<u>50.09</u>
WATER OPERATING EXPENSES			
Repair and Maintenance	225,000	94,992	42.22
Chemicals	77,500	46,382	59.85
Lab testing	77,500	40,473	52.22
Vehicle maintenance	47,000	26,667	56.74
Salaries	516,195	292,358	56.64
Payroll taxes	37,785	22,944	60.72
Employee benefits	172,000	113,685	66.10
Utilities	685,000	376,241	54.93
Tools & small equip.	8,500	1,673	19.68
Communications	11,000	4,445	40.41
Outside services	15,000	4,363	29.09
SMWSA Dues/Projects & SPPP Contrib.	5,000	4,928	98.56
CCWPA assessment	110,000	34,148	31.04
CCPWA/WISE water purchase	25,000	9,060	36.24
Conservation	25,000	-	-
Legal services	70,000	79,309	113.30
Total water operating expenses	<u>2,107,480</u>	<u>1,151,667</u>	<u>54.65</u>
Gross profit (loss) from water operations	<u>2,872,360</u>	<u>1,342,929</u>	<u>46.75</u>

These financial statements should be read only in connection with the accompanying accountant's compilation report.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL
FOR THE SEVEN MONTHS ENDED JULY 31, 2013

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Budget/Actual Percent</u>
			Budget = 58.33%
SEWER OPERATING REVENUE			
Sewer user charges	\$ 1,885,027	\$ 1,083,807	57.50
Ready to serve fees - sewer	30,000	13,974	46.58
Canyons Revenue	<u>230,000</u>	<u>49,925</u>	<u>21.71</u>
Total sewer operating revenue	<u>2,145,027</u>	<u>1,147,706</u>	<u>53.51</u>
SEWER OPERATING EXPENSES			
Cherry Creek Basin fees	13,000	6,410	49.31
R & M - system	77,500	35,983	46.43
R & M - plant	77,500	28,103	36.26
Chemicals	40,000	15,437	38.59
Lab testing	40,000	19,084	47.71
Vehicle Maintenance	14,000	8,852	63.23
Salaries	273,531	152,783	55.86
Payroll taxes	20,925	12,042	57.55
Employee benefits	91,000	57,647	63.35
Utilities	200,000	107,409	53.70
Tools & small equip.	6,000	675	11.25
Communications	3,500	1,691	48.33
Sludge disposal	71,900	44,004	61.20
Outside services	<u>2,000</u>	<u>3,050</u>	<u>152.50</u>
Total sewer operating expenses	<u>930,856</u>	<u>493,171</u>	<u>52.98</u>
Gross profit (loss) from sewer operations	<u>1,214,171</u>	<u>654,535</u>	<u>53.91</u>
Gross profit (loss) from water and sewer operations	<u>\$ 4,086,531</u>	<u>\$ 1,997,464</u>	<u>48.88</u>

These financial statements should be read only in connection with the accompanying accountant's compilation report.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL
FOR THE SEVEN MONTHS ENDED JULY 31, 2013

	<u>Annual</u> <u>Budget</u>	<u>Year to Date</u> <u>Actual</u>	<u>Budget/Actual</u> <u>Percent</u>
			Budget = 58.33%
NON-OPERATING REVENUE			
Investment income	\$ 20,000	\$ 11,078	\$ 55.39
Late charges	45,000	31,160	69.24
Other Income	30,000	22,557	75.19
Proceeds from asset disposition	15,000	-	-
Loan Proceeds	4,000,000	-	-
Sub-total	4,110,000	64,795	1.58
Contributions in aid of construction			
Water tap fees	357,060	362,058	101.40
Sewer tap fees	110,007	119,096	108.26
Total non-operating revenue	4,577,067	545,949	11.93

These financial statements should be read only in connection with the accompanying accountant's compilation report.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL
FOR THE SEVEN MONTHS ENDED JULY 31, 2013

	<u>Annual</u> <u>Budget</u>	<u>Year to Date</u> <u>Actual</u>	<u>Budget/Actual</u> <u>Percent</u>
			Budget = 58.33%
NON-OPERATING EXPENSE			
Accounting and audit	120,000	77,055	64.21
Admin vehicle	1,300	644	49.53
Salaries - administration	326,862	169,563	51.88
Payroll taxes - administration	23,135	13,537	58.51
Employee benefits - administration	100,200	64,458	64.33
Data processing	25,000	26,308	105.23
Directors' fees	8,000	4,300	53.75
Outside services	15,000	2,678	17.85
Office supplies	22,000	8,849	40.22
Safety and training	19,000	10,246	53.93
Insurance and bonds	86,000	50,722	58.98
Utilities	10,000	5,493	54.93
Repairs and maintenance	15,000	10,888	72.58
Dues, public relations, meetings	30,000	29,724	99.08
Security services	22,000	9,517	43.26
Billing systems service	15,000	11,224	74.83
Legal services	230,000	146,212	63.57
Customer communications	40,000	25,920	64.80
Miscellaneous	6,000	4,069	67.82
Total non-operating expenses	<u>\$ 1,114,497</u>	<u>\$ 671,407</u>	<u>60.24</u>

These financial statements should be read only in connection with the accompanying accountant's compilation report.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL
FOR THE SEVEN MONTHS ENDED JULY 31, 2013

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Budget/Actual Percent</u> Budget = 58.33%
DEBT SERVICE			
Interest			
CWRPDA loan - 2005	137,239	80,056	58.33
CWRPDA loan - 2002	144,827	69,051	47.68
Revenue note - 2010	377,231	220,977	58.58
Loan - 2013	100,000	-	-
Total interest	759,297	370,084	48.74
Principal			
CWRPDA loan - 2005	205,000	205,000	100.00
CWRPDA loan - 2002	325,000	325,000	100.00
Revenue note - 2010	376,419	187,406	49.79
Loan - 2013	200,000	-	-
Total principal	1,106,419	717,406	64.84
Total debt service	1,865,716	1,087,490	58.29
CAPITAL OUTLAY			
Cost Recovery payments	66,420	68,488	103.11
Total Developer improvements	66,420	68,488	103.11
Water Projects	11,064,529	3,413,340	30.85
Bingham Lake and Dam	-	8,400	-
Water rights	-	79,827	-
Wastewater treatment plant	184,700	98,336	53.24
General			
GIS program	30,000	941	3.14
Vehicles	55,000	-	-
Furniture and office equipment	500	-	-
Capital salaries	203,604	107,842	52.97
Computer and networking	35,500	18,041	50.82
Land and right of ways	-	441,617	-
Total general	324,604	568,441	175.12
Total capital outlay	11,640,253	4,236,832	36.40
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(5,956,868)	(3,452,315)	(94.12)
FUNDS AVAILABLE - BEGINNING	12,178,527	12,697,224	104.26
FUNDS AVAILABLE - ENDING	<u>\$ 6,221,659</u>	<u>\$ 9,244,909</u>	<u>148.59</u>
Current assets		\$ 9,969,321	
Less: Current liabilities		(920,445)	
Add: Current long term debt		189,013	
Canyons note adjustment		6,994	
Other adjustment		26	
Funds available		<u>\$ 9,244,909</u>	

These financial statements should be read only in connection with the accompanying accountant's compilation report.

Appendix C

APPENDIX C

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

**FINANCIAL STATEMENTS
December 31, 2010 and 2009**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	1
Statements of Revenues, Expenses and Change in Net Assets.....	2
Statements of Cash Flows.....	3
Notes to Financial Statements.....	5
SUPPLEMENTAL INFORMATION.....	30
Schedule of Revenues, Expenses and Change in Net Assets.....	31
Schedule of Revenues, Expenditures and Change in Funds Available - Budget and Actual (Budgetary Basis).....	35
Schedule of Revenues, Expenditures and Change in Funds Available - (Budgetary Basis) - Enterprise Activity.....	41
Schedule of Revenues, Expenditures and Change in Funds Available - (Budgetary Basis) - General Government Activity	42
Schedule of Debt Service Requirements to Maturity	43
OTHER SUPPLEMENTAL INFORMATION	46
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY CLEAN WATER REVENUE BONDS, SERIES 1989A, 2002A, and 2005A	54

Independent Auditor's Report

Board of Directors
Denver Southeast Suburban Water and Sanitation District

We have audited the accompanying financial statements of the business-type activities of Denver Southeast Suburban Water and Sanitation District for the years ended December 31, 2010 and 2009 as listed in the Table of Contents. These financial statements are the responsibility of Denver Southeast Suburban Water and Sanitation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, made by the District, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Denver Southeast Suburban Water and Sanitation District as of December 31, 2010 and 2009 and the results of its operations and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information on pages III through X 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 made for the purpose of forming an opinion on the basic financial statements of Denver Southeast Suburban Water and Sanitation District. The supplemental information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Denver Southeast Suburban Water and Sanitation District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The continuing disclosure as listed in the Table of Contents has not been audited and accordingly, we express no opinion on it.

L. Paul Hoecker P.C.

May 3, 2011

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

The management of Denver Southeast Suburban Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2010.

District Operations

During 2010, the District saw a change in the Board of Directors as 3 new Directors were elected or appointed to vacancies created by retiring Directors (two were appointed in August 2010). The new Directors have learned quickly and have contributed to the Board discussions and decisions.

In early 2010, the District settled a lawsuit with the construction contractor for the final phase of the expansion project at the wastewater treatment plant. This settlement avoided what was likely to be a very contentious and time consuming trial. The settlement was favorable for the District and it has allowed for the staff involved to focus on the needs of the District rather than on the lawsuit and trial.

The newest development in the District, Colorado Golf Club, hosted the 2010 Senior PGA Tournament and received much positive press and publicity. In spite of that positive event, the development struggled over the course of the year with lot sales and they fell behind in paying their bills. By the end of the year, the District had filed a lien against the project and the developer was working on a sale of the golf club portion of the development. In 2011, the sale has been completed and the project appears to be on a path toward recovery and payment of the past due bills to the District.

The Cherry Creek Project Water Authority, of which the District is an owner, has progressed in the development of the water resources that it owns. In 2010, the Authority completed the purchase of the Grange water rights from Douglas County, finalized the conversion of the Mahoney water rights for municipal use, and moved forward on the water rights case for the John Jones ditch rights. In addition, the Authority has continued to develop construction plans and permitting for conversion of the Walker Gravel Pit to a water storage reservoir. In December 2010, the Authority filed a water rights case to convert all of the water rights of the Authority to allow them to be stored and used by the members of the Authority. In 2011, the Authority will continue to work on the water rights issues and the permitting for the Walker Reservoir project.

The District is also a member of the South Metro Water Supply Authority (SMWSA). This Authority is comprised of 15 water providers in Arapahoe and Douglas Counties that are working cooperatively to bring additional renewable water supplies to its members. In 2010, the primary activity of the Authority was development of an agreement with Denver Water and Aurora Water for delivery of water to the SMWSA members. The project known as WISE

(Water Infrastructure Supply and Efficiency) Partnership has significant potential to provide needed water supplies to the area. The Authority plans to complete negotiations and necessary engineering studies on the WISE project during 2011. Other activities of the Authority include investigation of Aquifer Storage and Recovery as a water storage technique and development of storage in Chatfield Reservoir. The Authority has also completed a preliminary design of a pipeline along Chambers Road that will be used to deliver the WISE supplies to the SMWSA members.

In light of the slowly recovering economy, the District has delayed significant capital expenditures without jeopardizing the ability to continue providing high quality service to our customers. In the latter half of 2010, work that had been delayed was initiated on a new Arapahoe Well and on modifications to Pump Station 4. These projects will both be completed in 2011. To provide a stable funding source for future water supply projects, the Board began consideration of a Water Supply Project Fee toward the end of 2010. The fee was implemented in 2011 and will be used to fund water supply projects that are necessary to replace declining productivity in the Denver Basin Aquifers which supply approximately 25% of the District's water supply.

Also in light of the economy and the District's desire to continuously improve, an outside consultant was hired to do an Expense and Efficiency Audit of the District's operations to examine areas where the District could reduce costs and operate more efficiently. The results of this study showed that the District compares favorably with other water and wastewater districts regarding operating costs and expenses. The study identified potential opportunities in energy savings and outside contractor costs that are being pursued by staff in 2011.

As part of the annual rate setting process, the District Board established a Rate Stabilization Fund at the end of 2010. This fund will help the District to maintain compliance with the requirements of our various bonds during years when revenue is below budgeted amounts due to weather conditions that affect water use.

The District experienced higher than anticipated maintenance costs for both the water and wastewater operations. This is attributed to an unexpected number of water breaks in the fall of the year. Staff believes that these were caused by the extremely dry conditions and some shifting soils at the depth of water mains. The wastewater costs are attributed to replacement and repair of aging equipment at the wastewater treatment plant that has been in operation since 1991.

Financial Highlights

- Net assets increased \$759,071, primarily due to an increase in water and sewer revenues and an increase in tap fees.
- The net operating loss of \$(217,023) was a decrease of \$892,698 as compared to the \$1.1 million loss in 2009, including depreciation expense of \$2.2 million on an operating revenue of \$5.88 million. Excluding depreciation, the net operating income was \$1,981,044.
- Operating income increased 25.5% from the prior year.
- Operating expenses exclusive of depreciation increased 8.0% from the prior year.

- Customers on line for water service at year-end increased by 38 single-family residential equivalent units (1%) to 4,128 at year end.
- Funds available (current assets less current liabilities exclusive of the current portion of long-term obligations) increased \$5,625,172 to \$13.1 million at December 31, 2010.
- The District issued \$10.3 million of debt in 2010. Proceeds of the debt, along with other funds of the District, were used to refund \$4.1 million of debt previously issued by the District, establish a reserve fund of \$1 million, and provide \$6 million in capital project funds for future improvements.

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 assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets 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 assets presents information that reflects how the District's net assets changed during the past year. All changes in the net assets 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 assets, budget and actual information, and debt service requirements.

The continuing disclosure annual financial information is information required by the Series 1989A, 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 assets increased by \$759,071 in 2010, primarily due to an increase in operating revenues and tap fees. Current assets increased \$5,121,563 and capital assets decreased \$543,786. Long-term obligations increased \$4,699,255. The District issued debt in the amount of \$10,335,213, which was used to refund \$4,101,784 of previously issued debt and to provide funds for future capital improvements.

Statement of Net Assets

	December 31,		
	2010	2009	2008
Current assets	\$ 13,763,118	\$ 8,641,555	\$ 9,297,165
Other assets	2,492,436	2,486,874	2,557,114
Capital assets	81,961,801	82,505,587	84,023,636
Total assets	<u>98,217,355</u>	<u>93,634,016</u>	<u>95,877,915</u>
Current liabilities	1,870,259	2,745,246	2,767,931
Long-term liabilities	18,200,608	13,501,353	15,162,798
Total liabilities	<u>20,070,867</u>	<u>16,246,599</u>	<u>17,930,729</u>
Net assets invested in capital assets	68,479,541	67,475,977	67,429,271
Restricted net assets	8,654,434	3,116,488	3,332,904
Unrestricted net assets	1,012,513	6,794,952	7,185,011
Total net assets	<u><u>\$ 78,146,488</u></u>	<u><u>\$ 77,387,417</u></u>	<u><u>\$ 77,947,186</u></u>

Review of Change in Net Assets

	December 31,		
	2010	2009	2008
Revenues			
Operating revenue			
Water services	\$ 4,217,222	\$ 3,162,544	\$ 3,113,733
Sewer services	1,659,788	1,519,391	1,352,717
Total operating revenue	<u>5,877,010</u>	<u>4,681,935</u>	<u>4,466,450</u>
Nonoperating revenue			
Taxes	-	-	33
Investment income	28,537	43,965	192,051
Other	297,113	275,415	271,049
Contributions			
Tap fees, net of cost recovery payments	891,254	616,001	990,553
Contributed facilities	100,000	-	1,618,769
Other	127,528	143,145	136,019
Total other revenue	<u>1,444,432</u>	<u>1,078,526</u>	<u>3,208,474</u>
Total revenue	<u>7,321,442</u>	<u>5,760,461</u>	<u>7,674,924</u>
Expenses			
Operating expenses			
Water	1,912,949	1,636,453	2,049,852
Sewer	863,848	835,341	833,286
	<u>2,776,797</u>	<u>2,471,794</u>	<u>2,883,138</u>
General and administrative	1,119,169	1,138,396	1,289,930
Depreciation	2,198,067	2,181,466	2,014,638
Total operating expenses	<u>6,094,033</u>	<u>5,791,656</u>	<u>6,187,706</u>
Nonoperating expenses	468,338	528,574	432,178
Total expenses	<u>6,562,371</u>	<u>6,320,230</u>	<u>6,619,884</u>
Change in net assets	759,071	(559,769)	1,055,040
Net assets - Beginning	<u>77,387,417</u>	<u>77,947,186</u>	<u>76,892,146</u>
Net assets - Ending	<u>\$ 78,146,488</u>	<u>\$ 77,387,417</u>	<u>\$ 77,947,186</u>

Operating revenue increased by \$1,195,075. Revenue from the sale of tap fees, net of cost recovery payments increased \$275,253. Additionally, water usage by District customers increased 32% over 2009 usage. The District received contributed facilities of \$100,000 in 2010.

Total operating expenses increased \$302,377 or 5.2% from 2009. The majority of the increase was related to an increase in water operating expenses of 16.9%.

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. Capacity fees associated with long-term contracts are recognized as budgetary revenue when received. 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 above the amended budgeted revenue by \$979,968 primarily as a result of more water and sewer user charges and tap fees than originally anticipated.

Total actual expenditures of the District were less than the amended appropriation by \$1,614,261, which includes a negative variance of \$299,283 for debt service expenditures and a positive variance of \$1,876,708 for capital expenditures.

Capital Assets Activity

The activity related to capital assets is as follows:

	December 31, 2009	Net Changes	December 31, 2010
Land and easements	\$ 382,396	\$ 3,249	\$ 385,645
Construction in process	402,157	503,829	905,986
Water system			
Water rights	10,836,114	183,021	11,019,135
Water facilities	41,607,540	265,098	41,872,638
Bingham Lake and Dam	533,508	-	533,508
Sewer system			
Sewer facilities	33,925,754	90,379	34,016,133
Wastewater treatment plant	11,992,774	558,257	12,551,031
Buildings	1,800,682	4,915	1,805,597
Equipment and vehicles	855,860	26,677	882,537
Total capital assets	<u>102,336,785</u>	<u>1,635,425</u>	<u>103,972,210</u>
Accumulated depreciation	<u>(19,831,198)</u>	<u>(2,179,211)</u>	<u>(22,010,409)</u>
Net capital assets	<u>\$ 82,505,587</u>	<u>\$ (543,786)</u>	<u>\$ 81,961,801</u>

	December 31, 2008	Net Changes	December 31, 2009
Land and easements	\$ 342,188	\$ 40,208	\$ 382,396
Construction in process	97,271	304,886	402,157
Water system			
Water rights	10,836,114	-	10,836,114
Water facilities	41,513,543	93,997	41,607,540
Bingham Lake and Dam	533,508	-	533,508
Sewer system			
Sewer facilities	33,783,156	142,598	33,925,754
Wastewater treatment plant	11,992,774	-	11,992,774
Buildings	1,800,682	-	1,800,682
Equipment and vehicles	774,132	81,728	855,860
Total capital assets	<u>101,673,368</u>	<u>663,417</u>	<u>102,336,785</u>
Accumulated depreciation	<u>(17,649,732)</u>	<u>(2,181,466)</u>	<u>(19,831,198)</u>
Net capital assets	<u>\$ 84,023,636</u>	<u>\$ (1,518,049)</u>	<u>\$ 82,505,587</u>
	December 31, 2007	Net Changes	December 31, 2008
Land and easements	\$ 339,188	\$ 3,000	\$ 342,188
Construction in process	7,818,585	(7,721,314)	97,271
Water system			
Water rights	9,836,114	1,000,000	10,836,114
Water facilities	41,143,331	370,212	41,513,543
Bingham Lake and Dam	533,508	-	533,508
Sewer system			
Sewer facilities	25,375,540	8,407,616	33,783,156
Wastewater treatment plant	11,992,774	-	11,992,774
Buildings	1,778,694	21,988	1,800,682
Equipment and vehicles	756,976	17,156	774,132
Total capital assets	<u>99,574,710</u>	<u>2,098,658</u>	<u>101,673,368</u>
Accumulated depreciation	<u>(15,755,109)</u>	<u>(1,894,623)</u>	<u>(17,649,732)</u>
Net capital assets	<u>\$ 83,819,601</u>	<u>\$ 204,035</u>	<u>\$ 84,023,636</u>

The 2010 activity relating to capital assets reflects costs incurred by the District totaling \$1,654,281 relating to the construction of water wells, sewer lines, security improvements to the office, and for the expansion of the wastewater treatment plant.

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

Long-Term Debt

All scheduled payments of principal and interest on the District's outstanding debt were paid as required during 2010. The District issued new debt of \$10,335,213 in 2010.

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

Economic Factors and Next Year's Budgets and Rates

For 2011, the District has budgeted revenue from water and sewer charges of \$5.7 million, an increase of 3.8% more than the 2010 budget but a decrease of 2.1% over 2010 actual water and sewer charges. The District has also budgeted \$737,400 of water project fees that are intended to help fund the construction of future water improvement projects. 2011 operating expenses are budgeted at \$3.0 million, an increase of 4.4% over actual 2010 numbers.

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. The District has recently concluded a period of exceptionally high growth which has now been replaced by a period of very slow growth. As a result, the debt service burden has shifted from revenues collected on new development to revenues collected from service.

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
P.O. Box 1660
Parker, Colorado 80134

BASIC FINANCIAL STATEMENTS

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

ASSETS	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,562,903	\$ 2,144,291
Cash and cash equivalents - Restricted	8,654,434	3,136,488
Certificates of deposits	1,498,396	2,518,647
Accounts receivable	815,068	611,207
Current maturities of notes receivable	133,033	128,629
Prepaid expenses	99,284	102,293
Total current assets	<u>13,763,118</u>	<u>8,641,555</u>
OTHER ASSETS		
Notes receivable - Capacity fee agreements	2,257,641	2,364,166
Debt issue costs - Net of accumulated amortization	234,795	122,708
Total other assets	<u>2,492,436</u>	<u>2,486,874</u>
CAPITAL ASSETS - NET	<u>81,961,801</u>	<u>82,505,587</u>
TOTAL ASSETS	<u><u>\$ 98,217,355</u></u>	<u><u>\$ 93,634,016</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts and retainage payable	\$ 458,138	\$ 922,685
Interest payable	128,127	171,596
Current maturities of long-term obligations	1,283,994	1,650,965
Total current liabilities	<u>1,870,259</u>	<u>2,745,246</u>
LONG-TERM OBLIGATIONS	<u>18,200,608</u>	<u>13,501,353</u>
NET ASSETS		
Invested in capital assets, net of related debt	68,479,541	67,353,269
Restricted	8,654,434	3,116,488
Unrestricted	1,012,513	6,917,660
Total net assets	<u>78,146,488</u>	<u>77,387,417</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 98,217,355</u></u>	<u><u>\$ 93,634,016</u></u>

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
WATER OPERATIONS		
Revenues	\$ 4,217,222	\$ 3,162,544
Direct water expenses	1,912,949	1,636,453
Depreciation - Water	987,263	983,412
Gross profit from water operations	<u>1,317,010</u>	<u>542,679</u>
SEWER OPERATIONS		
Revenues	<u>1,659,788</u>	<u>1,519,391</u>
Direct sewer expenses	863,848	835,341
Depreciation - Sewer	1,036,269	1,027,098
Gross (loss) from sewer operations	<u>(240,329)</u>	<u>(343,048)</u>
Total gross income from operations	<u>1,076,681</u>	<u>199,631</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
General and administrative	1,119,169	1,138,396
Depreciation	<u>174,535</u>	<u>170,956</u>
(LOSS) FROM OPERATIONS	(217,023)	(1,109,721)
NONOPERATING REVENUES	325,650	319,380
NONOPERATING EXPENSES	<u>468,338</u>	<u>528,574</u>
(LOSS) BEFORE CONTRIBUTIONS	(359,711)	(1,318,915)
CAPITAL CONTRIBUTIONS	<u>1,118,782</u>	<u>759,146</u>
CHANGE IN NET ASSETS	759,071	(559,769)
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>77,387,417</u>	<u>77,947,186</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 78,146,488</u></u>	<u><u>\$ 77,387,417</u></u>

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 5,657,107	\$ 4,364,743
Payments to suppliers	(2,512,388)	(2,216,122)
Payments to employees and related expenses	(1,442,584)	(1,356,137)
Other (payments)	19,692	160,617
Net cash provided by operating activities	<u>1,721,827</u>	<u>953,101</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ready to serve fees	71,219	79,513
Other income	220,759	195,902
Net cash provided by noncapital financing activities	<u>291,978</u>	<u>275,415</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of assets	5,135	-
Loan proceeds	10,335,213	-
Debt issue costs	(376,077)	-
Contributions in aid of construction		
Tap fees	1,143,390	799,797
Receipts from notes receivable	230,000	217,600
Acquisition of property, plant and equipment (net of contributed costs of \$100,000 and \$-0- respectively)	(2,214,500)	(956,785)
Interest and paying agent fees	(517,051)	(549,303)
Debt principal reduction	(5,733,696)	(1,560,967)
Net cash (required) by capital and related financing activities	<u>2,872,414</u>	<u>(2,049,658)</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009
(Continued)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments matured	1,020,251	(1,940,720)
Net investment income received	30,088	39,154
Net cash provided (required) by investing activities	<u>1,050,339</u>	<u>(1,901,566)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,936,558	(2,722,708)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,280,779</u>	<u>8,003,487</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 11,217,337</u></u>	<u><u>\$ 5,280,779</u></u>
Reconciliation of operating (loss) to net cash provided (required) by operating activities		
(Loss) from operations	\$ (217,023)	\$ (1,109,721)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities		
Depreciation	2,198,067	2,181,466
(Increase) in accounts receivable	(205,758)	(175,187)
Increase (decrease) in accounts payable	(56,468)	40,663
Decrease in prepaid expenses	3,009	15,880
Net cash provided by operating activities	<u><u>\$ 1,721,827</u></u>	<u><u>\$ 953,101</u></u>

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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.

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets 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.

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 Assets. 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 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. Capacity fees associated with long-term contracts are recognized as budgetary revenue when received.

During the year ended December 31, 2010, supplementary appropriations approved by the District modified the appropriation from \$9,810,007 to \$14,000,000.

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.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

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

The District did not certify a mill levy for collection in 2010.

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 estimated fair value at the date of donation.

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed, net of investment earnings on invested bond proceeds during the same period. Net interest expense capitalized during the years ended December 31, 2010 and 2009 amounted to \$-0- and \$-0-, respectively.

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

Debt Issue Costs and Original Issue Discount/Premium

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

Cost on Debt Refunding

The deferred cost on debt refunding is being amortized using the interest method over the life of the defeased debt. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a reduction of the bonds payable.

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 incurred in the financial statements.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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 assets for the following purposes:

Ground water protection	\$ 112,513
Rate stabilization fund	<u>900,000</u>
	<u>\$ 1,012,513</u>

Reclassifications

For comparability, certain 2009 amounts have been reclassified where appropriate to conform with the 2010 financial statement presentation.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2010 and 2009 are classified in the accompanying financial statements as follows:

	<u>2010</u>	<u>2009</u>
Statement of net assets:		
Cash and cash equivalents	\$ 2,562,903	\$ 2,144,291
Cash and cash equivalents - Restricted	8,654,434	3,136,488
Certificates of deposits	<u>1,498,396</u>	<u>2,518,647</u>
Total cash and investments	<u>\$ 12,715,733</u>	<u>\$ 7,799,426</u>

Cash and cash equivalents as of December 31, 2010 consist of the following:

	<u>2010</u>	<u>2009</u>
Deposits with financial institutions	\$ 4,422,585	\$ 4,094,389
Cash on hand	100	100
Investments	8,293,048	3,704,937
Less: Certificates of deposit	<u>(1,498,396)</u>	<u>(2,518,647)</u>
Total cash and cash equivalents	<u>\$ 11,217,337</u>	<u>\$ 5,280,779</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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

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

At December 31, 2010 and 2009, the District had the following deposits with financial institutions:

	<u>2010</u>	<u>2009</u>
Bank balance		
Insured deposits	\$ 1,998,397	\$ 2,768,647
Deposits collateralized in single institution pools	<u>2,424,188</u>	<u>1,325,742</u>
	<u>\$ 4,422,585</u>	<u>\$ 4,094,389</u>
Carrying balance		
Insured deposits	\$ 1,998,396	\$ 2,768,647
Deposits collateralized in single institution pools	<u>2,429,003</u>	<u>1,337,557</u>
	<u>\$ 4,427,399</u>	<u>\$ 4,106,204</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 or subject to investment custodial credit risk for investments that are in the possession of another party.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Revenue bonds of local governmental securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

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

As of December 31, 2010, the District had the following investments:

Investment	Maturity	Fair Value	
		2010	2009
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 7,845,821	\$ 2,189,510
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	447,227	1,515,427
		<u>\$ 8,293,048</u>	<u>\$ 3,704,937</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for COLOTRUST'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.

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.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 - LONG-TERM RECEIVABLES

Long-term receivable activity for the year ended December 31, 2010 was as follows:

	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Amounts Due Within One Year
Canyons agreement	\$ 2,492,795	\$ 26,786	\$ 128,907	\$ 2,390,674	\$ 133,033
Total long-term receivables	<u>\$ 2,492,795</u>	<u>\$ 26,786</u>	<u>\$ 128,907</u>	<u>\$ 2,390,674</u>	<u>\$ 133,033</u>

	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Amounts Due Within One Year
Canyons agreement	\$ 2,525,251	\$ 23,247	\$ 55,703	\$ 2,492,795	\$ 128,629
Total long-term receivables	<u>\$ 2,525,251</u>	<u>\$ 23,247</u>	<u>\$ 55,703</u>	<u>\$ 2,492,795</u>	<u>\$ 128,629</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 Mississippi Partnership (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%. During 2009, the payment date was changed to December 1, per an amendment of the agreement.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 - LONG-TERM RECEIVABLES (CONTINUED)

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

Year Ending December 31,	Principal	Interest	Total
2011	\$ 133,033	\$ 96,967	\$ 230,000
2012	138,177	91,823	230,000
2013	144,032	85,968	230,000
2014	144,873	85,127	230,000
2015	150,749	79,251	230,000
2016-2020	840,027	309,973	1,150,000
2021-2024	839,783	125,033	964,816
Total payments	2,390,674	874,142	3,264,816
Less amounts due within one year	(133,033)	(96,967)	(230,000)
Long-term portion	<u>\$ 2,257,641</u>	<u>\$ 777,175</u>	<u>\$ 3,034,816</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2010 and 2009 was as follows:

	Balance December 31, 2009	Additions	Retirements/ Reclassi- fications	Balance December 31, 2010
Capital assets, not being depreciated				
Land and easements	\$ 382,396	\$ 3,249	\$ -	\$ 385,645
Water rights	10,836,114	183,021	-	11,019,135
Construction in progress	402,157	1,320,446	(816,617)	905,986
Capital assets, being depreciated				
Water system	41,607,540	97,117	167,981	41,872,638
Bingham Lake and Dam	533,508	-	-	533,508
Sewer system	33,925,754	-	90,379	34,016,133
Wastewater treatment plant	11,992,774	-	558,257	12,551,031
Buildings	1,800,682	4,915	-	1,805,597
GIS program	146,316	1,905	-	148,221
Office and field equipment	130,669	-	-	130,669
Vehicles	578,875	43,628	(18,856)	603,647
Total historical cost	<u>102,336,785</u>	<u>1,654,281</u>	<u>(18,856)</u>	<u>103,972,210</u>
Less accumulated depreciation for:				
Water system	(9,567,306)	(972,757)	-	(10,540,063)
Bingham Lake and Dam	(193,687)	(14,506)	-	(208,193)
Sewer system	(3,979,027)	(540,839)	207,292	(4,312,574)
Wastewater treatment plant	(4,718,577)	(495,430)	(207,292)	(5,421,299)
Buildings	(766,627)	(92,262)	-	(858,889)
GIS program	(22,698)	(14,727)	-	(37,425)
Office and field equipment	(107,220)	(11,821)	-	(119,041)
Vehicles	(476,056)	(55,725)	18,856	(512,925)
Total accumulated depreciation	<u>(19,831,198)</u>	<u>(2,198,067)</u>	<u>18,856</u>	<u>(22,010,409)</u>
Total capital assets, net	<u>\$ 82,505,587</u>	<u>\$ (543,786)</u>	<u>\$ -</u>	<u>\$ 81,961,801</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance December 31, 2008	Additions	Retirements/ Reclassi- fications	Balance December 31, 2009
Capital assets, not being depreciated				
Land and easements	\$ 342,188	\$ 40,208	\$ -	\$ 382,396
Water rights	10,836,114	-	-	10,836,114
Construction in progress	97,271	537,966	(233,080)	402,157
Capital assets, being depreciated				
Water system	41,513,543	93,997	-	41,607,540
Bingham Lake and Dam	533,508	-	-	533,508
Sewer system	33,783,156	142,598	-	33,925,754
Wastewater treatment plant	11,992,774	-	-	11,992,774
Buildings	1,800,682	-	-	1,800,682
GIS program	91,472	54,844	-	146,316
Office and field equipment	121,013	9,656	-	130,669
Vehicles	561,647	17,228	-	578,875
Total historical cost	<u>101,673,368</u>	<u>896,497</u>	<u>(233,080)</u>	<u>102,336,785</u>
Less accumulated depreciation for:				
Water system	(8,598,397)	(968,909)	-	(9,567,306)
Bingham Lake and Dam	(179,184)	(14,503)	-	(193,687)
Sewer system	(3,279,584)	(699,443)	-	(3,979,027)
Wastewater treatment plant	(4,390,922)	(327,655)	-	(4,718,577)
Buildings	(674,531)	(92,096)	-	(766,627)
GIS program	(10,809)	(11,889)	-	(22,698)
Office and field equipment	(92,447)	(14,773)	-	(107,220)
Vehicles	(423,858)	(52,198)	-	(476,056)
Total accumulated depreciation	<u>(17,649,732)</u>	<u>(2,181,466)</u>	<u>-</u>	<u>(19,831,198)</u>
Total capital assets, net	<u>\$ 84,023,636</u>	<u>\$ (1,284,969)</u>	<u>\$ (233,080)</u>	<u>\$ 82,505,587</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was charged to the following operations:

	2010	2009
Water	\$ 987,263	\$ 983,412
Sewer	1,036,269	1,027,098
General and administrative	174,535	170,956
Total	<u>\$ 2,198,067</u>	<u>\$ 2,181,466</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the years ended December 31, 2010 and 2009 was as follows:

	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Amounts Due Within One Year
CWRPDA loan - 1989	\$ 1,043,078	\$ -	\$ 581,493	\$ 461,585	\$ 461,585
CWRPDA loan - 2002	4,950,000	-	310,000	4,640,000	315,000
Refinancing note - 2003	1,922,583	-	1,922,583	-	-
Water rights lease - 2005	278,302	-	89,285	189,017	92,723
Water rights note - 2005	2,645,335	-	2,645,335	-	-
CWRPDA loan - 2005	4,105,000	-	185,000	3,920,000	195,000
Refinancing note - 2010	-	10,335,213	-	10,335,213	329,375
	<u>14,944,298</u>	<u>10,335,213</u>	<u>5,733,696</u>	<u>19,545,815</u>	<u>1,393,683</u>
Cost of loan refunding	-	(250,181)	-	(250,181)	(128,058)
Plus loan premium	208,020	-	19,052	188,968	18,369
Total long-term obligations	<u>\$ 15,152,318</u>	<u>\$ 10,085,032</u>	<u>\$ 5,752,748</u>	<u>\$ 19,484,602</u>	<u>\$ 1,283,994</u>

	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Amounts Due Within One Year
CWRPDA loan - 1989	\$ 1,586,186	\$ -	\$ 543,108	\$ 1,043,078	\$ 581,493
CWRPDA loan - 2002	5,255,000	-	305,000	4,950,000	310,000
Refinancing note - 2003	2,262,974	-	340,391	1,922,583	354,316
Water rights lease - 2005	364,277	-	85,975	278,302	89,286
Water rights note - 2005	2,751,828	-	106,493	2,645,335	111,818
CWRPDA loan - 2005	4,285,000	-	180,000	4,105,000	185,000
	<u>16,505,265</u>	<u>-</u>	<u>1,560,967</u>	<u>14,944,298</u>	<u>1,631,913</u>
Plus loan premium	227,733	-	19,713	208,020	19,052
Total long-term obligations	<u>\$ 16,732,998</u>	<u>\$ -</u>	<u>\$ 1,580,680</u>	<u>\$ 15,152,318</u>	<u>\$ 1,650,965</u>

Loan Agreements

On December 1, 1989, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (Authority) in the amount of \$6,905,000. Principal and interest payments are due quarterly in varying amounts through August 1, 2011 with the net effective interest rate of 4.635%. The District has the option to prepay the loan in multiples of \$100,000 plus prepayment costs.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The components of the loan interest expense for the years ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Interest	\$ 76,473	\$ 74,185
Administration fee	34,525	34,525
Earnings credit	(118,776)	(118,776)
Refunding credit	(49,751)	(9,624)
	<u>\$ (57,529)</u>	<u>\$ (19,690)</u>

On October 1, 2002, the District entered into a loan agreement with the 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 the loan interest expense for the years ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Interest	\$ 198,471	\$ 204,031
Administrative fee	56,360	56,360
Earnings credit	(98,204)	(99,994)
	<u>\$ 156,627</u>	<u>\$ 160,397</u>

On May 25, 2005, the District entered into a loan agreement with the Authority in the amount of \$4,800,000. Principal and interest payments are due semi-annually on February 1 and August 1 in varying amounts through August 1, 2026 with the net effective interest rate of 3.35%. The District has the option to prepay the loan in multiples of \$100,000 plus prepayment costs. The component of this loan interest expense for the years ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Interest	\$ 114,679	\$ 120,414
Administrative fee	38,400	38,400
	<u>\$ 153,079</u>	<u>\$ 158,814</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Water Enterprise Revenue Refunding Note, Series 2010, dated December 21, 2010 in the original amount of \$10,335,213 is due semi-annually on June 1 and December 1 in equal installments of principal and interest 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.

Proceeds of the note were used to (1) refund the District's Water Enterprise Revenue Refunding Note, Series 2003, (2) advance refund and defease the District's Water Enterprise Revenue Note, Series 2005, (3) partially provide for a debt service reserve fund, (4) provide funds for the costs of acquiring, constructing, relocating, installing, and completing water improvements and facilities, and (5) pay the costs of issuance of the loan.

Refunding

In addition to the above debt issues, other bonds previously issued by the District have either been currently refunded or been defeased by the issuance of the Water Enterprise Revenue Refunding Note, Series 2010. The details of the District's refundings are as follow:

On December 21, 2010, the District refunded and paid \$1,568,267 of Water Enterprise Revenue Refunding Note, Series 2003, dated August 18, 2003, with an interest rate of 4.05%. Restrictions on the monies restricted for the reserve account pertaining to the refunded note were removed.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

On December 21, 2010 the District advance refunded and defeased (debt legally satisfied) \$2,533,517 of Water Enterprise Revenue Note, dated December 20, 2005, with an interest rate of 5.00%. The defeased note is not considered a liability of the District since sufficient funds in the amount of \$2,752,931 were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased note until the call date, at which point the note will be repaid in its entirety from the remaining funds in the escrow account. The note will be redeemed on December 1, 2012. As of December 31, 2010, the outstanding principal balance of the note is \$2,533,517.

The District refunded the bonds in order to obtain a lower interest rate and to obtain additional funds for future capital projects. The District incurred a cost on the advance refunding in the amount of \$250,181, which has been deferred and is being amortized over the life of the defeased debt.

Capital Lease

The District has entered into a lease agreement as lessee for financing the acquisition of certain water rights. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

On September 30, 2005, the District entered into a capital lease obligation in the amount of \$753,547 for Denver Basin Groundwater Rights. The lease is on an annual basis, renewable for seven consecutive one-year periods with principal and interest payments of \$50,000 in 2006 and \$100,000 due annually through 2012. The effective interest rate on the lease is 3.85%.

The lease purchase agreement does not constitute a general obligation debt of the District as defined by Colorado Revised Statutes as there is an annual appropriation clause in the lease agreement.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

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

Year Ending December 31,	Principal	Interest	Total
2011	\$ 1,393,683	\$ 630,624	\$ 2,024,307
2012	978,272	688,703	1,666,975
2013	906,419	659,297	1,565,716
2014	931,435	632,787	1,564,222
2015	962,048	603,793	1,565,841
2016-2020	5,262,170	2,550,908	7,813,078
2021-2025	5,402,328	1,485,122	6,887,450
2026-2030	3,709,459	401,669	4,111,128
Total payments	19,545,814	7,652,903	27,198,717
Less amounts due within one year	(1,393,683)	(630,624)	(2,024,307)
Long-term portion	<u>\$ 18,152,131</u>	<u>\$ 7,022,279</u>	<u>\$ 25,174,410</u>

NOTE 7 - NET ASSETS

The District has net assets consisting of three components - invested in capital assets, net of related debt, restricted, and unrestricted.

Invested in capital assets, net of related debt 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, 2010 and 2009, the District had invested in capital assets, net of related debt of \$68,479,541 and \$67,353,269, respectively, calculated as follows:

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 7 - NET ASSETS (CONTINUED)

	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt:		
Capital assets, net	\$ 81,961,801	\$ 82,505,587
Current portion of long-term obligations	(1,283,994)	(1,650,965)
Noncurrent portion of long-term obligations	(18,200,608)	(13,501,353)
Unspent loan proceeds	6,002,342	-
Invested in capital asset, net of related debt	<u>\$ 68,479,541</u>	<u>\$ 67,353,269</u>

Restricted assets include net 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 restricted net assets of \$8,654,434 and \$3,116,488 as of December 31, 2010 and 2009, 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. During 2009, the District established a 401(A) Money Purchase Plan with ICMA Retirement Corporation. The plan is voluntary for all employees and allows a participant to invest a portion of their earnings tax deferred for the plan year.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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 \$227,520 and \$144,096, respectively, for 30 and 19 tap fees, respectively, collected during 2010 and 2009 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 2010, the District reimbursed \$5,066,112 for 668 taps, therefore, remaining future reimbursement is \$1,122,432 for 148 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 2010 and 2009, the District collected 29 and 19 taps, respectively, and paid \$23,200 and \$15,200 in 2010 and 2009, respectively.

Intergovernmental Agreement - Town of Castle Rock

On August 11, 2004, the District amended and restated, in its entirety, the original agreement by and between the District and the Town of Castle Rock (Town). The Town shall construct (or cause others to construct), at no cost to the District, the interceptor required to connect the point of individual discharge within the Town limits to the southern most point on the "Pinery West Line". The Town shall own and maintain that portion of the Town Interceptor between the points of individual discharge and the Flow Metering Station. The District shall own and maintain all lines and appurtenances from and including the Flow Metering Station to the Plant. During 2007, the Flow Metering Station was contributed to the District at a value of \$163,000. The District agrees to treat up to .29 million gallons per day average annual flow of wastewater discharged from the Town's sanitary sewer system exclusively from the Liberty Village Service Area. A flow metering station to measure the wastewater flows from the Liberty Village Service Area (FMS) shall be installed by the Town, at the Town's expense, in conjunction with the Town's construction and connection of the Town Interceptor. On or before the 10th day of each

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

month, the Town shall forward to the District a list of residential tap connections made in the Liberty Village Service Area for the preceding month. For each residential sewer tap that is not utilized within ten (10) years of the first tap connection made within the Liberty Village Service Area pursuant to the Agreement, beginning January 1st of the eleventh (11th) year, a monthly fee-in-lieu of service charge shall be assessed in an amount equivalent to 50% of what would have been assessed as the monthly service charge, had the sewer tap been connected. Such monthly fee-in-lieu of service charge shall be assessed upon 1,245 single family residential sewer taps less the number of such taps then in service for which a monthly service charge is paid to the District as provided below. Each tap shall continue to be charged such fee until one of the following occurs: (1) such tap is placed in service and a monthly service charge is paid to the District, or (2) all right, title and interest to such tap is transferred to the District, free and clear of liens and encumbrances which transfer the District shall accept, provided, however, that the District shall not be required to accept transfer of more than 150 single family residential sewer taps without the express consent of the District. The District will impose and collect user charges for the services provided by the District under the Agreement (the Service Charges). The service charges shall be based upon the wastewater flows measured at the FMS, applying the current schedule of rates set forth by the District. As of December 31, 2010, 155 taps have been issued.

Intergovernmental Agreement - Canyons

On December 23, 2004, the District entered into an agreement with the Mississippi Partnership (the Developer) in connection with the property known as "The Canyons". This agreement has the ability to be assigned to any successor Developers and Sub-Developers as well as to the Metropolitan Districts, Crowfoot Valley Metropolitan Districts No. 1 and No. 2, or to any other special district empowered to provide sanitary sewer services to the property. The Developer shall construct, at no cost to the District, the interceptor line required to connect the points of individual sewage discharge within the Property to a point of connection with the District's sewer system. The parties acknowledge and agree that the property located immediately to the east and north of the Property is to be served with sanitary sewer services by the District through an agreement by and between the District and Pinery West Metropolitan District No. 1 (Pinery West). Based upon the anticipated construction by the Developer, the District shall sell and the Developer has agreed to purchase 968 single family equivalent units of wastewater treatment capacity. As payment for such the Developer agrees 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%. During 2005, the Developer prepaid the 2006 obligation in the amount of \$160,600. The District agrees to treat up to .24 million gallons per day (mgd) average annual flow of wastewater, but not more than .27 mgd monthly average flow of wastewater

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

discharged from the Developer's sanitary sewer system from the Property. On September 23, 2005, the Developer provided an irrevocable letter of credit in the amount of \$2,715,000 to the District for security. The letter of credit has been reissued five times and now expires in February 2012. The District authorized the letter of credit bank to reduce the amount to \$2,390,969. The letter of credit may be substituted by general obligation debt issued by a Title 32 Special District, which meets all of the requirements as set forth in Paragraph 14 in the agreement. The District agrees to furnish wastewater treatment capacity for wastewater facilities associated with the golf course to be located on the Property. The Developer shall pay to the District such tap fees and any other fees and charges imposed by the District at such time as the golf course wastewater facilities are installed. The taps may not be used or assigned for any service outside of the Property. The District shall have the exclusive obligation to maintain or develop sufficient treatment capacity to enable it to honor the taps. The District may, with consent of the Developer, repurchase any taps which are not utilized within ten years of the date of issuance at the original amount paid for the taps; provided however, that at the tenth anniversary date of the issuance of the first certificate, 500 taps have been utilized, the District's option to repurchase taps shall not become effective unless such taps are not utilized fifteen years after the date of their issuance. In 2009, the District received \$217,600, consisting of \$161,897 interest and \$55,703, in principal, in connection with this agreement. In 2008, the District received \$205,600, consisting of \$108,632 interest and \$96,968, in principal, in connection with this agreement. In 2009, the agreement was amended to include monthly service charges for sewer usage which charges are the sole responsibility of the Developer. Additionally, for unutilized taps, 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%. During 2009 and 2010, \$23,247 and \$26,786, respectively, of deferred charges were added to the note receivable associated with this agreement.

Intergovernmental Agreement - The Timbers

On January 25, 2005, the District entered into an agreement with the Pinery Joint Venture (the Developer) in connection with the property known as "The Timbers". This agreement is intended to provide for the equitable financial participation of the Developer in the District's construction of a 750,000 gallon water storage tank with associated facilities at Reservoir 4. In order to facilitate construction of Reservoir 4, the Developer agrees to pay the sum of \$800,000 to the District which will be reimbursed to the Developer in the form of a credit against future tap fees. Prior to the date of this agreement, the Developer has conveyed to the District three permanent easements. That portion of the property on which said easements are located has not

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

yet been platted; however, the Developer intends to subject the same to a final plat at some date in the future. It is the intention of the parties that the property will be conveyed in fee simple to the District by special warranty deed, free and clear of liens and encumbrances at the time of the occurrence of the earlier of the following events: (1) said property is platted as a separate tract pursuant to an approved final plat which is recorded for the public record; (2) the District and Developer, in cooperation are able to secure an exemption from applicable state and county subdivision regulations (from Douglas County); (3) the District and Developer in cooperation, are able to secure written acknowledgement from Douglas County that inasmuch as the said property could have been created as a separate interest pursuant to the District's powers of eminent domain that the applicable provisions of state and county regulations do not apply; within 45 days the Developer will convey the property to the District free and clear of all liens and encumbrances and will furnish to the District a title policy with the standard exceptions deleted therefrom. At such time as the property is platted, the Developer agrees to dedicate such permanent easements free and clear of all liens and encumbrances, to the use of the District on the final plat. It is anticipated that the property will be conveyed to the District in 2011. As an additional consideration for this agreement, the District and Developer have entered into an agreement entitled "Agreement to Buy and Sell Real Estate".

During 2005, the District constructed Reservoir 4 and the Developer has paid the agreed upon sum of \$800,000 to the District. This amount is eligible for reimbursement through a portion of the tap fees paid by the owners of lots within the property from and after January 1, 2005. The amount to be allocated from tap fees towards such reimbursable items shall be set at \$4,500 per tap and will not be subject to adjustments at the time the District initiates an increase in its tap fee structure. As of December 31, 2010, the District has reimbursed the Developer \$441,000.

Intergovernmental Agreement - Colorado Golf Club

On September 13, 2006, the District entered into a subdivision improvements agreement and amendment to developer service agreement with Colorado Golf Club LLC (Developer). The Developer is developing the Colorado Golf Club within the District. Under this agreement, the Developer will convey to the District certain water rights totaling 1,004 acre feet and will convey certain exclusive easement rights providing the District with access to and from, and the right to drill, install, construct, operate, and maintain six water wells upon six separate sites. Additionally, the Developer will convey to the District an exclusive easement, with an option to purchase, for the purposes of enabling the District to construct, install, operate, and maintain a water tank upon a water tank site for use by the District in connection with its provision of services.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

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

Intergovernmental Agreement - Reata South Metropolitan District

On September 13, 2006, the District entered into an agreement with Reata South Metropolitan District (Reata) to share in the cost of constructing sanitary sewer facilities serving the District and Reata. The District's share of the main sewer line will be initially 78% of the total cost and 100% of any required line extensions. During 2006, the District deposited \$1,215,020 into a construction escrow account for its share of the cost of the facilities. During 2006 and 2007, Reata deposited \$220,126. The escrow agent will periodically fund construction costs upon authorization of both the District and Reata. Upon substantial completion and inspection of the sanitary sewer facilities, Reata will convey its interest in the facilities to the District. The final construction disbursement from the escrow account was paid in January 2010 and the remaining funds were transferred to the District and Reata.

NOTE 10 - OTHER AGREEMENTS - STANEK CONSTRUCTORS, INC.

On June 6, 2007, the District entered into an escrow agreement with Stanek Constructors, Inc. (Contractor) and Wells Fargo Bank N.A (Escrow Agent) to set up an escrow account for construction of the Pinery Wastewater Treatment Plant Phase II Process Improvements, as a substitution of acceptable securities for the retainage withheld to assure satisfactory completion of the Improvements. The Contractor is responsible for all fees charged by the Escrow Agent for servicing the escrow account. All interest and income paid on the funds deposited with the Escrow Agent will be paid to the Contractor less the service charges. The Escrow Agent will hold all the funds deposited in the account until the District gives the Escrow Agent written authorization to deliver all or a portion of the funds and securities to the Contractor. The District has all right, title, and interest to all of the funds and securities which are deposited with the Escrow Agent pursuant to the agreement. The District has assessed liquidating damages due to the non-timely completion of Phase II of the wastewater treatment plan. The Contractor filed a complaint against the District, seeking release of retainage, payment of change orders, and an order to invalidate liquidated damages. The matter was settled in March 2010, with \$400,000 being released to the Contractor and the remaining \$134,293 being returned to the District.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 11 - AUTHORITY PARTICIPATION

The District is a member of the Douglas County Water Resource Authority, 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 \$65,841 in 2010 and \$88,421 in 2009.

NOTE 12 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2009. 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.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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

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

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

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

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

SUPPLEMENTAL INFORMATION

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
WATER OPERATIONS		
Revenues		
Water sales	\$ 3,503,412	\$ 2,585,279
Irrigation and hydrant fees	678,153	428,144
Ground water protection fees	21,912	22,216
IREA rebates	-	75,958
Other	13,745	50,947
Total revenues	<u>4,217,222</u>	<u>3,162,544</u>
Direct water expenses		
Depreciation	987,263	983,412
Auto expenses/vehicle maintenance	30,675	28,399
Communications	9,303	8,208
Employee benefits	179,517	150,249
Laboratory testing and chemicals	134,230	138,744
Legal	26,666	22,298
Outside services	6,540	50,688
Payroll taxes	40,125	40,871
Repairs, maintenance and supplies	358,609	326,961
Salaries and related costs	526,592	484,215
Small tools and safety items	3,531	5,426
Utilities	597,161	380,394
Total direct water expenses	<u>2,900,212</u>	<u>2,619,865</u>
Gross profit from water operations	<u>1,317,010</u>	<u>542,679</u>
SEWER OPERATIONS		
Revenues		
Sewer user charges	1,659,388	1,519,011
Other	400	380
Total revenues	<u>1,659,788</u>	<u>1,519,391</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

Years Ended December 31, 2010 and 2009

(Continued)

	<u>2010</u>	<u>2009</u>
Direct sewer expenses		
Depreciation	1,036,269	1,027,098
Auto expenses/vehicle maintenance	9,199	9,441
Cherry Creek Basin fees	12,760	12,610
Communications	3,145	2,998
Employee benefits	81,672	74,592
Laboratory testing and chemicals	75,272	97,219
Outside services	1,819	17,970
Reata escrow closure	2,987	-
Repairs and maintenance - System	65,364	92,799
Repairs and maintenance - Plant	104,037	43,664
Salaries and related costs	254,294	240,623
Payroll taxes	19,062	18,254
Sludge disposal	37,700	47,269
Small tools and safety items	749	1,716
Utilities	195,788	176,186
Total direct sewer expenses	<u>1,900,117</u>	<u>1,862,439</u>
Gross (loss) from sewer operations	<u>(240,329)</u>	<u>(343,048)</u>
Total gross income from operations	<u>1,076,681</u>	<u>199,631</u>
 GENERAL AND ADMINISTRATIVE EXPENSES		
Depreciation - Office building and equipment	174,535	170,956
Accounting and audit	106,167	102,130
Admin vehicle	937	1,137
Billing systems service	10,520	4,775
Data processing	23,210	19,780
Directors' fees	7,700	7,200
Dues and seminars	38,909	28,978
Employee benefits	99,293	83,106
Insurance	75,248	91,275
Legal	226,697	296,047
Miscellaneous	6,947	8,325

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

Year Ended December 31, 2010 and 2009

(Continued)

	<u>2010</u>	<u>2009</u>
Office expense	17,924	21,229
Outside services	31,200	-
Repairs and maintenance - Office	15,890	12,508
Salaries and related costs	309,200	287,725
Payroll taxes	20,319	20,297
Safety and training	18,635	13,126
Security services	17,719	22,887
Conservation	-	3,646
Customer communications	17,930	18,036
Telephone and utilities	8,883	7,768
CCPWA assessment	53,784	69,893
SMWSA	12,057	18,528
Total general and administrative expenses	<u>1,293,704</u>	<u>1,309,352</u>
(LOSS) FROM OPERATIONS	<u>(217,023)</u>	<u>(1,109,721)</u>
NONOPERATING REVENUES		
Net investment income	28,537	43,965
Ready to serve fees - Water	37,507	41,963
Ready to serve fees - Sewer	33,712	37,550
Cherry Creek Project Water Authority	62,024	53,595
Other income	158,735	142,307
Net gain (loss) on disposition of assets	5,135	-
Total nonoperating revenues	<u>325,650</u>	<u>319,380</u>
NONOPERATING EXPENSES		
Interest and paying agent fees	473,582	512,647
Amortization	(5,244)	15,927
Total nonoperating expenses	<u>468,338</u>	<u>528,574</u>
(LOSS) BEFORE CONTRIBUTIONS	<u>(359,711)</u>	<u>(1,318,915)</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

Years Ended December 31, 2010 and 2009

(Continued)

	<u>2010</u>	<u>2009</u>
CAPITAL CONTRIBUTIONS		
Tap fees - Water	789,930	541,236
Tap fees - Sewer	330,260	240,961
Cost recovery payments	(252,136)	(166,196)
Reimbursable projects	23,200	17,600
Canyon's revenue	127,528	125,545
Contributions	100,000	-
Total capital contributions	<u>1,118,782</u>	<u>759,146</u>
 CHANGE IN NET ASSETS	 <u><u>\$ 759,071</u></u>	 <u><u>\$ (559,769)</u></u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2010

	Budget			
	Original	Final	Actual	Variance
WATER OPERATING INCOME				
Water sales	\$3,300,000	\$ 3,300,000	\$ 3,503,412	\$ 203,412
Irrigation and hydrant fees	614,250	614,250	678,153	63,903
Ground water protection fees	22,230	22,230	21,912	(318)
IREA rebates	15,000	15,000	-	(15,000)
Other	15,000	15,000	13,745	(1,255)
Total water operating income	3,966,480	3,966,480	4,217,222	250,742
WATER OPERATING EXPENSES				
Auto expenses/vehicle maintenance	48,000	48,000	30,675	17,325
Communications	12,500	12,500	9,303	3,197
Employee benefits	166,092	166,092	179,517	(13,425)
Laboratory testing and chemicals	160,000	160,000	134,230	25,770
Legal	20,000	20,000	26,666	(6,666)
Outside services	80,000	80,000	6,540	73,460
Payroll taxes	39,134	39,134	40,125	(991)
Repairs, maintenance and supplies	250,000	250,000	358,609	(108,609)
Salaries and related costs	494,926	494,926	526,592	(31,666)
Small tools and safety items	8,500	8,500	3,531	4,969
Utilities	615,000	615,000	597,161	17,839
Total water operating expenses	1,894,152	1,894,152	1,912,949	(18,797)
Gross profit from water operations	2,072,328	2,072,328	2,304,273	231,945
SEWER OPERATING INCOME				
Sewer user charges	1,569,750	1,569,750	1,659,388	89,638
Other	4,500	4,500	400	(4,100)
Total sewer operating income	1,574,250	1,574,250	1,659,788	85,538
SEWER OPERATING EXPENSES				
Auto expenses/vehicle maintenance	15,000	15,000	9,199	5,801
Cherry Creek Basin fees	13,000	13,000	12,760	240
Communications	4,000	4,000	3,145	855

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2009
(Continued)

	Budget			
	Original	Final	Actual	Variance
Employee benefits	80,325	80,325	81,672	(1,347)
Laboratory testing and chemicals	110,000	110,000	75,272	34,728
Legal	5,000	5,000	-	5,000
Outside services	15,000	15,000	1,819	13,181
Reata escrow closure	-	-	2,987	(2,987)
Repairs and maintenance - System	75,000	75,000	65,364	9,636
Repairs and maintenance - Plant	75,000	75,000	104,037	(29,037)
Salaries and related costs	254,310	254,310	254,294	16
Payroll taxes	19,455	19,455	19,062	393
Sludge disposal	56,000	56,000	37,700	18,300
Small tools and safety items	6,500	6,500	749	5,751
Utilities	215,000	215,000	195,788	19,212
Total sewer operating expenses	943,590	943,590	863,848	79,742
Gross profit from sewer operations	630,660	630,660	795,940	165,280
Gross profit from operations	2,702,988	2,702,988	3,100,213	397,225
NONOPERATING REVENUES				
Net investment income	20,000	20,000	28,537	8,537
Ready to serve fees - Water	35,000	35,000	37,507	2,507
Ready to serve fees - Sewer	35,000	35,000	33,712	(1,288)
Late charges	60,000	60,000	84,758	24,758
Cherry Creek Project Water Authority	81,000	81,000	62,024	(18,976)
Other income	50,000	50,000	73,977	23,977
Proceeds from asset disposition	-	-	5,135	5,135
Variance fees	100	100	-	(100)
Contributed facilities	-	-	100,000	100,000
Loan proceeds	-	10,335,213	10,335,213	-
Contributions in aid of construction				
Tap fees - Water	434,700	434,700	789,930	355,230
Tap fees - Sewer	193,200	193,200	330,260	137,060
Canyons revenue	230,000	230,000	229,648	(352)
Reimbursable projects	16,000	16,000	23,200	7,200
Total nonoperating revenue	1,155,000	11,490,213	12,133,901	643,688

(Continued)

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

Year Ended December 31, 2010

(Continued)

	Budget			
	Original	Final	Actual	Variance
NONOPERATING EXPENSES				
Accounting and audit	100,000	100,000	106,167	(6,167)
Admin vehicle	1,200	1,200	937	263
Billing systems service	5,000	5,000	10,520	(5,520)
Data processing	30,000	30,000	23,210	6,790
Directors' fees	7,500	7,500	7,700	(200)
Dues and seminars	33,000	33,000	38,909	(5,909)
Employee benefits	93,158	93,158	99,293	(6,135)
Insurance	76,000	76,000	75,248	752
Legal	200,000	200,000	226,697	(26,697)
Miscellaneous	5,000	5,000	6,947	(1,947)
Office expense	22,000	22,000	17,924	4,076
Outside services	-	-	31,200	(31,200)
Repairs and maintenance - Office	10,000	10,000	15,890	(5,890)
Salaries and related costs	310,000	310,000	309,200	800
Payroll taxes	23,715	23,715	20,319	3,396
Safety and training	15,000	15,000	18,635	(3,635)
Security services	24,000	24,000	17,719	6,281
Conservation	10,000	10,000	-	10,000
Customer communications	24,000	24,000	17,930	6,070
Telephone and utilities	8,200	8,200	8,883	(683)
CCPWA assessment	75,400	75,400	53,784	21,616
SMWSA	50,000	50,000	12,057	37,943
Total nonoperating expenses	<u>1,123,173</u>	<u>1,123,173</u>	<u>1,119,169</u>	<u>4,004</u>
DEBT SERVICE				
Interest				
Refinancing note - 2003	68,334	68,334	78,966	(10,632)
Western water rights note - 2005	131,801	131,801	121,244	10,557
Water rights lease - 2005	9,855	9,855	9,855	-
CWRPDA loan - 2005	153,079	153,079	153,079	-
CWRPDA loan - 1989	(57,529)	(57,529)	(57,529)	-
CWRPDA loan - 2002	156,627	156,627	156,627	-
Revenue note - 2010	-	-	11,340	(11,340)

(Continued)

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

Year Ended December 31, 2010

(Continued)

	Budget			
	Original	Amounts	Actual	Variance
Principal				
Refinancing note - 2003	354,316	1,600,000	1,922,583	(322,583)
Western water rights note - 2005	111,818	2,600,000	2,645,335	(45,335)
Water rights lease - 2005	89,285	89,285	89,285	-
CWRPDA loan - 2005	185,000	185,000	185,000	-
CWRPDA loan - 1989	581,493	581,493	581,493	-
CWRPDA loan - 2002	310,000	310,000	310,000	-
Payment to refunding escrow	-	300,000	219,415	80,585
Loan issue costs	-	156,127	156,662	(535)
Total debt service	<u>2,094,079</u>	<u>6,284,072</u>	<u>6,583,355</u>	<u>(299,283)</u>
CAPITAL OUTLAY				
Water projects				
Cost recovery payments	114,340	114,340	252,136	(137,796)
Water supply and treatment	3,208,700	3,208,700	1,354,105	1,854,595
Total water projects	<u>3,323,040</u>	<u>3,323,040</u>	<u>1,606,241</u>	<u>1,716,799</u>
Sewer projects				
Sewer projects	<u>-</u>	<u>-</u>	<u>44,729</u>	<u>(44,729)</u>
Wastewater Treatment Plant	<u>98,000</u>	<u>98,000</u>	<u>201,750</u>	<u>(103,750)</u>
General				
Building	-	-	4,915	(4,915)
Capital salaries	114,873	114,873	-	114,873
GIS program	173,100	173,100	1,905	171,195
Vehicles	46,000	46,000	43,628	2,372
Land and right of ways	-	-	3,250	(3,250)
Total general	<u>333,973</u>	<u>333,973</u>	<u>53,698</u>	<u>280,275</u>
Total capital outlay	<u>3,755,013</u>	<u>3,755,013</u>	<u>1,906,418</u>	<u>1,848,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,114,277)	3,030,943	5,625,172	2,594,229

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)**

Year Ended December 31, 2010

(Continued)

	Budget			
	Original	Amounts	Actual	Variance
FUNDS AVAILABLE - BEGINNING	<u>7,464,864</u>	<u>7,425,673</u>	<u>7,425,673</u>	<u>-</u>
FUNDS AVAILABLE - ENDING	<u><u>\$4,350,587</u></u>	<u><u>\$10,456,616</u></u>	<u><u>\$13,050,845</u></u>	<u><u>\$ 2,594,229</u></u>

**FUNDS AVAILABLE ARE DEFINED
AS FOLLOWS**

Current assets	\$13,763,118
Less current liabilities	(1,870,259)
Adjustment for:	
Current maturities of notes receivable	(133,033)
Current long-term obligations	1,283,994
Adjustment to long-term receivable	6,994
Other	31
	<u><u>\$13,050,845</u></u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)**

Year Ended December 31, 2010

(Continued)

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

Revenues (budgetary basis)	\$ 18,010,911
Cost recovery payments	(252,136)
Note receivable principal revenue	(102,120)
Loan Proceeds	<u>(10,335,213)</u>
Total revenues per Statement of Revenues, Expenses and Change in Net Assets	<u>7,321,442</u>
Expenditures (budgetary basis)	12,385,739
Depreciation	2,198,067
Bond issuance costs	(156,662)
Payment to refunding escrow	(219,415)
Amortization - Bond issue costs	13,809
Amortization - Loan premium	(19,052)
Capital outlay	(1,906,419)
Long-term debt principal	<u>(5,733,696)</u>
Total expenses per Statement of Revenue, Expenses and Change in Net Assets	<u>6,562,371</u>
Change in net assets per Statement of Revenue, Expenses and Change in Net Assets	<u>\$ 759,071</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, 2010

ENTERPRISE REVENUES

Water operating income	\$ 4,217,222
Sewer operating income	1,659,788
Net investment income	28,537
Other income	297,113
Contributed facilities	100,000
Loan proceeds	10,335,213
Contributions in aid of construction	1,373,038
Total enterprise revenues	<u>18,010,911</u>

ENTERPRISE EXPENDITURES

Water operating expenses	1,912,949
Sewer operating expenses	863,848
Nonoperating expenses	1,081,526
Debt service	
Principal	5,424,058
Interest	504,216
Payment to refunding escrow	219,415
Loan issue costs	156,662
Capital outlay	1,906,418
Total enterprise expenditures	<u>12,069,091</u>

**EXCESS ENTERPRISE REVENUES OVER ENTERPRISE
EXPENDITURES**

5,941,820

ENTERPRISE FUNDS AVAILABLE - BEGINNING OF YEAR

6,491,816

ENTERPRISE FUNDS AVAILABLE - END OF YEAR

\$ 12,433,636

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, 2010

GENERAL REVENUES	\$ -
GENERAL EXPENDITURES	
Accounting and audit	3,716
Directors' fees	7,700
Dues and seminars	1,362
Employee benefits	3,475
Insurance	2,634
Legal	7,934
Salaries and related costs	10,822
Debt service	
CWRPDA loan 1989 - Principal	309,638
CWRPDA loan 1989 - Interest	(30,634)
Total general expenditures	<u>316,648</u>
EXCESS GENERAL REVENUES (UNDER) GENERAL EXPENDITURES	(316,648)
GENERAL FUNDS AVAILABLE - BEGINNING OF YEAR	<u>933,857</u>
GENERAL FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 617,209</u></u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2010

\$6,905,000 Loan Dated December 1, 1989 Colorado Water Resources and Power Development Authority Interest Rates of 5.95% to 7.00% Principal and Interest Payable February 1 May 1, August 1 and November 1			\$7,045,000 Loan Dated October 1, 2002 Colorado Water Resources and Power Development Authority Interest Rates of 2.00% to 4.75% Principal and Interest Payable February 1 and August 1		
December 31,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 461,585	\$ (63,013)	\$ 315,000	\$ 154,276	
2012	-	-	320,000	149,787	
2013	-	-	325,000	144,827	
2014	-	-	330,000	139,790	
2015	-	-	335,000	133,025	
2016	-	-	340,000	126,157	
2017	-	-	350,000	119,187	
2018	-	-	355,000	112,012	
2019	-	-	365,000	104,380	
2020	-	-	370,000	96,167	
2021	-	-	380,000	86,307	
2022	-	-	410,000	57,027	
2023	-	-	445,000	25,437	
2024	-	-	-	-	
2025	-	-	-	-	
2026	-	-	-	-	
2027	-	-	-	-	
2028	-	-	-	-	
2029	-	-	-	-	
2030	-	-	-	-	
Total	<u>\$ 461,585</u>	<u>\$ (63,013)</u>	<u>\$ 4,640,000</u>	<u>\$ 1,448,379</u>	

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2010

\$4,800,000 Loan
Dated May 25, 2005
Colorado
Water Resources
and Power Development
Authority Interest
Rates of 3.35%
Principal and Interest
Payable February 1
and August 1

\$10,335,213 Water
Enterprise Revenue
Refunding Note,
Series 2010 Dated
December 21, 2010 Interest
Rate of 3.95% Principal
and Interest Payable
June 1 and December 1

December 31,	Principal	Interest	Principal	Interest
2011	\$ 195,000	\$ 149,680	\$ 329,375	\$ 382,404
2012	200,000	143,538	361,979	391,671
2013	205,000	137,239	376,419	377,231
2014	210,000	130,782	391,435	362,215
2015	220,000	124,168	407,048	346,600
2016	225,000	117,238	423,288	330,362
2017	230,000	110,151	440,174	313,476
2018	240,000	102,908	457,734	295,917
2019	245,000	95,948	475,993	277,656
2020	250,000	90,682	494,981	258,667
2021	260,000	83,432	514,728	238,922
2022	265,000	75,892	535,261	218,389
2023	275,000	69,534	556,614	197,035
2024	280,000	62,248	578,818	174,831
2025	300,000	44,328	601,907	151,740
2026	320,000	22,879	625,921	127,729
2027	-	-	650,890	102,760
2028	-	-	676,855	76,794
2029	-	-	703,857	49,793
2030	-	-	731,936	21,714
Total	<u>\$ 3,920,000</u>	<u>\$ 1,560,647</u>	<u>\$ 10,335,213</u>	<u>\$ 4,695,906</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2010

\$753,547 Lease
Dated September 30, 2005
Wells Fargo
Brokerage Services, LLC
Rate of 3.85%
Principal and Interest
Payable September 30

December 31,			Total			
	Principal	Interest	Principal	Interest	Total	
2011	\$ 92,723	\$ 7,277	\$ 1,393,683	\$ 630,624	\$ 2,024,307	
2012	96,293	3,707	978,272	688,703	1,666,975	
2013	-	-	906,419	659,297	1,565,716	
2014	-	-	931,435	632,787	1,564,222	
2015	-	-	962,048	603,793	1,565,841	
2016	-	-	988,288	573,757	1,562,045	
2017	-	-	1,020,174	542,814	1,562,988	
2018	-	-	1,052,734	510,837	1,563,571	
2019	-	-	1,085,993	477,984	1,563,977	
2020	-	-	1,114,981	445,516	1,560,497	
2021	-	-	1,154,728	408,661	1,563,389	
2022	-	-	1,210,261	351,308	1,561,569	
2023	-	-	1,276,614	292,006	1,568,620	
2024	-	-	858,818	237,079	1,095,897	
2025	-	-	901,907	196,068	1,097,975	
2026	-	-	945,921	150,608	1,096,529	
2027	-	-	650,890	102,760	753,650	
2028	-	-	676,855	76,794	753,649	
2029	-	-	703,857	49,793	753,650	
2030	-	-	731,936	21,714	753,650	
Total	<u>\$ 189,016</u>	<u>\$ 10,984</u>	<u>\$ 19,545,814</u>	<u>\$ 7,652,903</u>	<u>\$ 27,198,717</u>	

OTHER SUPPLEMENTAL INFORMATION

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTAL INFORMATION
December 31, 2010

AD VALOREM PROPERTY TAX DATA

HISTORY OF THE DISTRICT'S MILL LEVY

Levy/ Collection Year	Debt Service
2001/2002	10.000
2002/2003	8.800
2003/2004	8.800
2004/2005	3.150
2005/2006	3.150
2006/2007	1.900
2007/2008	0.000
2008/2009	0.000
2009/2010	0.000
2010/2011	0.000

HISTORY OF DISTRICT'S ASSESSED VALUATION

Levy/ Collection Year	Assessed Valuation	Increase (Decrease)	Percent Change
2001/2002	\$ 89,652,819	\$ 15,884,391	21.5%
2002/2003	97,482,505	7,829,686	8.7%
2003/2004	102,453,235	4,970,730	5.1%
2004/2005	108,898,520	6,445,285	6.3%
2005/2006	124,506,210	15,607,690	14.3%
2006/2007	140,866,660	16,360,450	13.1%
2007/2008	166,876,427	26,009,767	18.5%
2008/2009	184,608,610	17,732,183	10.6%
2009/2010	194,234,310	9,625,700	5.2%
2010/2011	197,048,900	2,814,590	1.4%

(Continued)

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

December 31, 2010

(Continued)

AD VALOREM PROPERTY TAX DATA

HISTORICAL PROPERTY TAX COLLECTIONS

Levy/ Collection Year	Taxes Levied	Current Taxes Collected	Percent of Levy Collected
2000/2001	\$ 1,401,600	\$ 1,412,900	100.81%
2001/2002	896,528	907,238	101.19%
2002/2003	857,846	866,529	101.01%
2003/2004	901,588	908,758	100.80%
2004/2005	343,030	352,304	102.70%
2005/2006	392,195	382,607	97.56%
2006/2007	267,647	276,336	103.25%
2007/2008	-	33	n/a
2008/2009	-	-	n/a
2009/2010	-	-	n/a

The District received additional property taxes as a result of HB1006, which provided for acceleration of taxes on "new growth" valuation up through six months of the levy year which is not included in the taxes levied but is a part of current taxes collected.

SYSTEM ACCOUNTS

Classification	Number of Accounts	Percent of Total Accounts
Residential	4,128	90.65%
Commercial	31	0.68%
Irrigation only	58	1.27%
Vacant lots	337	7.40%
Total	<u>4,554</u>	<u>100.00%</u>

(Continued)

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

December 31, 2010

(Continued)

CHARGES FOR WATER SERVICE

WATER RATES AND CHARGES

(In Effect as of January 1, 2010 Through December 31, 2010)

Residential (Bimonthly)

Base Rate	\$50.00
0 - 6,000 gallons	\$50.00 + \$2.00/1,000 gallons
6,001 - 40,000 gallons	\$62.00 + \$2.90/1,000 gallons
40,001 - 60,000 gallons	\$160.60 + \$3.65/1,000 gallons
60,001 - 100,000 gallons	\$233.60 + \$4.75/1,000 gallons
100,000 - 120,000 gallons	\$423.60 + \$6.50/1,000 gallons
Over 120,000 gallons	\$553.60 + \$13.00/1,000 gallons

Commercial (Monthly)

Meter Size	<u>\$2.00/1,000 gallons</u>		<u>\$2.90/1,000 gallons</u>		<u>\$3.65/1,000 gallons</u>		<u>\$4.75/1,000 gallons</u>		<u>\$6.50/1,000</u>
	<u>Base Rate</u>	<u>Maximum Gallons</u>	<u>Minimum Gallons</u>	<u>Maximum Gallons</u>	<u>Minimum Gallons</u>	<u>Maximum Gallons</u>	<u>Minimum Gallons</u>	<u>Maximum Gallons</u>	<u>Gallons over</u>
3/4" (1)	\$ 25.00	3,000	3,001	20,000	20,001	30,000	30,001	50,000	50,001
1" (2)	41.30	6,000	6,001	40,000	40,001	60,000	60,001	100,000	100,001
1-1/2" (4)	58.70	12,000	12,001	80,000	80,001	120,000	120,001	200,000	200,001
2" (7)	83.70	21,000	21,001	140,000	140,001	210,000	210,001	350,000	350,001
3" (16)	158.70	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	\$25.00
All usage	\$2.42/1,000 gallons

Golf Courses

Base Rate	\$25.00
All usage	\$2.26/1,000 gallons for usage up to 150 AF per year for each 9 holes. For usage greater than 150 AF the rate becomes \$3.94/1,000 gallons (applies to Pinery CC)

Ready to Serve "Standby Fee" (Bimonthly)

Water and sewer	Water \$17.34 each Sewer \$16.00 each
Water only	\$18.00 each

REVENUE FROM WATER SALES

<u>Year</u>	<u>Gallons Used (in 000s)</u>	<u>Average Water Rates in Effect (per 1,000 Gallons)</u>	<u>Revenue from Water Sales</u>
1999	656,000	1.82	\$ 1,195,279
2000	804,000	1.89	1,517,783
2001	858,903	1.78	1,531,487
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

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTAL INFORMATION
December 31, 2010
(Continued)

CHARGES FOR WASTEWATER SERVICE

WASTEWATER RATES AND CHARGES
(In Effect as of January 1, 2010 Through December 31, 2010)

Residential (Bimonthly)

Billing for a calendar year is based on winter water use as determined by customer's two-month billing cycle

0 - 6,000 gallons	\$51.45
Over 6,000 gallons	\$75.60

Commercial (Monthly based on water meter reading)

<u>Tap Size</u>	<u>Base Rate</u>	<u>Base Use Gallons</u>
3/4" Diameter	\$ 44.36	9,000
1" Diameter	\$ 77.70	18,000
1-1/2" Diameter	\$ 143.85	36,000
2" Diameter	\$ 243.60	63,000
3" Diameter	\$ 540.75	144,000

Usage over base amount of \$3.85/1,000 gallons

(Continued)

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

December 31, 2010

(Continued)

CHARGES FOR WASTEWATER SERVICE

REVENUE FROM WASTEWATER CHARGES

<u>Year</u>	Users of Wastewater Services Average Number of Taps During the Year	Revenue from Water Wastewater Charges
2001	2,900	\$ 830,141
2002	3,086	854,511
2003	3,199	869,197
2004	3,302	927,696
2005	3,585	1,034,446
2006	3,773	1,114,160
2007	3,839	1,208,839
2008	3,901	1,352,717
2009	3,949	1,519,391
2010	3,972	1,659,788

(Continued)

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

December 31, 2010

(Continued)

ADDITIONAL CHARGES AND FEES OF THE SYSTEM

WATER AND WASTEWATER TAP AND CONNECTION FEES

(In Effect as of January 1, 2010 Through December 31, 2010)

RESIDENTIAL (per SFE with 3/4" Meter)

Water fee	\$	21,735
Sewer fee		9,660
Total fee	\$	<u>31,395</u>

COMMERCIAL

<u>Meter Size</u>	<u>Water Fee</u>	<u>Sewer Fee</u>	<u>Total Fee</u>
3/4" (1)	\$ 21,735	\$ 9,660	\$ 31,395
1" (2)	43,470	19,320	62,790
1-1/2" (4)	96,940	38,640	135,580
2" (7)	152,145	67,620	219,765
3" (16)	347,760	154,560	502,320

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/Reata	800	-
Colorado Golf Club	800	-

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTAL INFORMATION

December 31, 2010

(Continued)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
OPERATING REVENUE						
Water and sewer charges	\$ 2,881,535	\$ 3,146,442	\$ 3,335,137	\$ 3,760,589	\$ 4,104,290	\$ 5,162,800
Irrigation, hydrant fees and other	574,574	878,680	676,564	705,861	577,645	714,210
Total operating revenue	<u>3,456,109</u>	<u>4,025,122</u>	<u>4,011,701</u>	<u>4,466,450</u>	<u>4,681,935</u>	<u>5,877,010</u>
OPERATING EXPENSES						
Depreciation	1,533,420	1,728,919	1,936,122	2,014,638	2,181,466	2,198,067
Auto expenses/vehicle maintenance	43,640	55,160	63,639	60,559	38,977	40,811
Salaries and wages	898,665	961,535	1,028,204	1,108,462	1,012,563	1,090,086
Payroll taxes	64,169	66,798	73,185	82,395	79,422	79,506
Employee benefits	232,417	242,924	266,759	317,568	307,947	360,482
Telephone and utilities	551,689	675,950	597,132	753,434	564,348	801,832
Outside services	154,321	249,415	82,831	114,274	68,658	39,559
Maintenance and supplies	333,424	471,801	703,635	882,495	719,037	757,682
Professional fees	264,343	309,788	293,095	390,257	420,475	359,530
Other operating expenses	285,908	136,921	129,657	186,744	161,897	174,122
Office expense	27,668	29,586	25,162	20,236	21,229	17,924
Insurance	91,187	100,833	105,926	89,402	91,275	75,248
Directors' fees	6,042	7,075	6,225	7,550	7,200	7,700
Sludge disposal	24,252	24,085	46,905	38,806	47,269	37,700
CCWPA assessment	-	-	113,791	120,886	69,893	53,784
Total operating expenses	<u>4,511,145</u>	<u>5,060,790</u>	<u>5,472,268</u>	<u>6,187,706</u>	<u>5,791,656</u>	<u>6,094,033</u>
(Loss) from operations	<u>(1,055,036)</u>	<u>(1,035,668)</u>	<u>(1,460,567)</u>	<u>(1,721,256)</u>	<u>(1,109,721)</u>	<u>(217,023)</u>
NONOPERATING REVENUE						
Property taxes	351,950	390,872	276,336	33	-	-
Specific ownership taxes	37,745	39,428	26,793	-	-	-
Net investment income	255,004	363,776	432,083	192,051	43,965	28,537
Miscellaneous other income	64,127	98,202	143,480	160,566	195,902	220,759
Ready to serve fees	99,040	79,150	82,626	81,738	79,513	71,219
Gain (loss) on disposition of assets	(11,931)	-	(133,377)	28,745	-	5,135
Contributions in aid of construction	8,439,185	4,080,072	9,912,401	2,745,341	759,146	1,118,782
Total nonoperating revenue	<u>9,235,120</u>	<u>5,051,500</u>	<u>10,740,342</u>	<u>3,208,474</u>	<u>1,078,526</u>	<u>1,444,432</u>
NONOPERATING EXPENSES						
Interest and paying agent fees	301,546	540,867	471,232	414,547	512,647	473,582
County treasurer's fees	5,305	6,285	4,729	1	-	-
Amortization	13,813	11,015	19,174	17,630	15,927	(5,244)
Total nonoperating expenses	<u>320,664</u>	<u>558,167</u>	<u>495,135</u>	<u>432,178</u>	<u>528,574</u>	<u>468,338</u>
NET INCOME/CHANGE IN NET ASSETS	<u>\$ 7,859,420</u>	<u>\$ 3,457,665</u>	<u>\$ 8,784,640</u>	<u>\$ 1,055,040</u>	<u>\$ (559,769)</u>	<u>\$ 759,071</u>

(Continued)

CONTINUING DISCLOSURE
ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES AND
POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 1989A, 2002A, AND 2005A

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 1989A, 2002A, AND 2005A
December 31, 2010**

CUSTOMER INFORMATION

Years (December 31)	Total Estimated Residential Equivalent Units
2003	3,249
2004	3,436
2005	3,585
2006	3,773
2007	3,993
2008	4,057
2009	4,090
2010	4,128

TEN LARGEST CUSTOMERS OF THE SYSTEM

Colorado Golf Club, LLC
Pinery Country Club
Brightstar Golf Pradera LLC
Douglas County School District RE-1
Pinery West Metropolitan District
High Prairie Farms Metropolitan District
Westword Enterprises, LLC
Pinery Glen Homeowners Association
Pinery Homeowners Association, Inc.
Douglas County Parks and Recreation

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

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 1989A, 2002A, AND 2005A**

December 31, 2010

(Continued)

BUDGET SUMMARY AND COMPARISON

	2011 Budget	2010 Amended Budget
REVENUE		
Water, operating		
User charges	\$ 3,405,000	\$ 3,300,000
Irrigation and hydrant fees	633,800	614,250
Project fee	737,400	-
Other	32,230	52,230
Sewer, operating		
User charges	1,680,600	1,569,750
Other	-	4,500
Nonoperating		
Loan proceeds	-	10,335,213
Tap fees	479,325	643,900
Other	524,000	511,100
Total revenue	<u>7,492,355</u>	<u>17,030,943</u>
EXPENDITURES		
Water, operating		
Utilities	630,000	615,000
Salaries and related costs	713,250	700,152
Other	618,500	579,000
Sewer, operating		
Utilities	216,000	215,000
Salaries and related costs	372,485	354,090
Other	349,250	374,500
Nonoperating		
Insurance	100,000	76,000
Salaries and related costs	434,833	426,873
Other	629,200	620,300
Debt service	2,024,306	6,284,072
Capital outlay	4,240,324	3,755,013
Total expenditures	<u>10,328,148</u>	<u>14,000,000</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(2,835,793)	3,030,943
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>13,364,199</u>	<u>7,425,673</u>
FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 10,528,406</u></u>	<u><u>\$ 10,456,616</u></u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 1989A, 2002A, AND 2005A
December 31, 2010**

(Continued)

SCHEDULE OF COVERAGE OF DEBT SERVICE REQUIREMENTS

Year	Income	Operation and Maintenance Expenses	Available for Debt Service	Debt Service Require- ments	Debt Service Coverage
2003	\$ 10,042,486	\$ 2,395,572	\$7,646,914	\$ 5,426,608	1.41
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

* 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 2010 Taxes Due in 2011)

Taxpayer	Assessed Valuation Property in the District	Percentage of Total District Assessed Valuation
COLORADO GOLF CLUB LLC	\$ 4,854,960	2.46%
CGC OPERATIONS LLC	4,151,220	2.11%
BRIGHTSTAR GOLF	3,869,570	1.96%
CELEBRITY DEVELOPMENT OF COLORADO LLC	2,980,320	1.51%
BETTS LAKE LLC	2,765,810	1.40%
BRIGHTSTAR GOLF PINERY LLC	1,933,390	0.98%
COMCAST OF COLORADO	1,357,860	0.69%
INDIAN PAINTBRUSH PARTNERS LLC	1,289,250	0.65%
ASHTON DENVER RESIDENTIAL LLC	1,128,070	0.57%
FORESTAR (USA) REAL ESTATE GROUP INC	779,100	0.40%
GALBREATH FAMILY PARTNERSHIP LLLP	678,890	0.34%
ALL OTHERS	171,260,460	86.91%
	<u>\$ 197,048,900</u>	<u>100.00%</u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 1989A, 2002A, AND 2005A**

December 31, 2010

(Continued)

COMBINED STATEMENT OF DEBT

<u>Designation</u>	<u>Amount Outstanding</u>
Water Enterprise Revenue Note, Series 2010	\$ 10,335,213
Water Rights Lease	189,016
Local Government Bonds	9,021,585
	<u>\$ 19,545,814</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>2010 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	\$ 197,048,900	\$ -	100.00%	\$ -
Douglas County School District RE-1	4,914,716,482	546,081,541	4.01%	21,897,870
Parker Fire Protection District	1,347,293,720	-	0.00%	-
				<u>\$ 21,897,870</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 including a portion of the Local Government Bond.

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 1989A, 2002A, AND 2005A
December 31, 2010
(Continued)**

ASSESSED VALUATION, DEBT AND DEBT RATIOS

Actual valuation	\$ 2,097,180,117
Assessed valuation	\$ 197,048,900
Net general obligation direct debt	\$ -
Estimated overlapping debt	\$ 21,897,870
Net direct and estimated overlapping debt	\$ 21,897,870
Ratio of net direct debt to estimated actual valuation	0.00%
Ratio of net direct debt to assessed valuation	0.00%
Net direct debt per capita (1)	\$ -
Ratio of net direct and estimated overlapping debt to estimated actual valuation	1.04%
Ratio of net direct and estimated overlapping debt to assessed valuation	11.11%
Net direct and estimated overlapping debt per capita (1)	\$ 1,848
Estimated actual valuation per capita (1)	\$ 177,017
Assessed valuation per capita (1)	\$ 16,632

(1) Estimated permanent population 11,847

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

FINANCIAL STATEMENTS
December 31, 2011 and 2010

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	1
Statements of Revenues, Expenses and Change in Net Assets	2
Statements of Cash Flows	3
Notes to Financial Statements	5
SUPPLEMENTARY INFORMATION	27
Schedule of Revenues, Expenses and Change in Net Assets	28
Schedule of Revenues, Expenditures and Change in Funds Available - Budget and Actual (Budgetary Basis)	32
Schedule of Revenues, Expenditures and Change in Funds Available - (Budgetary Basis) - Enterprise Activity	38
Schedule of Revenues, Expenditures and Change in Funds Available - (Budgetary Basis) - General Government Activity	39
Schedule of Debt Service Requirements to Maturity	40
OTHER SUPPLEMENTARY INFORMATION	43
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY CLEAN WATER REVENUE BONDS, SERIES 2002A and 2005A	51

L. PAUL GOEDECKE P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LAKEWOOD, COLORADO 80214
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Independent Auditor's Report

Board of Directors
Denver Southeast Suburban Water and Sanitation District

We have audited the accompanying financial statements of the business-type activities of Denver Southeast Suburban Water and Sanitation District for the years ended December 31, 2011 and 2010 as listed in the Table of Contents. These financial statements are the responsibility of Denver Southeast Suburban Water and Sanitation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, made by the District, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Denver Southeast Suburban Water and Sanitation District as of December 31, 2011 and 2010 and the results of its operations and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information as listed in the Table of Contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements of Denver Southeast Suburban Water and Sanitation District. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements taken as a whole. The continuing disclosure as listed in the Table of Contents has not been audited and accordingly, we express no opinion on it.

L. Paul Goedecke P.C.

April 26, 2012

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

The management of Denver Southeast Suburban Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2011.

District Operations

This past year was characterized by many smaller projects to continue to improve District Operations while planning for large regional infrastructure projects.

In the area of customer interface, we planned for a conversion to monthly billing from our historical practice of billing every other month. This change was implemented in early 2012. Also, the District made changes to our billing software interface to allow customers to view their account balances and to pay by credit card. This change was also implemented in early 2012.

On the sewer and wastewater side of our business, we conducted our normal video survey and cleaning of one-third of the older part of our collection system. The District also initiated a video survey and cleaning of one-fifth of the newer portions of our collection system. In addition, we lined over 3,000 feet of sewer that was in need of repair and rehabilitated 10 manholes. At the wastewater treatment plant clarifier mechanisms in two clarifiers were replaced. The original mechanisms were installed in 1991, and they served the District well beyond their predicted useful lives. At the same time, the handrail around the treatment plant was upgraded and areas of walkway were repaired.

The discharge permit for the wastewater treatment plant was renewed in 2011. The permit contains new and more restrictive parameters for a number of constituents. While the plant is able to meet all of the requirements of the new permit without any capital improvements, there are several parameters that could prove difficult for the District to comply with in the future.

In the water portion of our business, in addition to the normal continuing maintenance of our system and the planned replacement of 10 fire hydrants, the major capital improvement entailed replacement of residential water meters. During 2011 a vendor was selected and over 2,000 residential water meters were replaced. The new radio-read technology will allow for quicker meter reading, more accurate measurement of water use as compared to the older meters, and better analysis of customer usage patterns. During 2012 the remainder of the residential meters will be replaced, and we will begin replacement of the commercial meters.

Other water capital projects included drilling of a new Lower Dawson well and working on the design and agreement with the Town of Castle Rock for an interconnection of our water systems to provide water to Castle Rock or to receive water from them in an emergency. The well construction will be completed in 2012 as will the connection with the Town of Castle Rock.

The District continued to work on long-term regional water supply projects through its membership and participation in the Cherry Creek Project Water Authority and the South Metro Water Supply Authority. Both groups made progress in developing their projects and working on the necessary permits and agreements to begin the implementation of their respective projects. In preparation for these upcoming regional water projects, and to fund additional in-District water supply projects, the District added a “Water Project Fee” for all water customers in 2011. This fee of \$12.50/month for each residential account (different amounts for commercial and irrigation accounts) is intended to fund water supply projects or to provide revenue for future revenue bonds to fund the projects.

Financial Highlights

- Net assets increased \$1,072,180, primarily due to an increase in water and sewer revenues.
- The net operating profit of \$351,611 was an increase of \$568,634 as compared to the \$217,023 loss in 2010, including depreciation expense of \$2.3 million on an operating revenue of \$6.5 million. Excluding depreciation, the net operating income was \$2,603,676.
- Operating income increased 9.8% from the prior year.
- Operating expenses exclusive of depreciation decreased 1.2% from the prior year.
- Customers on line for water service at year end increased by 24 single-family residential equivalent units to 4,152 at year end.
- Funds available (current assets less current liabilities exclusive of the current portion of long-term obligations) decreased \$358,767 to \$12.7 million at December 31, 2011.

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 assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets 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 assets presents information that reflects how the District's net assets changed during the past year. All changes in the net assets 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 assets, budget and actual information, and debt service requirements.

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

The District's net assets increased by \$1,072,180 in 2011, primarily due to an increase in operating revenues and a decrease in nonoperating expenses over the prior year. Current assets decreased \$306,729 and capital assets increased \$301,496.

Statement of Net Assets

	December 31,		
	2011	2010	2009
Current assets	\$ 13,456,389	\$ 13,763,118	\$ 8,641,555
Other assets	2,332,989	2,492,436	2,486,874
Capital assets	82,263,297	81,961,801	82,505,587
Total assets	<u>98,052,675</u>	<u>98,217,355</u>	<u>93,634,016</u>
Current liabilities	1,507,191	1,870,259	2,745,246
Long-term liabilities	17,326,816	18,200,608	13,501,353
Total liabilities	<u>18,834,007</u>	<u>20,070,867</u>	<u>16,246,599</u>
Net assets invested in capital assets	67,905,275	68,479,541	67,475,977
Restricted net assets	7,027,183	8,654,434	3,116,488
Unrestricted net assets	4,286,210	1,012,513	6,794,952
Total net assets	<u><u>\$ 79,218,668</u></u>	<u><u>\$ 78,146,488</u></u>	<u><u>\$ 77,387,417</u></u>

Review of Change in Net Assets

	December 31,		
	2011	2010	2009
Revenues			
Operating revenue			
Water services	\$ 4,695,371	\$ 4,217,222	\$ 3,162,544
Sewer services	1,758,326	1,659,788	1,519,391
Total operating revenue	<u>6,453,697</u>	<u>5,877,010</u>	<u>4,681,935</u>
Nonoperating revenue			
Investment income	9,181	28,537	43,965
Other	254,086	297,113	275,415
Contributions			
Tap fees, net of cost recovery payments	623,278	891,254	616,001
Contributed facilities	-	100,000	-
Other	96,953	127,528	143,145
Total other revenue	<u>983,498</u>	<u>1,444,432</u>	<u>1,078,526</u>
Total revenue	<u>7,437,195</u>	<u>7,321,442</u>	<u>5,760,461</u>
Expenses			
Operating expenses			
Water	1,807,533	1,912,949	1,636,453
Sewer	880,182	863,848	835,341
	<u>2,687,715</u>	<u>2,776,797</u>	<u>2,471,794</u>
General and administrative	1,162,306	1,119,169	1,138,396
Depreciation	2,252,065	2,198,067	2,181,466
Total operating expenses	<u>6,102,086</u>	<u>6,094,033</u>	<u>5,791,656</u>
Nonoperating expenses	262,929	468,338	528,574
Total expenses	<u>6,365,015</u>	<u>6,562,371</u>	<u>6,320,230</u>
Change in net assets	1,072,180	759,071	(559,769)
Net assets - Beginning	<u>78,146,488</u>	<u>77,387,417</u>	<u>77,947,186</u>
Net assets - Ending	<u>\$ 79,218,668</u>	<u>\$ 78,146,488</u>	<u>\$ 77,387,417</u>

Operating revenue increased by \$576,687. Revenue from the sale of tap fees, net of cost recovery payments decreased \$267,976. Additionally, water services increased \$478,149, primarily due to the additional billing of a water supply project fee.

Total operating expenses remained consistent in 2011.

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. Capacity fees associated with long-term contracts are recognized as budgetary revenue when received. 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 above the budgeted revenue by \$229,664 primarily as a result of more water and sewer user charges and tap fees than originally anticipated.

Total actual expenditures of the District were less than the appropriation by \$2,247,362, which includes a positive variance of \$1,938,986 for capital expenditures.

Capital Assets Activity

The activity related to capital assets is as follows:

	December 31, 2010	Net Changes	December 31, 2011
Land and easements	\$ 385,645	\$ -	\$ 385,645
Construction in process	905,986	(424,116)	481,870
Water system			
Water rights	11,019,135	216,490	11,235,625
Water facilities	41,872,638	2,523,351	44,395,989
Bingham Lake and Dam	533,508	-	533,508
Sewer system			
Sewer facilities	34,016,133	-	34,016,133
Wastewater treatment plant	12,551,031	198,887	12,749,918
Buildings	1,805,597	-	1,805,597
Equipment and vehicles	882,537	38,949	921,486
Total capital assets	<u>103,972,210</u>	<u>2,553,561</u>	<u>106,525,771</u>
Accumulated depreciation	(22,010,409)	(2,252,065)	(24,262,474)
Net capital assets	<u>\$ 81,961,801</u>	<u>\$ 301,496</u>	<u>\$ 82,263,297</u>

	December 31, 2009	Net Changes	December 31, 2010
Land and easements	\$ 382,396	\$ 3,249	\$ 385,645
Construction in process	402,157	503,829	905,986
Water system			
Water rights	10,836,114	183,021	11,019,135
Water facilities	41,607,540	265,098	41,872,638
Bingham Lake and Dam	533,508	-	533,508
Sewer system			
Sewer facilities	33,925,754	90,379	34,016,133
Wastewater treatment plant	11,992,774	558,257	12,551,031
Buildings	1,800,682	4,915	1,805,597
Equipment and vehicles	855,860	26,677	882,537
Total capital assets	<u>102,336,785</u>	<u>1,635,425</u>	<u>103,972,210</u>
Accumulated depreciation	<u>(19,831,198)</u>	<u>(2,179,211)</u>	<u>(22,010,409)</u>
Net capital assets	<u>\$ 82,505,587</u>	<u>\$ (543,786)</u>	<u>\$ 81,961,801</u>
	December 31, 2008	Net Changes	December 31, 2009
Land and easements	\$ 342,188	\$ 40,208	\$ 382,396
Construction in process	97,271	304,886	402,157
Water system			
Water rights	10,836,114	-	10,836,114
Water facilities	41,513,543	93,997	41,607,540
Bingham Lake and Dam	533,508	-	533,508
Sewer system			
Sewer facilities	33,783,156	142,598	33,925,754
Wastewater treatment plant	11,992,774	-	11,992,774
Buildings	1,800,682	-	1,800,682
Equipment and vehicles	774,132	81,728	855,860
Total capital assets	<u>101,673,368</u>	<u>663,417</u>	<u>102,336,785</u>
Accumulated depreciation	<u>(17,649,732)</u>	<u>(2,181,466)</u>	<u>(19,831,198)</u>
Net capital assets	<u>\$ 84,023,636</u>	<u>\$ (1,518,049)</u>	<u>\$ 82,505,587</u>

The 2011 activity relating to capital assets reflects costs incurred by the District relating to the construction of water wells, sewer lines, replacement of equipment at the wastewater treatment plant, and capitalization of net interest expense on water projects.

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

Long-Term Debt

All scheduled payments of principal and interest on the District's outstanding debt were paid as required during 2011.

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

Economic Factors and Next Year's Budgets and Rates

For 2012, the District has budgeted revenue from water and sewer charges of \$5.7 million, which is consistent with 2011 budgeted figures. The District has also budgeted \$630,000 of water project fees that are intended to help fund the construction of future water improvement projects. 2012 operating expenses are budgeted at \$2.7 million, consistent with 2011 actual amounts.

The majority of the District's debt is in the form of revenue notes. The revenues pledged to pay this debt include fees for service (water and sewer bills) and fees charged for new development (tap fees). To the extent that one of the revenue sources is less than projected, then revenue from other sources is required to make the debt service payments. The District has recently concluded a period of exceptionally high growth which has now been replaced by a period of very slow growth. As a result, the debt service burden has shifted from revenues collected on new development to revenues collected from service.

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
P.O. Box 1660
Parker, Colorado 80134

BASIC FINANCIAL STATEMENTS

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,773,172	\$ 2,562,903
Cash and cash equivalents - Restricted	7,027,183	8,654,434
Certificates of deposits	495,637	1,498,396
Accounts receivable	942,385	815,068
Current maturities of notes receivable	137,939	133,033
Prepaid expenses	80,073	99,284
Total current assets	<u>13,456,389</u>	<u>13,763,118</u>
OTHER ASSETS		
Notes receivable - Capacity fee agreements	2,119,688	2,257,641
Debt issue costs - Net of accumulated amortization	213,301	234,795
Total other assets	<u>2,332,989</u>	<u>2,492,436</u>
CAPITAL ASSETS - NET	<u>82,263,297</u>	<u>81,961,801</u>
TOTAL ASSETS	<u><u>\$ 98,052,675</u></u>	<u><u>\$ 98,217,355</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts and retainage payable	\$ 477,315	\$ 458,138
Interest payable	156,082	128,127
Current maturities of long-term obligations	873,794	1,283,994
Total current liabilities	<u>1,507,191</u>	<u>1,870,259</u>
LONG-TERM OBLIGATIONS	<u>17,326,816</u>	<u>18,200,608</u>
NET ASSETS		
Invested in capital assets, net of related debt	67,905,275	68,479,541
Restricted	7,027,183	8,654,434
Unrestricted	4,286,210	1,012,513
Total net assets	<u>79,218,668</u>	<u>78,146,488</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 98,052,675</u></u>	<u><u>\$ 98,217,355</u></u>

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
WATER OPERATIONS		
Revenues	\$ 4,695,371	\$ 4,217,222
Direct water expenses	1,807,533	1,912,949
Depreciation - Water	1,048,588	987,263
Gross profit from water operations	<u>1,839,250</u>	<u>1,317,010</u>
SEWER OPERATIONS		
Revenues	<u>1,758,326</u>	<u>1,659,788</u>
Direct sewer expenses	880,182	863,848
Depreciation - Sewer	1,044,679	1,036,269
Gross (loss) from sewer operations	<u>(166,535)</u>	<u>(240,329)</u>
Total gross income from operations	<u>1,672,715</u>	<u>1,076,681</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
General and administrative	1,162,306	1,119,169
Depreciation	<u>158,798</u>	<u>174,535</u>
INCOME (LOSS) FROM OPERATIONS	351,611	(217,023)
NONOPERATING REVENUES	263,267	325,650
NONOPERATING EXPENSES	<u>262,929</u>	<u>468,338</u>
(LOSS) BEFORE CONTRIBUTIONS	351,949	(359,711)
CAPITAL CONTRIBUTIONS	<u>720,231</u>	<u>1,118,782</u>
CHANGE IN NET ASSETS	1,072,180	759,071
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>78,146,488</u>	<u>77,387,417</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 79,218,668</u></u>	<u><u>\$ 78,146,488</u></u>

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 6,284,546	\$ 5,657,107
Payments to suppliers	(2,467,905)	(2,512,388)
Payments to employees and related expenses	(1,400,965)	(1,442,584)
Other (payments)	37,458	19,692
Net cash provided by operating activities	<u>2,453,134</u>	<u>1,721,827</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ready to serve fees	60,979	71,219
Other income	179,123	220,759
Net cash provided by noncapital financing activities	<u>240,102</u>	<u>291,978</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of assets	13,984	5,135
Loan proceeds	-	10,335,213
Debt issue costs	-	(376,077)
Contributions in aid of construction		
Tap fees	765,186	1,143,390
Receipts from notes receivable	230,000	230,000
Acquisition of property, plant and equipment (net of contributed costs of \$-0- and \$100,000 respectively)	(2,242,963)	(2,214,500)
Interest and paying agent fees	(507,788)	(517,051)
Debt principal reduction	(1,393,681)	(5,733,696)
Net cash provided (required) by capital and related financing activities	<u>(3,135,262)</u>	<u>2,872,414</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010
(Continued)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments matured	1,002,759	1,020,251
Net investment income received	22,285	30,088
Net cash provided by investing activities	<u>1,025,044</u>	<u>1,050,339</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	583,018	5,936,558
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>11,217,337</u>	<u>5,280,779</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 11,800,355</u></u>	<u><u>\$ 11,217,337</u></u>
Reconciliation of operating (loss) to net cash provided (required) by operating activities		
Income (loss) from operations	\$ 351,611	\$ (217,023)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities		
Depreciation	2,252,065	2,198,067
(Increase) in accounts receivable	(130,555)	(205,758)
(Decrease) in accounts payable	(39,198)	(56,468)
Decrease in prepaid expenses	19,211	3,009
Net cash provided by operating activities	<u><u>\$ 2,453,134</u></u>	<u><u>\$ 1,721,827</u></u>

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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.

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets 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.

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 Assets. 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 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. Capacity fees associated with long-term contracts are recognized as budgetary revenue when received.

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.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

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

The District did not certify a mill levy for collection in 2011.

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 estimated fair value at the date of donation.

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed, net of investment earnings on invested bond proceeds during the same period. Net interest expense capitalized during the years ended December 31, 2011 and 2010 amounted to \$394,130 and \$-0-, respectively.

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

Debt Issue Costs and Original Issue Discount/Premium

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

Cost on Debt Refunding

The deferred cost on debt refunding is being amortized using the interest method over the life of the defeased debt. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a reduction of the bonds payable.

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 incurred in the financial statements.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 assets for the following purposes:

Ground water protection	\$ <u>194,200</u>
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NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2011 and 2010 are classified in the accompanying financial statements as follows:

	<u>2011</u>	<u>2010</u>
Statement of net assets:		
Cash and cash equivalents	\$ 4,773,172	\$ 2,562,903
Cash and cash equivalents - Restricted	7,027,183	8,654,434
Certificates of deposits	495,637	1,498,396
Total cash and investments	<u>\$ 12,295,992</u>	<u>\$ 12,715,733</u>

Cash and cash equivalents as of December 31, 2011 consist of the following:

	<u>2011</u>	<u>2010</u>
Deposits with financial institutions	\$ 3,089,527	\$ 4,422,585
Cash on hand	100	100
Investments	9,206,365	8,293,048
Less: Certificates of deposit	(495,637)	(1,498,396)
Total cash and cash equivalents	<u>\$ 11,800,355</u>	<u>\$ 11,217,337</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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

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

At December 31, 2011 and 2010, the District had the following deposits with financial institutions:

	<u>2011</u>	<u>2010</u>
Bank balance		
Insured deposits	\$ 3,088,890	\$ 4,421,900
Deposits collateralized in single institution pools	637	685
	<u>\$ 3,089,527</u>	<u>\$ 4,422,585</u>
Carrying balance		
Insured deposits	\$ 3,193,958	\$ 4,426,714
Deposits collateralized in single institution pools	637	685
	<u>\$ 3,194,595</u>	<u>\$ 4,427,399</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 or subject to investment custodial credit risk for investments that are in the possession of another party.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Revenue bonds of local governmental securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

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

As of December 31, 2011, the District had the following investments:

Investment	Maturity	Fair Value	
		2011	2010
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 6,014,057	\$ 7,845,821
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	3,192,308	447,227
		<u>\$ 9,206,365</u>	<u>\$ 8,293,048</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for COLOTRUST'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.

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.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 - LONG-TERM RECEIVABLES

Long-term receivable activity for the year ended December 31, 2011 was as follows:

	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Amounts Due Within One Year
Canyons agreement	\$ 2,390,674	\$ -	\$ 133,047	\$ 2,257,627	\$ 137,939
Total long-term receivables	<u>\$ 2,390,674</u>	<u>\$ -</u>	<u>\$ 133,047</u>	<u>\$ 2,257,627</u>	<u>\$ 137,939</u>

	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Amounts Due Within One Year
Canyons agreement	\$ 2,492,795	\$ 26,786	\$ 128,907	\$ 2,390,674	\$ 133,033
Total long-term receivables	<u>\$ 2,492,795</u>	<u>\$ 26,786</u>	<u>\$ 128,907</u>	<u>\$ 2,390,674</u>	<u>\$ 133,033</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 Mississippi Partnership (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. On October 31, 2011, the agreement was assigned to LC Macanta, LLC. The balance of the letter of credit at December 31, 2011 is \$2,257,936.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 - LONG-TERM RECEIVABLES (CONTINUED)

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

Year Ending December 31,	Principal	Interest	Total
2012	\$ 137,939	\$ 92,061	\$ 230,000
2013	144,035	85,965	230,000
2014	144,876	85,124	230,000
2015	150,752	79,248	230,000
2016	156,679	73,321	230,000
2017-2021	869,299	280,701	1,150,000
2022-2024	654,047	80,955	735,002
Total payments	<u>2,257,627</u>	<u>777,375</u>	<u>3,035,002</u>
Less amounts due within one year	<u>(137,939)</u>	<u>(92,061)</u>	<u>(230,000)</u>
Long-term portion	<u><u>\$ 2,119,688</u></u>	<u><u>\$ 685,314</u></u>	<u><u>\$ 2,805,002</u></u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2011 and 2010 was as follows:

	Balance December 31, 2010	Additions	Retirements/ Reclassi- fications	Balance December 31, 2011
Capital assets, not being depreciated				
Land and easements	\$ 385,645	\$ -	\$ -	\$ 385,645
Water rights	11,019,135	216,490	-	11,235,625
Construction in progress	905,986	481,869	(905,985)	481,870
Capital assets, being depreciated				
Water system	41,872,638	2,523,351	-	44,395,989
Bingham Lake and Dam	533,508	-	-	533,508
Sewer system	34,016,133	-	-	34,016,133
Wastewater treatment plant	12,551,031	198,887	-	12,749,918
Buildings	1,805,597	-	-	1,805,597
GIS program	148,221	9,184	-	157,405
Office and field equipment	130,669	29,765	-	160,434
Vehicles	603,647	-	-	603,647
Total historical cost	<u>103,972,210</u>	<u>3,459,546</u>	<u>(905,985)</u>	<u>106,525,771</u>
Less accumulated depreciation for:				
Water system	(10,540,063)	(1,034,083)	-	(11,574,146)
Bingham Lake and Dam	(208,193)	(14,505)	-	(222,698)
Sewer system	(4,312,574)	(542,669)	-	(4,855,243)
Wastewater treatment plant	(5,421,299)	(502,010)	-	(5,923,309)
Buildings	(858,889)	(92,427)	-	(951,316)
GIS program	(37,425)	(15,051)	-	(52,476)
Office and field equipment	(119,041)	(12,124)	-	(131,165)
Vehicles	(512,925)	(39,196)	-	(552,121)
Total accumulated depreciation	<u>(22,010,409)</u>	<u>(2,252,065)</u>	<u>-</u>	<u>(24,262,474)</u>
Total capital assets, net	<u>\$ 81,961,801</u>	<u>\$ 1,207,481</u>	<u>\$ (905,985)</u>	<u>\$ 82,263,297</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance December 31, 2009	Additions	Retirements/ Reclassi- fications	Balance December 31, 2010
Capital assets, not being depreciated				
Land and easements	\$ 382,396	\$ 3,249	\$ -	\$ 385,645
Water rights	10,836,114	183,021	-	11,019,135
Construction in progress	402,157	1,320,446	(816,617)	905,986
Capital assets, being depreciated				
Water system	41,607,540	97,117	167,981	41,872,638
Bingham Lake and Dam	533,508	-	-	533,508
Sewer system	33,925,754	-	90,379	34,016,133
Wastewater treatment plant	11,992,774	-	558,257	12,551,031
Buildings	1,800,682	4,915	-	1,805,597
GIS program	146,316	1,905	-	148,221
Office and field equipment	130,669	-	-	130,669
Vehicles	578,875	43,628	(18,856)	603,647
Total historical cost	<u>102,336,785</u>	<u>1,654,281</u>	<u>(18,856)</u>	<u>103,972,210</u>
Less accumulated depreciation for:				
Water system	(9,567,306)	(972,757)	-	(10,540,063)
Bingham Lake and Dam	(193,687)	(14,506)	-	(208,193)
Sewer system	(3,979,027)	(540,839)	207,292	(4,312,574)
Wastewater treatment plant	(4,718,577)	(495,430)	(207,292)	(5,421,299)
Buildings	(766,627)	(92,262)	-	(858,889)
GIS program	(22,698)	(14,727)	-	(37,425)
Office and field equipment	(107,220)	(11,821)	-	(119,041)
Vehicles	(476,056)	(55,725)	18,856	(512,925)
Total accumulated depreciation	<u>(19,831,198)</u>	<u>(2,198,067)</u>	<u>18,856</u>	<u>(22,010,409)</u>
Total capital assets, net	<u>\$ 82,505,587</u>	<u>\$ (543,786)</u>	<u>\$ -</u>	<u>\$ 81,961,801</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was charged to the following operations:

	2011	2010
Water	\$ 1,048,588	\$ 987,263
Sewer	1,044,679	1,036,269
General and administrative	158,798	174,535
Total	<u>\$ 2,252,065</u>	<u>\$ 2,198,067</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 6 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the years ended December 31, 2011 and 2010 was as follows:

	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Amounts Due Within One Year
CWRPDA loan - 1989	\$ 461,585	\$ -	\$ 461,585	\$ -	\$ -
CWRPDA loan - 2002	4,640,000	-	315,000	4,325,000	320,000
Water rights lease - 2005	189,017	-	92,723	96,294	96,293
CWRPDA loan - 2005	3,920,000	-	195,000	3,725,000	200,000
Refinancing note - 2010	10,335,213	-	329,375	10,005,838	361,979
	19,545,815	-	1,393,683	18,152,132	978,272
Cost of loan refunding	(250,181)	-	(128,058)	(122,123)	(122,123)
Plus loan premium	188,968	-	18,367	170,601	17,645
Total long-term obligations	<u>\$ 19,484,602</u>	<u>\$ -</u>	<u>\$ 1,283,992</u>	<u>\$ 18,200,610</u>	<u>\$ 873,794</u>

	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Amounts Due Within One Year
CWRPDA loan - 1989	\$ 1,043,078	\$ -	\$ 581,493	\$ 461,585	\$ 461,585
CWRPDA loan - 2002	4,950,000	-	310,000	4,640,000	315,000
Refinancing note - 2003	1,922,583	-	1,922,583	-	-
Water rights lease - 2005	278,302	-	89,285	189,017	92,723
Water rights note - 2005	2,645,335	-	2,645,335	-	-
CWRPDA loan - 2005	4,105,000	-	185,000	3,920,000	195,000
Refinancing note - 2010	-	10,335,213	-	10,335,213	329,375
	14,944,298	10,335,213	5,733,696	19,545,815	1,393,683
Cost of loan refunding	-	(250,181)	-	(250,181)	(128,058)
Plus loan premium	208,020	-	19,052	188,968	18,369
Total long-term obligations	<u>\$ 15,152,318</u>	<u>\$ 10,085,032</u>	<u>\$ 5,752,748</u>	<u>\$ 19,484,602</u>	<u>\$ 1,283,994</u>

Loan Agreements

On December 1, 1989, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (Authority) in the amount of \$6,905,000. Principal and interest payments are due quarterly in varying amounts through August 1, 2011 with the net effective interest rate of 4.635%. The District has the option to prepay the loan in multiples of \$100,000 plus prepayment costs. This loan was repaid in 2011.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The components of the loan interest expense for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Interest	\$ 14,349	\$ 76,473
Administration fee	20,137	34,525
Earnings credit	(69,276)	(118,776)
Refunding credit	(139,378)	(49,751)
	<u>\$ (174,168)</u>	<u>\$ (57,529)</u>

On October 1, 2002, the District entered into a loan agreement with the 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 the loan interest expense for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Interest	\$ 189,282	\$ 198,471
Administrative fee	56,360	56,360
Earnings credit	(93,236)	(98,204)
	<u>\$ 152,406</u>	<u>\$ 156,627</u>

On May 25, 2005, the District entered into a loan agreement with the Authority in the amount of \$4,800,000. Principal and interest payments are due semi-annually on February 1 and August 1 in varying amounts through August 1, 2026 with the net effective interest rate of 3.35%. The District has the option to prepay the loan in multiples of \$100,000 plus prepayment costs. The component of this loan interest expense for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Interest	\$ 111,792	\$ 114,679
Administrative fee	35,329	38,400
	<u>\$ 147,121</u>	<u>\$ 153,079</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

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.

Proceeds of the note were used to (1) refund the District's Water Enterprise Revenue Refunding Note, Series 2003, (2) advance refund and defease the District's Water Enterprise Revenue Note, Series 2005, (3) partially provide for a debt service reserve fund, (4) provide funds for the costs of acquiring, constructing, relocating, installing, and completing water improvements and facilities, and (5) pay the costs of issuance of the loan.

Capital Lease

The District has entered into a lease agreement as lessee for financing the acquisition of certain water rights. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

On September 30, 2005, the District entered into a capital lease obligation in the amount of \$753,547 for Denver Basin Groundwater Rights. The lease is on an annual basis, renewable for seven consecutive one-year periods with principal and interest payments of \$50,000 in 2006 and \$100,000 due annually through 2012. The effective interest rate on the lease is 3.85%.

The lease purchase agreement does not constitute a general obligation debt of the District as defined by Colorado Revised Statutes as there is an annual appropriation clause in the lease agreement.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

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

Year Ending December 31,	Principal	Interest	Total
2012	\$ 978,272	\$ 688,703	\$ 1,666,975
2013	906,419	659,297	1,565,716
2014	931,435	632,787	1,564,222
2015	962,048	603,793	1,565,841
2016	988,288	573,757	1,562,045
2017-2021	5,428,610	2,385,812	7,814,422
2022-2026	5,193,521	1,227,069	6,420,590
2027-2030	2,763,538	251,061	3,014,599
Total payments	18,152,131	7,022,279	25,174,410
Less amounts due within one year	(978,272)	(688,703)	(1,666,975)
Long-term portion	<u>\$ 17,173,859</u>	<u>\$ 6,333,576</u>	<u>\$ 23,507,435</u>

NOTE 7 - NET ASSETS

The District has net assets consisting of three components - invested in capital assets, net of related debt, restricted, and unrestricted.

Invested in capital assets, net of related debt 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, 2011 and 2010, the District had invested in capital assets, net of related debt, calculated as follows:

	2011	2010
Invested in capital assets, net of related debt:		
Capital assets, net	\$ 82,263,297	\$ 81,961,801
Current portion of long-term obligations	(873,794)	(1,283,994)
Noncurrent portion of long-term obligations	(17,326,816)	(18,200,608)
Unspent loan proceeds	3,842,588	6,002,342
Invested in capital asset, net of related debt	<u>\$ 67,905,275</u>	<u>\$ 68,479,541</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 7 - NET ASSETS (CONTINUED)

Restricted assets include net 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 restricted net assets of \$7,027,183 and \$8,654,434 as of December 31, 2011 and 2010, 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. During 2009, the District established a 401(A) Money Purchase Plan with ICMA Retirement Corporation. The plan is voluntary for all employees and allows a participant to invest a portion of their earnings tax deferred for the plan year.

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 \$136,512 and \$227,520, respectively, for 18 and 30 tap fees, respectively, collected during 2011 and 2010 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 2011, the District reimbursed \$5,202,624 for 686 taps, therefore, remaining future reimbursement is \$985,920 for 130 taps.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

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 2011 and 2010, the District collected 13 and 29 taps, respectively, and paid \$10,400 and \$23,200 in 2011 and 2010, respectively.

Intergovernmental Agreement - Town of Castle Rock

On August 11, 2004, the District amended and restated, in its entirety, the original agreement by and between the District and the Town of Castle Rock (Town). The Town shall construct (or cause others to construct), at no cost to the District, the interceptor required to connect the point of individual discharge within the Town limits to the southern most point on the "Pinery West Line". The Town shall own and maintain that portion of the Town Interceptor between the points of individual discharge and the Flow Metering Station. The District shall own and maintain all lines and appurtenances from and including the Flow Metering Station to the Plant. During 2007, the Flow Metering Station was contributed to the District at a value of \$163,000. The District agrees to treat up to .29 million gallons per day average annual flow of wastewater discharged from the Town's sanitary sewer system exclusively from the Liberty Village Service Area. A flow metering station to measure the wastewater flows from the Liberty Village Service Area (FMS) shall be installed by the Town, at the Town's expense, in conjunction with the Town's construction and connection of the Town Interceptor. On or before the 10th day of each month, the Town shall forward to the District a list of residential tap connections made in the Liberty Village Service Area for the preceding month. For each residential sewer tap that is not utilized within ten (10) years of the first tap connection made within the Liberty Village Service Area pursuant to the Agreement, beginning January 1st of the eleventh (11th) year, a monthly fee-in-lieu of service charge shall be assessed in an amount equivalent to 50% of what would have been assessed as the monthly service charge, had the sewer tap been connected. Such monthly fee-in-lieu of service charge shall be assessed upon 1,245 single family residential sewer taps less the number of such taps then in service for which a monthly service charge is paid to the District as provided below. Each tap shall continue to be charged such fee until one of the following occurs: (1) such tap is placed in service and a monthly service charge is paid to the District, or (2) all right, title and interest to such tap is transferred to the District, free and clear of liens and encumbrances which transfer the District shall accept, provided, however, that the District shall not be required to accept transfer of more than 150 single family residential sewer taps without the express consent of the District. The District will impose and collect user charges for the services provided by the District under the Agreement (the Service Charges). The service charges shall be based upon the wastewater flows measured at the FMS, applying the current schedule of rates set forth by the District. As of December 31, 2011, 155 taps have been issued.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

Intergovernmental Agreement - Canyons

On December 23, 2004, the District entered into an agreement with the Mississippi Partnership (the Developer) in connection with the property known as "The Canyons". This agreement has the ability to be assigned to any successor Developers and Sub-Developers as well as to the Metropolitan Districts, Crowfoot Valley Metropolitan Districts No. 1 and No. 2, or to any other special district empowered to provide sanitary sewer services to the property. The Developer shall construct, at no cost to the District, the interceptor line required to connect the points of individual sewage discharge within the Property to a point of connection with the District's sewer system. The parties acknowledge and agree that the property located immediately to the east and north of the Property is to be served with sanitary sewer services by the District through an agreement by and between the District and Pinery West Metropolitan District No. 1 (Pinery West). Based upon the anticipated construction by the Developer, the District shall sell and the Developer has agreed to purchase 968 single family equivalent units of wastewater treatment capacity. As payment for such the Developer agrees 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%. During 2005, the Developer prepaid the 2006 obligation in the amount of \$160,600. The District agrees to treat up to .24 million gallons per day (mgd) average annual flow of wastewater, but not more than .27 mgd monthly average flow of wastewater discharged from the Developer's sanitary sewer system from the Property. On September 23, 2005, the Developer provided an irrevocable letter of credit in the amount of \$2,715,000 to the District for security. The letter of credit has been reissued six times and now expires on July 14, 2012. The current letter of credit is issued by the Northern Trust Company. The District authorized the letter of credit bank to reduce the amount to \$2,257,936. The letter of credit may be substituted by general obligation debt issued by a Title 32 Special District, which meets all of the requirements as set forth in Paragraph 14 in the agreement. The District agrees to furnish wastewater treatment capacity for wastewater facilities associated with the golf course to be located on the Property. The Developer shall pay to the District such tap fees and any other fees and charges imposed by the District at such time as the golf course wastewater facilities are installed. The taps may not be used or assigned for any service outside of the Property. The District shall have the exclusive obligation to maintain or develop sufficient treatment capacity to enable it to honor the taps. The District may, with consent of the Developer, repurchase any taps which are not utilized within ten years of the date of issuance at the original amount paid for the taps; provided however, that at the tenth anniversary date of the issuance of the first certificate, 500 taps have been utilized, the District's option to repurchase taps shall not become effective unless such taps are not utilized fifteen years after the date of their issuance. In 2009,

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

the agreement was amended to include monthly service charges for sewer usage which charges are the sole responsibility of the Developer. Additionally, for unutilized taps, 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%. During 2010 and 2011, \$26,786 and \$-0-, respectively, of deferred charges were added to the note receivable associated with this agreement.

Intergovernmental Agreement - The Timbers

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

During 2005, the District constructed Reservoir 4 and the Developer has paid the agreed upon sum of \$800,000 to the District. This amount is eligible for reimbursement through a portion of the tap fees paid by the owners of lots within the property from and after January 1, 2005. The amount to be allocated from tap fees towards such reimbursable items shall be set at \$4,500 per tap and will not be subject to adjustments at the time the District initiates an increase in its tap fee structure. As of December 31, 2011, the District has reimbursed the Developer \$481,500.

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 2011, the District collected \$481,575 of water project fees.

NOTE 11 - AUTHORITY PARTICIPATION

The District is a member of the Douglas County Water Resource Authority, 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 \$111,671 in 2011 and \$65,841 in 2010.

NOTE 12 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2011. 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.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 13 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
WATER OPERATIONS		
Revenues		
Water sales	\$ 3,493,139	\$ 3,503,412
Water supply project fee	481,757	-
Irrigation and hydrant fees	661,736	678,153
Ground water protection fees	22,145	21,912
IREA rebates	19,722	-
Other	16,872	13,745
Total revenues	<u>4,695,371</u>	<u>4,217,222</u>
Direct water expenses		
Depreciation	1,048,588	987,263
Auto expenses/vehicle maintenance	41,126	30,675
Communications	7,528	9,303
Employee benefits	170,290	179,517
Laboratory testing and chemicals	147,476	134,230
Legal	72,257	26,666
Outside services	19,976	6,540
Payroll taxes	35,739	40,125
Repairs, maintenance and supplies	278,454	358,609
Salaries and related costs	482,924	526,592
Small tools and safety items	7,738	3,531
Utilities	544,025	597,161
Total direct water expenses	<u>2,856,121</u>	<u>2,900,212</u>
Gross profit from water operations	<u>1,839,250</u>	<u>1,317,010</u>
SEWER OPERATIONS		
Revenues		
Sewer user charges	1,756,324	1,659,388
Other	2,002	400
Total revenues	<u>1,758,326</u>	<u>1,659,788</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

Years Ended December 31, 2011 and 2010

(Continued)

	<u>2011</u>	<u>2010</u>
Direct sewer expenses		
Depreciation	1,044,679	1,036,269
Auto expenses/vehicle maintenance	11,670	9,199
Cherry Creek Basin fees	12,590	12,760
Communications	3,508	3,145
Employee benefits	93,820	81,672
Laboratory testing and chemicals	69,073	75,272
Outside services	3,922	1,819
Reata escrow closure	-	2,987
Repairs and maintenance - System	68,911	65,364
Repairs and maintenance - Plant	95,754	104,037
Salaries and related costs	256,868	254,294
Payroll taxes	19,739	19,062
Sludge disposal	50,939	37,700
Small tools and safety items	913	749
Utilities	192,475	195,788
Total direct sewer expenses	<u>1,924,861</u>	<u>1,900,117</u>
Gross (loss) from sewer operations	<u>(166,535)</u>	<u>(240,329)</u>
Total gross income from operations	<u>1,672,715</u>	<u>1,076,681</u>
 GENERAL AND ADMINISTRATIVE EXPENSES		
Depreciation - Office building and equipment	158,798	174,535
Accounting and audit	115,683	106,167
Admin vehicle	1,376	937
Billing systems service	3,754	10,520
Data processing	21,355	23,210
Directors' fees	5,800	7,700
Dues and seminars	9,993	38,909
Employee benefits	101,905	99,293
Insurance	82,523	75,248
Legal	221,646	226,697
Miscellaneous	3,853	6,947

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

Year Ended December 31, 2011 and 2010

(Continued)

	2011	2010
Office expense	17,307	17,924
Outside services	21,736	31,200
Repairs and maintenance - Office	13,854	15,890
Salaries and related costs	317,950	309,200
Payroll taxes	21,861	20,319
Safety and training	16,126	18,635
Security services	21,670	17,719
Customer communications	23,492	17,930
Telephone and utilities	9,054	8,883
CCPWA assessment	106,543	53,784
SMWSA	24,825	12,057
Total general and administrative expenses	<u>1,321,104</u>	<u>1,293,704</u>
PROFIT (LOSS) FROM OPERATIONS	<u>351,611</u>	<u>(217,023)</u>
NONOPERATING REVENUES		
Net investment income	9,181	28,537
Ready to serve fees - Water	32,176	37,507
Ready to serve fees - Sewer	28,803	33,712
Cherry Creek Project Water Authority	56,694	62,024
Other income	122,429	158,735
Net gain (loss) on disposition of assets	13,984	5,135
Total nonoperating revenues	<u>263,267</u>	<u>325,650</u>
NONOPERATING EXPENSES		
Interest and paying agent fees	131,744	473,582
Amortization	131,185	(5,244)
Total nonoperating expenses	<u>262,929</u>	<u>468,338</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>351,949</u>	<u>(359,711)</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

Years Ended December 31, 2011 and 2010

(Continued)

	<u>2011</u>	<u>2010</u>
CAPITAL CONTRIBUTIONS		
Tap fees - Water	584,915	789,930
Tap fees - Sewer	168,671	330,260
Cost recovery payments	(141,908)	(252,136)
Reimbursable projects	11,600	23,200
Canyon's revenue	96,953	127,528
Contributions	-	100,000
Total capital contributions	<u>720,231</u>	<u>1,118,782</u>
 CHANGE IN NET ASSETS	 <u><u>\$ 1,072,180</u></u>	 <u><u>\$ 759,071</u></u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2011

	Original and Final Budget Amounts	Actual	Variance
WATER OPERATING INCOME			
Water sales	\$ 3,405,000	\$ 3,493,139	\$ 88,139
Water supply project fee	737,400	481,757	(255,643)
Irrigation and hydrant fees	633,800	661,736	27,936
Ground water protection fees	22,230	22,145	(85)
IREA rebates	-	19,722	19,722
Other	10,000	16,872	6,872
Total water operating income	<u>4,808,430</u>	<u>4,695,371</u>	<u>(113,059)</u>
WATER OPERATING EXPENSES			
Auto expenses/vehicle maintenance	40,000	41,126	(1,126)
Communications	12,500	7,528	4,972
Employee benefits	175,000	170,290	4,710
Laboratory testing and chemicals	162,500	147,476	15,024
Legal	25,000	72,257	(47,257)
Outside services	50,000	19,976	30,024
Payroll taxes	38,250	35,739	2,511
Repairs, maintenance and supplies	320,000	278,454	41,546
Salaries and related costs	500,000	482,924	17,076
Small tools and safety items	8,500	7,738	762
Utilities	630,000	544,025	85,975
Total water operating expenses	<u>1,961,750</u>	<u>1,807,533</u>	<u>154,217</u>
Gross profit from water operations	<u>2,846,680</u>	<u>2,887,838</u>	<u>41,158</u>
SEWER OPERATING INCOME			
Sewer user charges	1,680,600	1,756,324	75,724
Other	-	2,002	2,002
Total sewer operating income	<u>1,680,600</u>	<u>1,758,326</u>	<u>77,726</u>
SEWER OPERATING EXPENSES			
Auto expenses/vehicle maintenance	10,000	11,670	(1,670)
Cherry Creek Basin fees	13,000	12,590	410
Communications	4,000	3,508	492

(Continued)

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

Year Ended December 31, 2011

(Continued)

	Budget Final	Actual	Variance
Employee benefits	90,442	93,820	(3,378)
Laboratory testing and chemicals	111,250	69,073	42,177
Outside services	-	3,922	(3,922)
Repairs and maintenance - System	76,000	68,911	7,089
Repairs and maintenance - Plant	76,000	95,754	(19,754)
Salaries and related costs	262,000	256,868	5,132
Payroll taxes	20,043	19,739	304
Sludge disposal	53,000	50,939	2,061
Small tools and safety items	6,000	913	5,087
Utilities	216,000	192,475	23,525
Total sewer operating expenses	<u>937,735</u>	<u>880,182</u>	<u>57,553</u>
Gross profit from sewer operations	<u>742,865</u>	<u>878,144</u>	<u>135,279</u>
Gross profit from operations	<u>3,589,545</u>	<u>3,765,982</u>	<u>176,437</u>
NONOPERATING REVENUES			
Net investment income	35,000	19,050	(15,950)
Ready to serve fees - Water	35,000	32,176	(2,824)
Ready to serve fees - Sewer	35,000	28,803	(6,197)
Late charges	60,000	78,348	18,348
Cherry Creek Project Water Authority	73,000	56,694	(16,306)
Other income	50,000	44,081	(5,919)
Proceeds from asset disposition	6,000	13,984	7,984
Contributions in aid of construction			
Tap fees - Water	326,025	584,915	258,890
Tap fees - Sewer	144,900	168,671	23,771
Canyons revenue	230,000	230,000	-
Reimbursable projects	<u>8,400</u>	<u>11,600</u>	<u>3,200</u>
Total nonoperating revenue	<u>1,003,325</u>	<u>1,268,322</u>	<u>264,997</u>

(Continued)

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

Year Ended December 31, 2011

(Continued)

	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
NONOPERATING EXPENSES			
Accounting and audit	100,000	115,683	(15,683)
Admin vehicle	1,000	1,376	(376)
Billing systems service	7,000	3,754	3,246
Data processing	20,000	21,355	(1,355)
Directors' fees	8,000	5,800	2,200
Dues and seminars	30,000	9,993	20,007
Employee benefits	93,500	101,905	(8,405)
Insurance	100,000	82,523	17,477
Legal	200,000	221,646	(21,646)
Miscellaneous	5,000	3,853	1,147
Office expense	22,000	17,307	4,693
Outside services	-	21,736	(21,736)
Repairs and maintenance - Office	12,000	13,854	(1,854)
Salaries and related costs	317,077	317,950	(873)
Payroll taxes	24,256	21,861	2,395
Safety and training	15,000	16,126	(1,126)
Security services	22,000	21,670	330
Conservation	15,000	-	15,000
Customer communications	22,000	23,492	(1,492)
Telephone and utilities	9,200	9,054	146
CCPWA assessment	107,000	106,543	457
SMWSA	34,000	24,825	9,175
Total nonoperating expenses	<u>1,164,033</u>	<u>1,162,306</u>	<u>1,727</u>
DEBT SERVICE			
Interest			
Western water rights note - 2005	7,277	6,385	892
CWRPDA loan - 2005	149,680	147,121	2,559
CWRPDA loan - 1989	(63,013)	(174,168)	111,155
CWRPDA loan - 2002	154,276	152,406	1,870
Revenue note - 2010	382,404	404,000	(21,596)

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)**

Year Ended December 31, 2011

(Continued)

	<u>Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Principal			
Revenue note - 2010	329,375	329,375	-
Water rights lease - 2005	92,723	92,723	-
CWRPDA loan - 2005	195,000	195,000	-
CWRPDA loan - 1989	461,584	461,585	(1)
CWRPDA loan - 2002	315,000	315,000	-
Total debt service	<u>2,024,306</u>	<u>1,929,427</u>	<u>94,879</u>
CAPITAL OUTLAY			
Water projects			
Cost recovery payments	95,508	141,908	(46,400)
Water supply and treatment	3,673,200	1,758,203	1,914,997
Total water projects	<u>3,768,708</u>	<u>1,900,111</u>	<u>1,868,597</u>
Wastewater Treatment Plant	<u>201,500</u>	<u>198,887</u>	<u>2,613</u>
General			
Capital salaries	176,616	163,391	13,225
GIS program	40,000	9,184	30,816
Equipment and tools	29,500	-	29,500
Vehicles	24,000	-	24,000
Furniture and office equipment	-	4,250	(4,250)
Computer and networking	-	25,515	(25,515)
Total general	<u>270,116</u>	<u>202,340</u>	<u>67,776</u>
Total capital outlay	<u>4,240,324</u>	<u>2,301,338</u>	<u>1,938,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,835,793)	(358,767)	2,477,026

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)**

Year Ended December 31, 2011

(Continued)

	<u>Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
FUNDS AVAILABLE - BEGINNING	13,364,199	13,050,845	(313,354)
FUNDS AVAILABLE - ENDING	<u>\$ 10,528,406</u>	<u>\$12,692,078</u>	<u>\$ 2,163,672</u>

**FUNDS AVAILABLE ARE DEFINED
AS FOLLOWS**

Current assets	\$13,456,389
Less current liabilities	(1,507,191)
Adjustment for:	
Current maturities of notes receivable	(137,939)
Current long-term obligations	873,794
Adjustment to long-term receivable	6,994
Other	31
	<u>\$12,692,078</u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)**

Year Ended December 31, 2011

(Continued)

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

Revenues (budgetary basis)	\$ 7,722,019
Cost recovery payments	(141,908)
Note receivable principal revenue	(133,047)
Interest earned on loan funds	(9,869)
Total revenues per Statement of Revenues, Expenses and Change in Net Assets	<u>7,437,195</u>
Expenditures (budgetary basis)	8,080,786
Depreciation	2,252,065
Amortization - Bond issue costs	149,552
Amortization - Loan premium	(18,367)
Capitalized interest expense	(404,000)
Capital outlay	(2,301,338)
Long-term debt principal	<u>(1,393,683)</u>
Total expenses per Statement of Revenue, Expenses and Change in Net Assets	<u>6,365,015</u>
Change in net assets per Statement of Revenue, Expenses and Change in Net Assets	<u><u>\$ 1,072,180</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, 2011

ENTERPRISE REVENUES

Water operating income	\$ 4,695,371
Sewer operating income	1,758,326
Net investment income	19,050
Other income	254,086
Contributions in aid of construction	995,186
Total enterprise revenues	<u>7,722,019</u>

ENTERPRISE EXPENDITURES

Water operating expenses	1,807,533
Sewer operating expenses	880,182
Nonoperating expenses	1,126,766
Debt service	
Principal	1,147,894
Interest	628,486
Capital outlay	2,301,338
Total enterprise expenditures	<u>7,892,199</u>

**EXCESS ENTERPRISE REVENUES (UNDER) ENTERPRISE
EXPENDITURES**

(170,180)

ENTERPRISE FUNDS AVAILABLE - BEGINNING OF YEAR

12,433,636

ENTERPRISE FUNDS AVAILABLE - END OF YEAR

\$ 12,263,456

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, 2011

GENERAL REVENUES	<u>\$ -</u>
GENERAL EXPENDITURES	
Accounting and audit	4,049
Directors' fees	5,800
Dues and seminars	350
Employee benefits	3,567
Insurance	2,888
Legal	7,758
Salaries and related costs	11,128
Debt service	
CWRPDA loan 1989 - Principal	245,789
CWRPDA loan 1989 - Interest	(92,742)
Total general expenditures	<u>188,587</u>
EXCESS GENERAL REVENUES (UNDER) GENERAL EXPENDITURES	(188,587)
GENERAL FUNDS AVAILABLE - BEGINNING OF YEAR	<u>617,209</u>
GENERAL FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 428,622</u></u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2011

December 31,	\$7,045,000 Loan Dated October 1, 2002 Colorado Water Resources and Power Development Authority Interest 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 Interest Rates of 3.35% Principal and Interest Payable February 1 and August 1	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 320,000	\$ 149,787	\$ 200,000	\$ 143,538
2013	325,000	144,827	205,000	137,239
2014	330,000	139,790	210,000	130,782
2015	335,000	133,025	220,000	124,168
2016	340,000	126,157	225,000	117,238
2017	350,000	119,187	230,000	110,151
2018	355,000	112,012	240,000	102,908
2019	365,000	104,380	245,000	95,948
2020	370,000	96,167	250,000	90,682
2021	380,000	86,307	260,000	83,432
2022	410,000	57,027	265,000	75,892
2023	445,000	25,437	275,000	69,534
2024	-	-	280,000	62,248
2025	-	-	300,000	44,328
2026	-	-	320,000	22,879
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
Total	<u>\$ 4,325,000</u>	<u>\$ 1,294,103</u>	<u>\$ 3,725,000</u>	<u>\$ 1,410,967</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2011

December 31,	\$10,335,213 Water Enterprise Revenue Refunding Note, Series 2010 Dated December 21, 2010 Interest Rate of 3.95% Principal due December 1 and Interest Payable June 1 and December 1		\$753,547 Lease Dated September 30, 2005 Wells Fargo Brokerage Services, LLC Rate of 3.85% Principal and Interest Payable September 30	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 361,979	\$ 391,671	\$ 96,293	\$ 3,707
2013	376,419	377,231	-	-
2014	391,435	362,215	-	-
2015	407,048	346,600	-	-
2016	423,288	330,362	-	-
2017	440,174	313,476	-	-
2018	457,734	295,917	-	-
2019	475,993	277,656	-	-
2020	494,981	258,667	-	-
2021	514,728	238,922	-	-
2022	535,261	218,389	-	-
2023	556,614	197,035	-	-
2024	578,818	174,831	-	-
2025	601,907	151,740	-	-
2026	625,921	127,729	-	-
2027	650,890	102,760	-	-
2028	676,855	76,794	-	-
2029	703,857	49,793	-	-
2030	731,936	21,714	-	-
Total	<u>\$ 10,005,838</u>	<u>\$ 4,313,502</u>	<u>\$ 96,293</u>	<u>\$ 3,707</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2011

December 31,	Total		
	Principal	Interest	Total
2012	\$ 978,272	\$ 688,703	\$ 1,666,975
2013	906,419	659,297	1,565,716
2014	931,435	632,787	1,564,222
2015	962,048	603,793	1,565,841
2016	988,288	573,757	1,562,045
2017	1,020,174	542,814	1,562,988
2018	1,052,734	510,837	1,563,571
2019	1,085,993	477,984	1,563,977
2020	1,114,981	445,516	1,560,497
2021	1,154,728	408,661	1,563,389
2022	1,210,261	351,308	1,561,569
2023	1,276,614	292,006	1,568,620
2024	858,818	237,079	1,095,897
2025	901,907	196,068	1,097,975
2026	945,921	150,608	1,096,529
2027	650,890	102,760	753,650
2028	676,855	76,794	753,649
2029	703,857	49,793	753,650
2030	731,936	21,714	753,650
Total	<u>\$ 18,152,131</u>	<u>\$ 7,022,279</u>	<u>\$ 25,174,410</u>

OTHER SUPPLEMENTARY INFORMATION

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTAL INFORMATION
December 31, 2011

AD VALOREM PROPERTY TAX DATA

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

Levy/ Collection Year	Assessed Valuation	Increase (Decrease)	Percent Change	Debt Service Mill Levy	Taxes Levied	Taxes Collected	Debt Service Mill Levy	Percent of Levy Collected
2001/2002	\$ 89,652,819	\$ 15,884,391	21.5%	10.000	\$ 1,401,600	\$ 1,412,900	10.000	100.81%
2002/2003	97,482,505	7,829,686	8.7%	8.800	896,528	907,238	8.800	101.19%
2003/2004	102,453,235	4,970,730	5.1%	8.800	857,846	866,529	8.800	101.01%
2004/2005	108,898,520	6,445,285	6.3%	3.150	901,588	908,758	3.150	100.80%
2005/2006	124,506,210	15,607,690	14.3%	3.150	343,030	352,304	3.150	102.70%
2006/2007	140,866,660	16,360,450	13.1%	1.900	392,195	382,607	1.900	97.56%
2007/2008	166,876,427	26,009,767	18.5%	0.000	267,647	276,336	0.000	103.25%
2008/2009	184,608,610	17,732,183	10.6%	0.000	-	33	0.000	N/A
2009/2010	194,234,310	9,625,700	5.2%	0.000	-	-	0.000	N/A
2010/2011	197,048,900	2,814,590	1.4%	0.000	-	-	0.000	N/A
2011/2012	163,524,840	(33,524,060)	-17.0%	0.000	-	-	0.000	N/A

The District received additional property taxes as a result of HB1006, which provided for acceleration of taxes on "new growth" valuation up through six months of the levy year which is not included in the taxes levied but is a part of current taxes collected.

(Continued)

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

December 31, 2011

(Continued)

SYSTEM ACCOUNTS

<u>Classification</u>	<u>Number of Accounts</u>	<u>Percent of Total Accounts</u>
Residential	4,152	91.18%
Commercial	31	0.68%
Irrigation only	58	1.27%
Vacant lots	313	6.87%
Total	<u>4,554</u>	<u>100.00%</u>

WATER PROJECT FEE SCHEDULE

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

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

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTAL INFORMATION
December 31, 2011
(Continued)

CHARGES FOR WATER SERVICE
WATER RATES AND CHARGES

(In Effect as of January 1, 2011 Through December 31, 2011)

Residential (Bimonthly)

Base Rate	\$51.10
0 - 6,000 gallons	\$51.10 + \$2.04/1,000 gallons
6,001 - 40,000 gallons	\$63.34 + \$2.96/1,000 gallons
40,001 - 60,000 gallons	\$163.98 + \$3.73/1,000 gallons
60,001 - 100,000 gallons	\$238.58 + \$4.85/1,000 gallons
100,000 - 120,000 gallons	\$432.58 + \$6.63/1,000 gallons
Over 120,000 gallons	\$565.18 + \$13.29/1,000 gallons

Commercial (Monthly)

Meter Size	\$2.04/1,000 gallons		\$2.96/1,000 gallons		\$3.73/1,000 gallons		\$4.85/1,000 gallons		\$6.63/1,000	
	Base Rate	Maximum Gallons	Minimum Gallons	Maximum Gallons	Minimum Gallons	Maximum Gallons	Minimum Gallons	Maximum Gallons	Gallons over	
3/4" (1)	\$ 25.00	3,000	3,001	20,000	20,001	30,000	30,001	50,000		50,001
1" (2)	41.30	6,000	6,001	40,000	40,001	60,000	60,001	100,000		100,001
1-1/2" (4)	58.70	12,000	12,001	80,000	80,001	120,000	120,001	200,000		200,001
2" (7)	83.70	21,000	21,001	140,000	140,001	210,000	210,001	350,000		350,001
3" (16)	158.70	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	\$25.55
All usage	\$2.47/1,000 gallons

Golf Courses

Base Rate	\$25.55
All usage	\$2.31/1,000 gallons for usage up to 150 AF per year for each 9 holes. For usage greater than 150 AF the rate becomes \$4.03/1,000 gallons (applies to Pinery CC)

Ready to Serve "Standby Fee" (Bimonthly)

Water and sewer	Water \$17.34 each Sewer \$16.00 each
Water only	\$18.00 each

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	1,531,487
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

(Continued)

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

December 31, 2011

(Continued)

CHARGES FOR WASTEWATER SERVICE

WASTEWATER RATES AND CHARGES

(In Effect as of January 1, 2011 Through December 31, 2011)

Residential (Bimonthly)

Billing for a calendar year is based on winter water use as determined by customer's two-month billing cycle

0 - 6,000 gallons	\$52.58
Over 6,000 gallons	\$77.26

Commercial (Monthly based on water meter reading)

<u>Tap Size</u>	<u>Base Rate</u>	<u>Base Use Gallons</u>
3/4" Diameter	\$ 45.34	9,000
1" Diameter	\$ 79.41	18,000
1-1/2" Diameter	\$ 147.01	36,000
2" Diameter	\$ 248.96	63,000
3" Diameter	\$ 552.65	144,000

Usage over base amount of \$4.04/1,000 gallons

(Continued)

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

December 31, 2011

(Continued)

CHARGES FOR WASTEWATER SERVICE

REVENUE FROM WASTEWATER CHARGES

<u>Year</u>	Users of Wastewater Services Average Number of Taps During the Year	Revenue from Water Wastewater Charges
2001	2,900	\$ 830,141
2002	3,086	854,511
2003	3,199	869,197
2004	3,302	927,696
2005	3,585	1,034,446
2006	3,773	1,114,160
2007	3,839	1,208,839
2008	3,901	1,352,717
2009	3,949	1,519,391
2010	3,972	1,659,788
2011	3,994	1,756,324

(Continued)

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

December 31, 2011

(Continued)

ADDITIONAL CHARGES AND FEES OF THE SYSTEM

WATER AND WASTEWATER TAP AND CONNECTION FEES

(In Effect as of January 1, 2011 Through December 31, 2011)

RESIDENTIAL (per SFE with 3/4" Meter)

Water fee	\$	23,804
Sewer fee		8,339
Total fee	\$	<u>32,143</u>

COMMERCIAL

<u>Meter Size</u>	<u>Water Fee</u>	<u>Sewer Fee</u>	<u>Total Fee</u>
3/4" (1)	\$ 23,804	\$ 8,339	\$ 32,143
1" (2)	47,608	16,678	64,286
1-1/2" (4)	95,216	33,356	128,572
2" (7)	166,628	58,373	225,001
3" (16)	380,864	133,424	514,288

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/Reata	800	-
Colorado Golf Club	800	-

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTAL INFORMATION

December 31, 2011
(Continued)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
OPERATING REVENUE						
Water and sewer charges	\$ 3,146,442	\$ 3,335,137	\$ 3,760,589	\$ 4,104,290	\$ 5,162,800	\$ 5,731,220
Irrigation, hydrant fees and other	878,680	676,564	705,861	577,645	714,210	722,477
Total operating revenue	<u>4,025,122</u>	<u>4,011,701</u>	<u>4,466,450</u>	<u>4,681,935</u>	<u>5,877,010</u>	<u>6,453,697</u>
OPERATING EXPENSES						
Depreciation	1,728,919	1,936,122	2,014,638	2,181,466	2,198,067	2,252,065
Auto expenses/vehicle maintenance	55,160	63,639	60,559	38,977	40,811	54,172
Salaries and wages	961,535	1,028,204	1,108,462	1,012,563	1,090,086	1,057,742
Payroll taxes	66,798	73,185	82,395	79,422	79,506	77,339
Employee benefits	242,924	266,759	317,568	307,947	360,482	366,015
Telephone and utilities	675,950	597,132	753,434	564,348	801,832	745,554
Outside services	249,415	82,831	114,274	68,658	39,559	45,634
Maintenance and supplies	471,801	703,635	882,495	719,037	757,682	682,173
Professional fees	309,788	293,095	390,257	420,475	359,530	409,586
Other operating expenses	136,921	129,657	186,744	161,897	174,122	148,694
Office expense	29,586	25,162	20,236	21,229	17,924	17,307
Insurance	100,833	105,926	89,402	91,275	75,248	82,523
Directors' fees	7,075	6,225	7,550	7,200	7,700	5,800
Sludge disposal	24,085	46,905	38,806	47,269	37,700	50,939
CCWPA assessment	-	113,791	120,886	69,893	53,784	106,543
Total operating expenses	<u>5,060,790</u>	<u>5,472,268</u>	<u>6,187,706</u>	<u>5,791,656</u>	<u>6,094,033</u>	<u>6,102,086</u>
(Loss) from operations	<u>(1,035,668)</u>	<u>(1,460,567)</u>	<u>(1,721,256)</u>	<u>(1,109,721)</u>	<u>(217,023)</u>	<u>351,611</u>
NONOPERATING REVENUE						
Property taxes	390,872	276,336	33	-	-	-
Specific ownership taxes	39,428	26,793	-	-	-	-
Net investment income	363,776	432,083	192,051	43,965	28,537	9,181
Miscellaneous other income	98,202	143,480	160,566	195,902	220,759	179,123
Ready to serve fees	79,150	82,626	81,738	79,513	71,219	60,979
Gain (loss) on disposition of assets	-	(133,377)	28,745	-	5,135	13,984
Contributions in aid of construction	4,080,072	9,912,401	2,745,341	759,146	1,118,782	720,231
Total nonoperating revenue	<u>5,051,500</u>	<u>10,740,342</u>	<u>3,208,474</u>	<u>1,078,526</u>	<u>1,444,432</u>	<u>983,498</u>
NONOPERATING EXPENSES						
Interest and paying agent fees	540,867	471,232	414,547	512,647	473,582	131,744
County treasurer's fees	6,285	4,729	1	-	-	-
Amortization	11,015	19,174	17,630	15,927	(5,244)	131,185
Total nonoperating expenses	<u>558,167</u>	<u>495,135</u>	<u>432,178</u>	<u>528,574</u>	<u>468,338</u>	<u>262,929</u>
NET INCOME/CHANGE IN NET ASSETS	<u>\$ 3,457,665</u>	<u>\$ 8,784,640</u>	<u>\$ 1,055,040</u>	<u>\$ (559,769)</u>	<u>\$ 759,071</u>	<u>\$ 1,072,180</u>

(Continued)

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2011**

CUSTOMER INFORMATION

Years (December 31)	Total Estimated Residential Equivalent Units
2003	3,249
2004	3,436
2005	3,585
2006	3,773
2007	3,993
2008	4,057
2009	4,090
2010	4,128
2011	4,152

TEN LARGEST CUSTOMERS OF THE SYSTEM

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

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

(Continued)

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

December 31, 2011
(Continued)

BUDGET SUMMARY AND COMPARISON

	<u>2012 Budget</u>	<u>2011 Budget</u>
REVENUE		
Water, operating		
User charges	\$ 3,405,000	\$ 3,405,000
Irrigation and hydrant fees	633,800	633,800
Water supply project fee	630,000	737,400
Other	32,230	32,230
Sewer, operating		
User charges	1,608,600	1,680,600
Nonoperating		
Tap fees	475,067	479,325
Other	505,000	524,000
Total revenue	<u>7,289,697</u>	<u>7,492,355</u>
EXPENDITURES		
Water, operating		
Utilities	615,000	630,000
Salaries and related costs	698,409	713,250
Other	505,000	618,500
Sewer, operating		
Utilities	203,500	216,000
Salaries and related costs	373,226	372,485
Other	347,775	349,250
Nonoperating		
Insurance	85,000	100,000
Salaries and related costs	442,527	434,833
Other	708,900	629,200
Debt service	1,666,975	2,024,306
Capital outlay	9,768,442	4,240,324
Total expenditures	<u>15,414,754</u>	<u>10,328,148</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(8,125,057)	(2,835,793)
FUNDS AVAILABLE - BEGINNING OF YEAR	11,366,714	13,364,199
FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 3,241,657</u></u>	<u><u>\$ 10,528,406</u></u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2011
(Continued)**

SCHEDULE OF COVERAGE OF DEBT SERVICE REQUIREMENTS

Year	Income	Operation and Maintenance Expenses	Available for Debt Service	Debt Service Require- ments	Debt Service Coverage
2003	\$ 10,042,486	\$ 2,395,572	\$ 7,646,914	\$ 5,426,608	1.41
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

* 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 2011 Taxes Due in 2012)**

Taxpayer	Assessed Valuation Property in the District	Percentage of Total District Assessed Valuation
CGC EQUITY CLUB LLC	\$ 2,401,280	1.47%
BETTS LAKE LLC	1,781,470	1.09%
BRIGHTSTAR GOLF PINERY LLC	1,763,570	1.08%
BRIGHTSTAR GOLF PRADERA LLC	1,692,480	1.03%
CGC REAL ESTATE LLC	1,654,910	1.01%
ASHTON DENVER RESIDENTIAL LLC	1,118,760	0.68%
FORESTAR USA REAL ESTATE GROUP INC PINERY WEST	1,096,230	0.67%
COMCAST OF COLORADO X LLC	1,000,580	0.61%
CELEBRITY DEVELOPMENT OF COLORADO LLC	667,050	0.41%
BERKSHIRE COMMERCIAL LLC	483,000	0.30%
ALL OTHERS	149,865,510	91.65%
	<u>\$ 163,524,840</u>	<u>100.00%</u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2011
(Continued)**

COMBINED STATEMENT OF DEBT

<u>Designation</u>	<u>Amount Outstanding</u>
Water Enterprise Revenue Note, Series 2010	\$ 10,005,838
Water Rights Lease	96,293
Local Government Bonds	8,050,000
	<u>\$ 18,152,131</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>2011 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	\$ 163,524,840	\$ -	100.00%	\$ -
Douglas County School District RE-1	4,501,389,609	512,861,093	3.63%	18,616,858
Parker Fire Protection District	1,227,385,170	-	0.00%	-
				<u>\$ 18,616,858</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 including a portion of the Local Government Bond.

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2011
(Continued)**

ASSESSED VALUATION, DEBT AND DEBT RATIOS

Actual valuation	\$ 1,825,695,908
Assessed valuation	\$ 163,524,840
Net general obligation direct debt	\$ -
Estimated overlapping debt	\$ 18,616,858
Net direct and estimated overlapping debt	\$ 18,616,858
Ratio of net direct debt to estimated actual valuation	0.00%
Ratio of net direct debt to assessed valuation	0.00%
Net direct debt per capita (1)	\$ -
Ratio of net direct and estimated overlapping debt to estimated actual valuation	1.02%
Ratio of net direct and estimated overlapping debt to assessed valuation	11.38%
Net direct and estimated overlapping debt per capita (1)	\$ 1,562
Estimated actual valuation per capita (1)	\$ 153,211
Assessed valuation per capita (1)	\$ 13,723

(1) Estimated permanent population 11,916

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

FINANCIAL STATEMENTS
December 31, 2012 and 2011

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Statements of Net Position.....	1
Statements of Revenues, Expenses and Change in Net Position.....	2
Statements of Cash Flows.....	3
Notes to Financial Statements.....	5
SUPPLEMENTARY INFORMATION.....	27
Schedule of Revenues, Expenses and Change in Net Position.....	28
Schedule of Revenues, Expenditures and Change in Funds Available - Budget and Actual (Budgetary Basis).....	32
Schedule of Revenues, Expenditures and Change in Funds Available - (Budgetary Basis) - Enterprise Activity.....	38
Schedule of Revenues, Expenditures and Change in Funds Available - (Budgetary Basis) - General Government Activity	39
Schedule of Debt Service Requirements to Maturity	40
OTHER SUPPLEMENTARY INFORMATION	43
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY CLEAN WATER REVENUE BONDS, SERIES 2002A and 2005A	51

Independent Auditor's Report

Board of Directors
Denver Southeast Suburban Water and Sanitation District

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 for the years ended December 31, 2012 and 2011, as listed in the Table of Contents. These financial statements are the responsibility of the District. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Denver Southeast Suburban Water and Sanitation District as of December 31, 2012 and 2011, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management Discussion and Analysis

The management's discussion and analysis information on pages III through X 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.

Supplemental Information

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

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
April 18, 2013

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

The management of Denver Southeast Suburban Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2012.

District Operations

This year was characterized by a hot summer and limited precipitation. As a result, water revenues were higher than anticipated. Water expenses were also higher than anticipated due to additional electricity and chemicals. In addition, the District purchased water from the Cherry Creek Project Water Authority as an augmentation source since the District's supplies were limited by the drought. It is expected that the drought conditions will continue into 2013.

In 2012, the District worked to expand its water supply with several capital projects and continued planning for a regional water supply project.

Lower Dawson Well I was completed and incorporated into the water supply for the District. During the year four additional well drilling contracts were awarded (Dawson Well H and Arapahoe Well A-16 in July, and Dawson Well K and Arapahoe Well A-14 in December). The Well H and A-16 projects were delayed due to pipeline easement acquisition issues that required an eminent domain proceeding. Eventually the easements were all acquired and the drilling of Well A-16 began in 2012 and will be completed in 2013. The other wells will be drilled in 2013. These wells all require new pipelines to deliver the water to District customers. Design contracts were awarded and the construction contract for the pipeline to Wells H and A-16 was awarded and work began in 2012. Wells H and A-16 should be added to the District's water supply in late 2013 and Wells K and A-14 should be added in early 2014.

In 2011, we began a residential water meter replacement program. In 2012 over 2,000 residential meters were replaced with the new radio read meters, completing the replacement of all residential meters. Replacement of commercial meters began in 2012 as well. In March of 2012, the District changed from bi-monthly billing for residential customers and began billing monthly. A credit card payment option was initiated as well.

Other capital projects included the continued maintenance of the water distribution system to replace valves, fire hydrants, and meter pits, the completion of the interconnect of the District's water system with the Town of Castle Rock, lining of portions of the District's sewer mains, replacement of the roof on the dewatering building at the wastewater treatment plant, as well as replacement of several valves in the AWT building.

The Board also approved a lease with Skyway Towers LLC for a cell site at the Reservoir 7 site.

The District continued to work on long-term regional water supply projects through its membership in the Cherry Creek Project Water Authority and the South Metro Water Supply Authority. The South Metro Water Supply Authority made significant progress in the agreements for the WISE (Water Infrastructure Supply and Efficiency) project which will bring water from Denver Water and Aurora Water into the south metro area. It is anticipated that agreements will be completed in 2013 and engineering and construction will begin in 2014. Initial deliveries of water to the District could begin as early as 2016.

Financial Highlights

- Net position increased \$1,349,972, primarily due to an increase in revenues of 6.5% while expense increased 1%.
- The net operating profit of \$934,176 was an increase of \$582,565 from last year. Excluding depreciation, the net operating income was \$3,311,544.
- Operating income increased 10% from the prior year.
- Operating expenses exclusive of depreciation decreased 1.4% from the prior year.
- Customers on line for water service at year end increased by 14 single-family residential equivalent units to 4,166 at year end.
- Funds available (current assets less current liabilities exclusive of the current portion of long-term obligations) increased \$5,146 to \$12.7 million at December 31, 2012.

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, deferred outflows of resources and liabilities, with the difference being the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

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

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

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

The District's net position increased by \$1,349,972 in 2012, primarily due to an increase in operating revenues and a decrease in nonoperating expenses over the prior year. Current assets increased \$324,467 and capital assets increased \$609,224.

Statement of Net Position

	December 31,		
	2012	2011	2010
Current assets	\$ 13,780,856	\$ 13,456,389	\$ 13,763,118
Other assets	1,975,627	2,119,688	2,414,303
Capital assets	82,872,521	82,263,297	81,961,801
Total assets	<u>98,629,004</u>	<u>97,839,374</u>	<u>98,139,222</u>
Deferred outflows of resources	<u>-</u>	<u>122,123</u>	<u>250,181</u>
Current liabilities	1,870,165	1,629,314	1,998,317
Long-term liabilities	16,403,500	17,326,816	18,322,731
Total liabilities	<u>18,273,665</u>	<u>18,956,130</u>	<u>20,321,048</u>
Net position invested in capital assets	68,433,837	67,905,275	68,479,541
Restricted net position	6,074,454	7,027,183	8,654,434
Unrestricted net position	5,847,048	4,072,909	934,380
Total net position	<u>\$ 80,355,339</u>	<u>\$ 79,005,367</u>	<u>\$ 78,068,355</u>

Review of Change in Net Position

	December 31,		
	2012	2011	2010
Revenues			
Operating revenue			
Water services	\$ 5,252,565	\$ 4,695,371	\$ 4,217,222
Sewer services	1,855,419	1,758,326	1,659,788
Total operating revenue	<u>7,107,984</u>	<u>6,453,697</u>	<u>5,877,010</u>
Nonoperating revenue			
Investment income	27,077	9,181	28,537
Other	268,741	254,086	297,113
Contributions			
Tap fees, net of cost recovery payments	424,537	623,278	891,254
Contributed facilities	-	-	100,000
Other	91,334	96,953	127,528
Total other revenue	<u>811,689</u>	<u>983,498</u>	<u>1,444,432</u>
Total revenue	<u>7,919,673</u>	<u>7,437,195</u>	<u>7,321,442</u>
Expenses			
Operating expenses			
Water	1,822,607	1,807,533	1,878,907
Sewer	842,188	880,182	853,315
	<u>2,664,795</u>	<u>2,687,715</u>	<u>2,732,222</u>
General and administrative	1,131,645	1,162,306	1,119,169
Depreciation	2,377,368	2,252,065	2,198,067
Total operating expenses	<u>6,173,808</u>	<u>6,102,086</u>	<u>6,049,458</u>
Nonoperating expenses	395,893	398,097	468,338
Total expenses	<u>6,569,701</u>	<u>6,500,183</u>	<u>6,517,796</u>
Change in net position	1,349,972	937,012	803,646
Net position - Beginning (Restated)	<u>79,005,367</u>	<u>78,068,355</u>	<u>77,264,709</u>
Net position - Ending	<u>\$ 80,355,339</u>	<u>\$ 79,005,367</u>	<u>\$ 78,068,355</u>

Operating revenue increased by \$654,287. Revenue from the sale of tap fees, net of cost recovery payments decreased \$204,360. Additionally, water services increased \$557,194, primarily due to the additional billing of a water supply project fee.

Total operating expenses remained consistent in 2012.

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. Capacity fees associated with long-term contracts are recognized as budgetary revenue when received. 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 above the budgeted revenue by \$875,306 primarily as a result of more water and sewer user charges and tap fees than originally anticipated.

Total actual expenditures of the District were less than the appropriation by \$7,254,897, which includes a positive variance of \$6,674,712 for capital expenditures.

Capital Assets Activity

The activity related to capital assets is as follows:

	December 31, 2011	Net Changes	December 31, 2012
Land and easements	\$ 385,645	\$ -	\$ 385,645
Construction in process	481,870	388,582	870,452
Water system			
Water rights	11,235,625	-	11,235,625
Water facilities	44,395,989	2,343,276	46,739,265
Bingham Lake and Dam	533,508	-	533,508
Sewer system			
Sewer facilities	34,016,133	-	34,016,133
Wastewater treatment plant	12,749,918	122,578	12,872,496
Buildings	1,805,597	-	1,805,597
Equipment and vehicles	921,486	132,156	1,053,642
Total capital assets	<u>106,525,771</u>	<u>2,986,592</u>	<u>109,512,363</u>
Accumulated depreciation	(24,262,474)	(2,377,368)	(26,639,842)
Net capital assets	<u>\$ 82,263,297</u>	<u>\$ 609,224</u>	<u>\$ 82,872,521</u>

	December 31, 2010	Net Changes	December 31, 2011
Land and easements	\$ 385,645	\$ -	\$ 385,645
Construction in process	905,986	(424,116)	481,870
Water system			
Water rights	11,019,135	216,490	11,235,625
Water facilities	41,872,638	2,523,351	44,395,989
Bingham Lake and Dam	533,508	-	533,508
Sewer system			
Sewer facilities	34,016,133	-	34,016,133
Wastewater treatment plant	12,551,031	198,887	12,749,918
Buildings	1,805,597	-	1,805,597
Equipment and vehicles	882,537	38,949	921,486
Total capital assets	<u>103,972,210</u>	<u>2,553,561</u>	<u>106,525,771</u>
Accumulated depreciation	(22,010,409)	(2,252,065)	(24,262,474)
Net capital assets	<u>\$ 81,961,801</u>	<u>\$ 301,496</u>	<u>\$ 82,263,297</u>
	December 31, 2009	Net Changes	December 31, 2010
Land and easements	\$ 382,396	\$ 3,249	\$ 385,645
Construction in process	402,157	503,829	905,986
Water system			
Water rights	10,836,114	183,021	11,019,135
Water facilities	41,607,540	265,098	41,872,638
Bingham Lake and Dam	533,508	-	533,508
Sewer system			
Sewer facilities	33,925,754	90,379	34,016,133
Wastewater treatment plant	11,992,774	558,257	12,551,031
Buildings	1,800,682	4,915	1,805,597
Equipment and vehicles	855,860	26,677	882,537
Total capital assets	<u>102,336,785</u>	<u>1,635,425</u>	<u>103,972,210</u>
Accumulated depreciation	(19,831,198)	(2,179,211)	(22,010,409)
Net capital assets	<u>\$ 82,505,587</u>	<u>\$ (543,786)</u>	<u>\$ 81,961,801</u>

The 2012 activity relating to capital assets reflects costs incurred by the District relating to the construction of water wells, sewer lines, replacement of equipment at the wastewater treatment plant, and capitalization of net interest expense on water projects.

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

Long-Term Debt

All scheduled payments of principal and interest on the District's outstanding debt were paid as required during 2012.

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

Economic Factors and Next Year's Budgets and Rates

For 2013, the District has budgeted revenue from water and sewer charges of \$6.1 million, which is \$376,000 higher compared with 2012 budgeted figures. The District has also budgeted \$701,000 of water project fees that are intended to help fund the construction of future water improvement projects. \$4,000,000 of loan proceeds has been budgeted to fund planned capital outlay in 2013. 2013 operating expenses are budgeted at \$2.9 million, which is \$155,000 higher compared with 2012 actual amounts.

The majority of the District's debt is in the form of revenue notes. The revenues pledged to pay this debt include fees for service (water and sewer bills) and fees charged for new development (tap fees). To the extent that one of the revenue sources is less than projected, then revenue from other sources is required to make the debt service payments. The District has recently concluded a period of exceptionally high growth which has now been replaced by a period of very slow growth. As a result, the debt service burden has shifted from revenues collected on new development to revenues collected from service.

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
P.O. Box 1660
Parker, Colorado 80134

BASIC FINANCIAL STATEMENTS

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,497,242	\$ 4,773,172
Cash and cash equivalents - Restricted	6,074,454	7,027,183
Certificates of deposits	495,978	495,637
Accounts receivable	487,738	942,385
Current maturities of notes receivable	143,810	137,939
Prepaid expenses	81,634	80,073
Total current assets	<u>13,780,856</u>	<u>13,456,389</u>
OTHER ASSETS		
Notes receivable - Capacity fee agreements	<u>1,975,627</u>	<u>2,119,688</u>
Total other assets	<u>1,975,627</u>	<u>2,119,688</u>
CAPITAL ASSETS - NET	82,872,521	82,263,297
DEFERRED OUTFLOWS OF RESOURCES		
Cost of debt refunding, net	<u>-</u>	<u>122,123</u>
Total deferred outflows of resources	<u>-</u>	<u>122,123</u>
TOTAL ASSETS	<u><u>\$ 98,629,004</u></u>	<u><u>\$ 97,961,497</u></u>
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts and retainage payable	\$ 772,930	\$ 477,315
Accrued payroll	24,648	-
Interest payable	149,272	156,082
Current maturities of long-term obligations	923,315	995,917
Total current liabilities	<u>1,870,165</u>	<u>1,629,314</u>
LONG-TERM OBLIGATIONS	<u>16,403,500</u>	<u>17,326,816</u>
NET POSITION		
Net investment in capital assets	68,433,837	67,905,275
Restricted	6,074,454	7,027,183
Unrestricted	5,847,048	4,072,909
Total net position	<u>80,355,339</u>	<u>79,005,367</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 98,629,004</u></u>	<u><u>\$ 97,961,497</u></u>

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
WATER OPERATIONS		
Revenues	\$ 5,252,565	\$ 4,695,371
Direct water expenses	1,822,607	1,807,533
Depreciation - Water	1,257,439	1,048,588
Gross profit from water operations	<u>2,172,519</u>	<u>1,839,250</u>
SEWER OPERATIONS		
Revenues	1,855,419	1,758,326
Direct sewer expenses	842,188	880,182
Depreciation - Sewer	953,093	1,044,679
Gross income (loss) from sewer operations	60,138	(166,535)
Total gross income from operations	<u>2,232,657</u>	<u>1,672,715</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
General and administrative	1,131,645	1,162,306
Depreciation	166,836	158,798
INCOME FROM OPERATIONS	934,176	351,611
NONOPERATING REVENUES	295,818	263,267
NONOPERATING EXPENSES	<u>395,893</u>	<u>398,097</u>
INCOME BEFORE CONTRIBUTIONS	834,101	216,781
CAPITAL CONTRIBUTIONS	<u>515,871</u>	<u>720,231</u>
CHANGE IN NET POSITION	1,349,972	937,012
TOTAL NET POSITION - BEGINNING OF YEAR	<u>79,005,367</u>	<u>78,068,355</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 80,355,339</u>	<u>\$ 79,005,367</u>

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 7,561,269	\$ 6,284,546
Payments to suppliers	(2,408,484)	(2,467,905)
Payments to employees and related expenses	(1,380,004)	(1,400,965)
Other (payments)	(2,809)	37,458
Net cash provided by operating activities	<u>3,769,972</u>	<u>2,453,134</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ready to serve fees	69,444	60,979
Other income	176,945	179,123
Net cash provided by noncapital financing activities	<u>246,389</u>	<u>240,102</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of assets	31,152	13,984
Contributions in aid of construction		
Tap fees	522,877	765,186
Receipts from notes receivable	230,000	230,000
Acquisition of property, plant and equipment	(2,780,174)	(2,242,963)
Interest and paying agent fees	(298,225)	(507,788)
Debt principal reduction	(978,273)	(1,393,681)
Net cash (required) by capital and related financing activities	<u>(3,272,643)</u>	<u>(3,135,262)</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011
(Continued)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments matured	-	1,002,759
Net investment income received	27,623	22,285
Net cash provided by investing activities	<u>27,623</u>	<u>1,025,044</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 771,341	 583,018
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>11,800,355</u>	 <u>11,217,337</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 12,571,696</u></u>	 <u><u>\$ 11,800,355</u></u>
 Reconciliation of operating (loss) to net cash provided (required) by operating activities		
Income (loss) from operations	\$ 934,176	\$ 351,611
Adjustments to reconcile (loss) from operations to net cash provided by operating activities		
Depreciation	2,377,368	2,252,065
Decrease (increase) in accounts receivable	453,285	(130,555)
Increase (decrease) in accounts payable	6,704	(39,198)
Decrease (increase) in prepaid expenses	(1,561)	19,211
Net cash provided by operating activities	<u><u>\$ 3,769,972</u></u>	<u><u>\$ 2,453,134</u></u>

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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.

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets 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.

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. Capacity fees associated with long-term contracts are recognized as budgetary revenue when received.

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.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 inflows of resources in the year they are levied and measurable. The deferred inflows of resources are recorded as revenue in the year they are available or collected.

The District did not certify a mill levy for collection in 2012.

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 estimated fair value at the date of donation.

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed, net of investment earnings on invested bond proceeds during the same period. Net interest expense capitalized during the years ended December 31, 2012 and 2011 amounted to \$390,480 and \$394,130, respectively.

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

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 incurred in the financial statements.

Board Designations

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

	<u>2012</u>	<u>2011</u>
Ground water protection	\$ 216,768	\$ 194,200
Rate stabilization reserve	1,000,000	900,000
Medical benefits reserve	60,786	-
Water project fees	1,128,694	481,757
Total Board designated amounts	<u>\$ 2,406,248</u>	<u>\$ 1,575,957</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

Effective January 1, 2012, the District implemented the provisions of GASB No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”* (GASB No. 63) and early implemented the provisions of GASB No. 65, *“Items Previously Reported as Assets and Liabilities”* (GASB No. 65).

GASB No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4 *“Elements of Financial Statements”* (Concepts Statement No. 4). Concepts Statement No. 4 defines a deferred outflow of resources as a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The impact on the District’s financial statements has been to replace the term “net assets” with “net position”.

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Some assets previously reported as assets are now reported as an outflow of resources/expenses. One of these assets is debt issuance costs. The District’s beginning net position has been restated to reflect expensing all debt issuance costs that had been previously capitalized as of December 31, 2009. The effect of this treatment for 2010 and 2011 is as follows:

Net position - December 31, 2009, as originally stated	\$ 77,387,417
Restatement related to debt issuance costs	<u>(122,708)</u>
Net position - December 31, 2009, as restated	77,264,709
Change in net position as originally stated in 2010	759,071
Restatement related to debt issuance costs amortized in 2010	<u>44,575</u>
Net position - December 31, 2010, as restated	78,068,355
Change in net position as originally stated in 2011	1,072,180
Restatement related to debt issuance costs incurred/amortized in 2011	<u>(135,168)</u>
Net position - December 31, 2011, as restated	<u><u>\$ 79,005,367</u></u>

Additionally, the District’s unamortized cost of debt refunding is treated as a deferred outflow of resources.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2012 and 2011 are classified in the accompanying financial statements as follows:

	<u>2012</u>	<u>2011</u>
Statement of net position:		
Cash and cash equivalents	\$ 6,497,242	\$ 4,773,172
Cash and cash equivalents - Restricted	6,074,454	7,027,183
Certificates of deposits	495,978	495,637
Total cash and investments	<u>\$ 13,067,674</u>	<u>\$ 12,295,992</u>

Cash and cash equivalents as of December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Deposits with financial institutions	\$ 3,613,718	\$ 3,089,527
Cash on hand	100	100
Investments	9,453,856	9,206,365
Less: Certificates of deposit	(495,978)	(495,637)
Total cash and cash equivalents	<u>\$ 12,571,696</u>	<u>\$ 11,800,355</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 FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

At December 31, 2012 and 2011, the District had the following deposits with financial institutions:

	<u>2012</u>	<u>2011</u>
Bank balance		
Insured deposits	\$ 3,615,469	\$ 3,088,890
Deposits collateralized in single institution pools	531	637
	<u>\$ 3,616,000</u>	<u>\$ 3,089,527</u>
Carrying balance		
Insured deposits	\$ 3,613,187	\$ 3,193,958
Deposits collateralized in single institution pools	531	637
	<u>\$ 3,613,718</u>	<u>\$ 3,194,595</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 or subject to investment custodial credit risk for investments that are in the possession of another party.

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

Revenue bonds of local governmental securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2012 and 2011, the District had the following investments:

Investment	Maturity	Fair Value	
		2012	2011
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 5,063,328	\$ 6,014,057
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	4,390,528	3,192,308
		<u>\$ 9,453,856</u>	<u>\$ 9,206,365</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. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for COLOTRUST'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.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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.

NOTE 4 - LONG-TERM RECEIVABLES

Long-term receivable activity for the year ended December 31, 2012 and 2011 was as follows:

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Amounts Due Within One Year
Canyons agreement	\$ 2,257,627	\$ -	\$ 138,190	\$ 2,119,437	\$ 143,810
Total long-term receivables	<u>\$ 2,257,627</u>	<u>\$ -</u>	<u>\$ 138,190</u>	<u>\$ 2,119,437</u>	<u>\$ 143,810</u>

	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Amounts Due Within One Year
Canyons agreement	\$ 2,390,674	\$ -	\$ 133,047	\$ 2,257,627	\$ 137,939
Total long-term receivables	<u>\$ 2,390,674</u>	<u>\$ -</u>	<u>\$ 133,047</u>	<u>\$ 2,257,627</u>	<u>\$ 137,939</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 - LONG-TERM RECEIVABLES (CONTINUED)

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

Intergovernmental Agreement - Canyons

On December 23, 2004 the District entered into an agreement with the Mississippi Partnership (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. On October 31, 2011, the agreement was assigned to LC Macanta, LLC. The balance of the letter of credit at December 31, 2012 is \$2,119,437.

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

Year Ending December 31,	Principal	Interest	Total
2013	\$ 143,810	\$ 86,190	\$ 230,000
2014	150,975	79,025	230,000
2015	157,014	72,986	230,000
2016	163,294	66,706	230,000
2017	169,826	60,174	230,000
2018-2022	956,627	193,373	1,150,000
2023-2024	377,891	21,636	399,527
Total payments	2,119,437	580,090	2,699,527
Less amounts due within one year	(143,810)	(86,190)	(230,000)
Long-term portion	<u>\$ 1,975,627</u>	<u>\$ 493,900</u>	<u>\$ 2,469,527</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2012 and 2011 was as follows:

	Balance December 31, 2011	Additions	Retirements/ Reclassi- fications	Balance December 31, 2012
Capital assets, not being depreciated				
Land and easements	\$ 385,645	\$ -	\$ -	\$ 385,645
Water rights	11,235,625	-	-	11,235,625
Construction in progress	481,870	832,421	(443,839)	870,452
Capital assets, being depreciated				
Water system	44,395,989	2,343,276	-	46,739,265
Bingham Lake and Dam	533,508	-	-	533,508
Sewer system	34,016,133	-	-	34,016,133
Wastewater treatment plant	12,749,918	122,578	-	12,872,496
Buildings	1,805,597	-	-	1,805,597
GIS program	157,405	12,466	-	169,871
Office and field equipment	160,434	51,464	-	211,898
Vehicles	603,647	68,226	-	671,873
Total historical cost	<u>106,525,771</u>	<u>3,430,431</u>	<u>(443,839)</u>	<u>109,512,363</u>
Less accumulated depreciation for:				
Water system	(11,574,146)	(1,243,560)	-	(12,817,706)
Bingham Lake and Dam	(222,698)	(13,879)	-	(236,577)
Sewer system	(4,855,243)	(533,544)	-	(5,388,787)
Wastewater treatment plant	(5,923,309)	(419,549)	-	(6,342,858)
Buildings	(951,316)	(92,054)	-	(1,043,370)
GIS program	(52,476)	(15,595)	-	(68,071)
Office and field equipment	(131,165)	(22,968)	-	(154,133)
Vehicles	(552,121)	(36,219)	-	(588,340)
Total accumulated depreciation	<u>(24,262,474)</u>	<u>(2,377,368)</u>	<u>-</u>	<u>(26,639,842)</u>
Total capital assets, net	<u>\$ 82,263,297</u>	<u>\$ 1,053,063</u>	<u>\$ (443,839)</u>	<u>\$ 82,872,521</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance December 31, 2010	Additions	Retirements/ Reclassi- fications	Balance December 31, 2011
Capital assets, not being depreciated				
Land and easements	\$ 385,645	\$ -	\$ -	\$ 385,645
Water rights	11,019,135	216,490	-	11,235,625
Construction in progress	905,986	481,869	(905,985)	481,870
Capital assets, being depreciated				
Water system	41,872,638	2,523,351	-	44,395,989
Bingham Lake and Dam	533,508	-	-	533,508
Sewer system	34,016,133	-	-	34,016,133
Wastewater treatment plant	12,551,031	198,887	-	12,749,918
Buildings	1,805,597	-	-	1,805,597
GIS program	148,221	9,184	-	157,405
Office and field equipment	130,669	29,765	-	160,434
Vehicles	603,647	-	-	603,647
Total historical cost	<u>103,972,210</u>	<u>3,459,546</u>	<u>(905,985)</u>	<u>106,525,771</u>
Less accumulated depreciation for:				
Water system	(10,540,063)	(1,034,083)	-	(11,574,146)
Bingham Lake and Dam	(208,193)	(14,505)	-	(222,698)
Sewer system	(4,312,574)	(542,669)	-	(4,855,243)
Wastewater treatment plant	(5,421,299)	(502,010)	-	(5,923,309)
Buildings	(858,889)	(92,427)	-	(951,316)
GIS program	(37,425)	(15,051)	-	(52,476)
Office and field equipment	(119,041)	(12,124)	-	(131,165)
Vehicles	(512,925)	(39,196)	-	(552,121)
Total accumulated depreciation	<u>(22,010,409)</u>	<u>(2,252,065)</u>	<u>-</u>	<u>(24,262,474)</u>
Total capital assets, net	<u>\$ 81,961,801</u>	<u>\$ 1,207,481</u>	<u>\$ (905,985)</u>	<u>\$ 82,263,297</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was charged to the following operations:

	2012	2011
Water	\$ 1,257,439	\$ 1,048,588
Sewer	953,093	1,044,679
General and administrative	166,836	158,798
Total	<u>\$ 2,377,368</u>	<u>\$ 2,252,065</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 6 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the years ended December 31, 2012 and 2011 was as follows:

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Amounts Due Within One Year
CWRPDA loan - 2002	\$ 4,325,000	\$ -	\$ 320,000	\$ 4,005,000	\$ 325,000
Water rights lease - 2005	96,294	-	96,294	-	-
CWRPDA loan - 2005	3,725,000	-	200,000	3,525,000	205,000
Refinancing note - 2010	10,005,838	-	361,979	9,643,859	376,419
	18,152,132	-	978,273	17,173,859	906,419
Plus loan premium	170,601	-	17,645	152,956	16,896
Total long-term obligations	<u>\$ 18,322,733</u>	<u>\$ -</u>	<u>\$ 995,918</u>	<u>\$ 17,326,815</u>	<u>\$ 923,315</u>

	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Amounts Due Within One Year
CWRPDA loan - 1989	\$ 461,585	\$ -	\$ 461,585	\$ -	\$ -
CWRPDA loan - 2002	4,640,000	-	315,000	4,325,000	320,000
Water rights lease - 2005	189,017	-	92,723	96,294	96,293
CWRPDA loan - 2005	3,920,000	-	195,000	3,725,000	200,000
Refinancing note - 2010	10,335,213	-	329,375	10,005,838	361,979
	19,545,815	-	1,393,683	18,152,132	978,272
Plus loan premium	188,968	-	18,367	170,601	17,645
Total long-term obligations	<u>\$ 19,734,783</u>	<u>\$ -</u>	<u>\$ 1,412,050</u>	<u>\$ 18,322,733</u>	<u>\$ 995,917</u>

Loan Agreements

On December 1, 1989, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (Authority) in the amount of \$6,905,000. Principal and interest payments are due quarterly in varying amounts through August 1, 2011 with the net effective interest rate of 4.635%. The District has the option to prepay the loan in multiples of \$100,000 plus prepayment costs. This loan was repaid in 2011.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

On October 1, 2002, the District entered into a loan agreement with the 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 the loan interest expense for the years ended December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Interest	\$ 173,098	\$ 189,282
Administrative fee	56,360	56,360
Earnings credit	(81,737)	(93,236)
	<u>\$ 147,721</u>	<u>\$ 152,406</u>

On May 25, 2005, the District entered into a loan agreement with the Authority in the amount of \$4,800,000. Principal and interest payments are due semi-annually on February 1 and August 1 in varying amounts through August 1, 2026 with the net effective interest rate of 3.35%. The District has the option to prepay the loan in multiples of \$100,000 plus prepayment costs. The component of this loan interest expense for the years ended December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Interest	\$ 102,513	\$ 111,792
Administrative fee	38,400	35,329
	<u>\$ 140,913</u>	<u>\$ 147,121</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

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.

Proceeds of the note were used to (1) refund the District's Water Enterprise Revenue Refunding Note, Series 2003, (2) advance refund and defease the District's Water Enterprise Revenue Note, Series 2005, (3) partially provide for a debt service reserve fund, (4) provide funds for the costs of acquiring, constructing, relocating, installing, and completing water improvements and facilities, and (5) pay the costs of issuance of the loan.

Capital Lease

The District has entered into a lease agreement as lessee for financing the acquisition of certain water rights. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

On September 30, 2005, the District entered into a capital lease obligation in the amount of \$753,547 for Denver Basin Groundwater Rights. The lease is on an annual basis, renewable for seven consecutive one-year periods with principal and interest payments of \$50,000 in 2006 and \$100,000 due annually through 2012. The effective interest rate on the lease is 3.85%.

The lease purchase agreement does not constitute a general obligation debt of the District as defined by Colorado Revised Statutes as there is an annual appropriation clause in the lease agreement. The lease was repaid in 2012.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

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

Year Ending December 31,	Principal	Interest	Total
2013	\$ 906,419	\$ 659,297	\$ 1,565,716
2014	931,435	632,787	1,564,222
2015	962,048	603,793	1,565,841
2016	988,288	573,757	1,562,045
2017	1,020,174	542,814	1,562,988
2018-2022	5,618,697	2,194,306	7,813,003
2023-2027	4,634,150	978,521	5,612,671
2028-2030	2,112,648	148,301	2,260,949
Total payments	17,173,859	6,333,576	23,507,435
Less amounts due within one year	(906,419)	(659,297)	(1,565,716)
Long-term portion	<u>\$ 16,267,440</u>	<u>\$ 5,674,279</u>	<u>\$ 21,941,719</u>

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, 2012 and 2011, the District had the following net investment in capital assets, calculated as follows:

	2012	2011
Net investment in capital assets:		
Capital assets, net	\$ 82,872,521	\$ 82,263,297
Current portion of long-term obligations	(923,315)	(1,118,040)
Noncurrent portion of long-term obligations	(16,403,500)	(17,082,570)
Unspent loan proceeds	2,888,131	3,842,588
Net investment in capital assets	<u>\$ 68,433,837</u>	<u>\$ 67,905,275</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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 \$6,074,454 and \$7,027,183 as of December 31, 2012 and 2011, 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. During 2009, the District established a 401(A) Money Purchase Plan with ICMA Retirement Corporation. The plan is voluntary for all employees and allows a participant to invest a portion of their earnings tax deferred for the plan year.

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 \$136,512, respectively, for 10 and 18 tap fees, respectively, collected during 2012 and 2011 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 2012, the District reimbursed \$5,278,464 for 696 taps, therefore, remaining future reimbursement is \$910,080 for 120 taps.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

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 2012 and 2011, the District collected 11 and 13 taps, respectively, and paid \$8,800 and \$10,400 in 2012 and 2011, respectively.

Intergovernmental Agreement - Town of Castle Rock

On August 11, 2004, the District amended and restated, in its entirety, the original agreement by and between the District and the Town of Castle Rock (Town). The Town shall construct (or cause others to construct), at no cost to the District, the interceptor required to connect the point of individual discharge within the Town limits to the southern most point on the "Pinery West Line". The Town shall own and maintain that portion of the Town Interceptor between the points of individual discharge and the Flow Metering Station. The District shall own and maintain all lines and appurtenances from and including the Flow Metering Station to the Plant. During 2007, the Flow Metering Station was contributed to the District at a value of \$163,000. The District agrees to treat up to .29 million gallons per day average annual flow of wastewater discharged from the Town's sanitary sewer system exclusively from the Liberty Village Service Area. A flow metering station to measure the wastewater flows from the Liberty Village Service Area (FMS) shall be installed by the Town, at the Town's expense, in conjunction with the Town's construction and connection of the Town Interceptor. On or before the 10th day of each month, the Town shall forward to the District a list of residential tap connections made in the Liberty Village Service Area for the preceding month. For each residential sewer tap that is not utilized within ten (10) years of the first tap connection made within the Liberty Village Service Area pursuant to the Agreement, beginning January 1st of the eleventh (11th) year, a monthly fee-in-lieu of service charge shall be assessed in an amount equivalent to 50% of what would have been assessed as the monthly service charge, had the sewer tap been connected. Such monthly fee-in-lieu of service charge shall be assessed upon 1,245 single family residential sewer taps less the number of such taps then in service for which a monthly service charge is paid to the District as provided below. Each tap shall continue to be charged such fee until one of the following occurs: (1) such tap is placed in service and a monthly service charge is paid to the District, or (2) all right, title and interest to such tap is transferred to the District, free and clear of liens and encumbrances which transfer the District shall accept, provided, however, that the District shall not be required to accept transfer of more than 150 single family residential sewer taps without the express consent of the District. The District will impose and collect user charges for the services provided by the District under the Agreement (the Service Charges). The service charges shall be based upon the wastewater flows measured at the FMS, applying the current schedule of rates set forth by the District. As of December 31, 2012, 155 taps have been issued.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

Intergovernmental Agreement - Canyons

On December 23, 2004, the District entered into an agreement with the Mississippi Partnership (the Developer) in connection with the property known as "The Canyons". This agreement has the ability to be assigned to any successor Developers and Sub-Developers as well as to the Metropolitan Districts, Crowfoot Valley Metropolitan Districts No. 1 and No. 2, or to any other special district empowered to provide sanitary sewer services to the property. The Developer shall construct, at no cost to the District, the interceptor line required to connect the points of individual sewage discharge within the Property to a point of connection with the District's sewer system. The parties acknowledge and agree that the property located immediately to the east and north of the Property is to be served with sanitary sewer services by the District through an agreement by and between the District and Pinery West Metropolitan District No. 1 (Pinery West). Based upon the anticipated construction by the Developer, the District shall sell and the Developer has agreed to purchase 968 single family equivalent units of wastewater treatment capacity. As payment for such the Developer agrees 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%. During 2005, the Developer prepaid the 2006 obligation in the amount of \$160,600. The District agrees to treat up to .24 million gallons per day (mgd) average annual flow of wastewater, but not more than .27 mgd monthly average flow of wastewater discharged from the Developer's sanitary sewer system from the Property. On September 23, 2005, the Developer provided an irrevocable letter of credit in the amount of \$2,715,000 to the District for security. The letter of credit has been reissued nine times and now expires on February 14, 2014. The current letter of credit is issued by the Northern Trust Company. The District authorized the letter of credit bank to reduce the amount to \$2,119,437. The letter of credit may be substituted by general obligation debt issued by a Title 32 Special District, which meets all of the requirements as set forth in Paragraph 14 in the agreement. The District agrees to furnish wastewater treatment capacity for wastewater facilities associated with the golf course to be located on the Property. The Developer shall pay to the District such tap fees and any other fees and charges imposed by the District at such time as the golf course wastewater facilities are installed. The taps may not be used or assigned for any service outside of the Property. The District shall have the exclusive obligation to maintain or develop sufficient treatment capacity to enable it to honor the taps. The District may, with consent of the Developer, repurchase any taps which are not utilized within ten years of the date of issuance at the original amount paid for the taps; provided however, that at the tenth anniversary date of the issuance of the first certificate, 500 taps have been utilized, the District's option to repurchase taps shall not become effective unless such taps are not utilized fifteen years after the date of their issuance. In 2009,

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 9 - SUBDIVISION IMPROVEMENTS AGREEMENTS (CONTINUED)

the agreement was amended to include monthly service charges for sewer usage which charges are the sole responsibility of the Developer. Additionally, for unutilized taps, 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%. During 2011 and 2012, \$-0- of deferred charges were added to the note receivable associated with this agreement.

Intergovernmental Agreement - The Timbers

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

During 2005, the District constructed Reservoir 4 and the Developer has paid the agreed upon sum of \$800,000 to the District. This amount is eligible for reimbursement through a portion of the tap fees paid by the owners of lots within the property from and after January 1, 2005. The amount to be allocated from tap fees towards such reimbursable items shall be set at \$4,500 per tap and will not be subject to adjustments at the time the District initiates an increase in its tap fee structure. As of December 31, 2012, the District has reimbursed the Developer \$504,000.

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

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 10 - WATER PROJECT FEE (CONTINUED)

Directors. The fee was effective March 1, 2011 and will continue until further resolution of the Board of Directors. During 2012 and 2011, the District collected \$681,937 and \$481,575 of water project fees, respectively.

NOTE 11 - AUTHORITY PARTICIPATION

The District is a member of the Douglas County Water Resource Authority, 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 \$113,505 in 2012 and \$131,368 in 2011.

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 7,000 AF of renewable water to be delivered annually from the WISE Partnership. It is anticipated that the members of the WISE Partnership will enter into the WISE Partnership – Water Delivery Agreement between the City and County of Denver, acting by and through its Board of Water Commissioners, the City of Aurora acting by and through its Utility Enterprise, and the South Metro WISE Authority. The Water Delivery Agreement is the overarching agreement that defines the terms under which Denver and Aurora will deliver water to the South Metro WISE Authority members. There will be engineering design and construction contracts required to transport water to be entered into by the South Metro WISE Authority during 2013, 2014, and 2015 in order to begin taking deliveries of water in 2016. It is currently anticipated that the District will be responsible for approximately \$10,500,000 of the capital costs to transport water, in addition to a subscription fee of approximately \$55,000. Additionally, there will be WISE operations and maintenance costs, WISE capital costs, District variable pumping costs, and the District's share of operating and maintenance costs which will be billed based upon 1,000 gallons of water.

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.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 12 - RISK MANAGEMENT

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2012. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 13 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
WATER OPERATIONS		
Revenues		
Water sales	\$ 3,830,773	\$ 3,493,139
Water supply project fee	681,937	481,757
Irrigation and hydrant fees	703,882	661,736
Ground water protection fees	22,568	22,145
IREA rebates	-	19,722
Other	13,405	16,872
Total revenues	<u>5,252,565</u>	<u>4,695,371</u>
Direct water expenses		
Depreciation	1,257,439	1,048,588
Auto expenses/vehicle maintenance	44,266	41,126
Communications	8,797	7,528
Employee benefits	133,418	170,290
Laboratory testing and chemicals	130,402	147,476
Legal	103,752	72,257
Outside services	14,499	19,976
Payroll taxes	36,717	35,739
Repairs, maintenance and supplies	155,080	278,454
Salaries and related costs	513,788	482,924
Small tools and safety items	4,001	7,738
Utilities	677,887	544,025
Total direct water expenses	<u>3,080,046</u>	<u>2,856,121</u>
Gross profit from water operations	<u>2,172,519</u>	<u>1,839,250</u>
SEWER OPERATIONS		
Revenues		
Sewer user charges	1,855,419	1,756,324
Other	-	2,002
Total revenues	<u>1,855,419</u>	<u>1,758,326</u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**

Years Ended December 31, 2012 and 2011

(Continued)

	<u>2012</u>	<u>2011</u>
Direct sewer expenses		
Depreciation	953,093	1,044,679
Auto expenses/vehicle maintenance	13,088	11,670
Cherry Creek Basin fees	12,360	12,590
Communications	3,022	3,508
Employee benefits	80,584	93,820
Laboratory testing and chemicals	80,805	69,073
Outside services	4,372	3,922
Repairs and maintenance - System	80,029	68,911
Repairs and maintenance - Plant	43,408	95,754
Salaries and related costs	271,210	256,868
Payroll taxes	21,088	19,739
Sludge disposal	54,261	50,939
Small tools and safety items	1,005	913
Utilities	176,956	192,475
Total direct sewer expenses	<u>1,795,281</u>	<u>1,924,861</u>
Gross (loss) from sewer operations	<u>60,138</u>	<u>(166,535)</u>
Total gross income from operations	<u>2,232,657</u>	<u>1,672,715</u>
 GENERAL AND ADMINISTRATIVE EXPENSES		
Depreciation - Office building and equipment	166,836	158,798
Accounting and audit	90,442	115,683
Admin vehicle	1,293	1,376
Billing systems service	6,863	3,754
Data processing	29,430	21,355
Directors' fees	5,500	5,800
Dues and seminars	21,300	9,993
Employee benefits	90,467	101,905
Insurance	82,074	82,523
Legal	220,011	221,646
Miscellaneous	5,837	3,853

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended December 31, 2012 and 2011
(Continued)

	<u>2012</u>	<u>2011</u>
Office expense	18,714	17,307
Outside services	2,300	21,736
Repairs and maintenance - Office	10,836	13,854
Salaries and related costs	325,897	317,950
Payroll taxes	23,075	21,861
Safety and training	21,128	16,126
Security services	18,799	21,670
Customer communications	34,721	23,492
Telephone and utilities	9,453	9,054
CCPWA assessment	108,592	106,543
SMWSA	4,913	24,825
Total general and administrative expenses	<u>1,298,481</u>	<u>1,321,104</u>
PROFIT (LOSS) FROM OPERATIONS	<u>934,176</u>	<u>351,611</u>
NONOPERATING REVENUES		
Net investment income	27,077	9,181
Ready to serve fees - Water	42,270	32,176
Ready to serve fees - Sewer	27,174	28,803
Cherry Creek Project Water Authority	61,417	56,694
Other income	106,728	122,429
Net gain (loss) on disposition of assets	31,152	13,984
Total nonoperating revenues	<u>295,818</u>	<u>263,267</u>
NONOPERATING EXPENSES		
Interest and paying agent fees	291,415	131,744
Amortization	104,478	266,353
Total nonoperating expenses	<u>395,893</u>	<u>398,097</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>834,101</u>	<u>216,781</u>

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended December 31, 2012 and 2011
(Continued)

	<u>2012</u>	<u>2011</u>
CAPITAL CONTRIBUTIONS		
Tap fees - Water	397,049	584,915
Tap fees - Sewer	125,828	168,671
Cost recovery payments	(107,140)	(141,908)
Reimbursable projects	8,800	11,600
Canyon's revenue	91,334	96,953
Total capital contributions	<u>515,871</u>	<u>720,231</u>
 CHANGE IN NET ASSETS	 <u><u>\$ 1,349,972</u></u>	 <u><u>\$ 937,012</u></u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
WATER OPERATING INCOME			
Water sales	\$ 3,405,000	\$ 3,830,773	\$ 425,773
Water supply project fee	630,000	681,937	51,937
Irrigation and hydrant fees	633,800	703,882	70,082
Ground water protection fees	22,230	22,568	338
Other	10,000	13,405	3,405
Total water operating income	<u>4,701,030</u>	<u>5,252,565</u>	<u>551,535</u>
WATER OPERATING EXPENSES			
Auto expenses/vehicle maintenance	43,000	44,266	(1,266)
Communications	11,000	8,797	2,203
Employee benefits	172,000	133,418	38,582
Laboratory testing and chemicals	157,500	130,402	27,098
Legal	50,000	103,752	(53,752)
Outside services	15,000	14,499	501
Payroll taxes	37,409	36,717	692
Repairs, maintenance and supplies	220,000	155,080	64,920
Salaries and related costs	489,000	513,788	(24,788)
Small tools and safety items	8,500	4,001	4,499
Utilities	615,000	677,887	(62,887)
Total water operating expenses	<u>1,818,409</u>	<u>1,822,607</u>	<u>(4,198)</u>
Gross profit from water operations	<u>2,882,621</u>	<u>3,429,958</u>	<u>547,337</u>
SEWER OPERATING INCOME			
Sewer user charges	<u>1,608,600</u>	<u>1,855,419</u>	<u>246,819</u>
Total sewer operating income	<u>1,608,600</u>	<u>1,855,419</u>	<u>246,819</u>
SEWER OPERATING EXPENSES			
Auto expenses/vehicle maintenance	14,000	13,088	912
Cherry Creek Basin fees	13,000	12,360	640
Communications	3,675	3,022	653

(Continued)

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

Year Ended December 31, 2012

(Continued)

	Budget Final	Actual	Variance
Employee benefits	91,000	80,584	10,416
Laboratory testing and chemicals	82,200	80,805	1,395
Outside services	2,000	4,372	(2,372)
Repairs and maintenance - System	78,500	80,029	(1,529)
Repairs and maintenance - Plant	78,500	43,408	35,092
Salaries and related costs	262,170	271,210	(9,040)
Payroll taxes	20,056	21,088	(1,032)
Sludge disposal	69,900	54,261	15,639
Small tools and safety items	6,000	1,005	4,995
Utilities	203,500	176,956	26,544
Total sewer operating expenses	924,501	842,188	82,313
Gross profit from sewer operations	684,099	1,013,231	329,132
Gross profit from operations	3,566,720	4,443,189	876,469
NONOPERATING REVENUES			
Net investment income	20,000	27,077	7,077
Ready to serve fees - Water	30,000	42,270	12,270
Ready to serve fees - Sewer	30,000	27,174	(2,826)
Late charges	82,000	67,904	(14,096)
Cherry Creek Project Water Authority	73,000	61,417	(11,583)
Other income	38,000	38,824	824
Proceeds from asset disposition	10,000	31,152	21,152
Contributions in aid of construction			
Tap fees - Water	357,060	397,049	39,989
Tap fees - Sewer	110,007	125,828	15,821
Canyons revenue	230,000	229,524	(476)
Reimbursable projects	-	8,800	8,800
Total nonoperating revenue	980,067	1,057,019	76,952

(Continued)

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

Year Ended December 31, 2012

(Continued)

	Budget Final	Actual	Variance
NONOPERATING EXPENSES			
Accounting and audit	120,000	90,442	29,558
Admin vehicle	1,200	1,293	(93)
Billing systems service	10,000	6,863	3,137
Data processing	25,000	29,430	(4,430)
Directors' fees	7,500	5,500	2,000
Dues and seminars	30,000	21,300	8,700
Employee benefits	100,200	90,467	9,733
Insurance	85,000	82,074	2,926
Legal	220,000	220,011	(11)
Miscellaneous	5,000	5,837	(837)
Office expense	22,000	18,714	3,286
Outside services	15,000	2,300	12,700
Repairs and maintenance - Office	12,000	10,836	1,164
Salaries and related costs	318,000	325,897	(7,897)
Payroll taxes	24,327	23,075	1,252
Safety and training	19,000	21,128	(2,128)
Security services	22,000	18,799	3,201
Conservation	38,000	-	38,000
Customer communications	40,000	34,721	5,279
Telephone and utilities	9,200	9,453	(253)
CCPWA assessment	109,000	108,592	408
SMWSA	4,000	4,913	(913)
Total nonoperating expenses	<u>1,236,427</u>	<u>1,131,645</u>	<u>104,782</u>
DEBT SERVICE			
Interest			
Western water rights note - 2005	3,707	2,780	927
CWRPDA loan - 2005	143,538	140,913	2,625
CWRPDA loan - 2002	149,787	147,722	2,065
Revenue note - 2010	391,671	-	391,671

(Continued)

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

Year Ended December 31, 2012

(Continued)

	<u>Budget</u> <u>Amounts</u>	<u>Actual</u>	<u>Variance</u>
Principal			
Revenue note - 2010	361,979	361,979	-
Water rights lease - 2005	96,293	96,293	-
CWRPDA loan - 2005	200,000	200,000	-
CWRPDA loan - 2002	320,000	320,000	-
Total debt service	<u>1,666,975</u>	<u>1,269,687</u>	<u>397,288</u>
CAPITAL OUTLAY			
Water projects			
Cost recovery payments	66,420	107,140	(40,720)
Water supply and treatment	9,228,789	2,569,148	6,659,641
Total water projects	<u>9,295,209</u>	<u>2,676,288</u>	<u>6,618,921</u>
Wastewater Treatment Plant	<u>110,500</u>	<u>122,578</u>	<u>(12,078)</u>
General			
Capital salaries	179,333	162,708	16,625
GIS program	30,000	12,466	17,534
Contingency - New Capital	38,000	-	38,000
Vehicles	50,000	68,226	(18,226)
Computer and networking	65,400	51,464	13,936
Total general	<u>362,733</u>	<u>294,864</u>	<u>67,869</u>
Total capital outlay	<u>9,768,442</u>	<u>3,093,730</u>	<u>6,674,712</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	(8,125,057)	5,146	8,130,203

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2012
(Continued)

	<u>Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
FUNDS AVAILABLE - BEGINNING	11,366,714	12,692,078	1,325,364
FUNDS AVAILABLE - ENDING	<u>\$ 3,241,657</u>	<u>\$12,697,224</u>	<u>\$ 9,455,567</u>

**FUNDS AVAILABLE ARE DEFINED
AS FOLLOWS**

Current assets	\$13,780,856
Less current liabilities	(1,870,165)
Adjustment for:	
Current maturities of notes receivable	(143,810)
Current long-term obligations	923,315
Adjustment to long-term receivable	6,994
Other	34
	<u>\$12,697,224</u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)**

Year Ended December 31, 2012

(Continued)

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

Revenues (budgetary basis)	\$ 8,165,003
Cost recovery payments	(107,140)
Note receivable principal revenue	(138,190)
Total revenues per Statement of Revenues, Expenses and Change in Net Position	<u>7,919,673</u>
Expenditures (budgetary basis)	8,159,857
Depreciation	2,377,368
Amortization - Bond issue costs	122,123
Amortization - Loan premium	(17,645)
Capital outlay	(3,093,730)
Long-term debt principal	(978,272)
Total expenses per Statement of Revenue, Expenses and Change in Net Position	<u>6,569,701</u>
Change in net position per Statement of Revenue, Expenses and Change in Net Position	<u><u>\$ 1,349,972</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, 2012

ENTERPRISE REVENUES

Water operating income	\$ 5,252,565
Sewer operating income	1,855,419
Net investment income	27,077
Other income	268,741
Contributions in aid of construction	761,201
Total enterprise revenues	<u>8,165,003</u>

ENTERPRISE EXPENDITURES

Water operating expenses	1,822,607
Sewer operating expenses	842,188
Nonoperating expenses	1,097,089
Debt service	
Principal	978,272
Interest	291,415
Capital outlay	3,093,730
Total enterprise expenditures	<u>8,125,301</u>

**EXCESS ENTERPRISE REVENUES (UNDER) ENTERPRISE
EXPENDITURES**

39,702

ENTERPRISE FUNDS AVAILABLE - BEGINNING OF YEAR

12,263,456

ENTERPRISE FUNDS AVAILABLE - END OF YEAR

\$ 12,303,158

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, 2012

GENERAL REVENUES	<u>\$ -</u>
GENERAL EXPENDITURES	
Accounting and audit	3,165
Directors' fees	5,500
Dues and seminars	746
Employee benefits	3,166
Insurance	2,873
Legal	7,700
Salaries and related costs	11,406
Total general expenditures	<u>34,556</u>
EXCESS GENERAL REVENUES (UNDER) GENERAL EXPENDITURES	(34,556)
GENERAL FUNDS AVAILABLE - BEGINNING OF YEAR	<u>428,622</u>
GENERAL FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 394,066</u></u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2012

December 31,	\$7,045,000 Loan Dated October 1, 2002 Colorado Water Resources and Power Development Authority Interest 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 Interest Rates of 3.35% Principal and Interest Payable February 1 and August 1	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 325,000	\$ 144,827	\$ 205,000	\$ 137,239
2014	330,000	139,790	210,000	130,782
2015	335,000	133,025	220,000	124,168
2016	340,000	126,157	225,000	117,238
2017	350,000	119,187	230,000	110,151
2018	355,000	112,012	240,000	102,908
2019	365,000	104,380	245,000	95,948
2020	370,000	96,167	250,000	90,682
2021	380,000	86,307	260,000	83,432
2022	410,000	57,027	265,000	75,892
2023	445,000	25,437	275,000	69,534
2024	-	-	280,000	62,248
2025	-	-	300,000	44,328
2026	-	-	320,000	22,879
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
Total	<u>\$ 4,005,000</u>	<u>\$ 1,144,316</u>	<u>\$ 3,525,000</u>	<u>\$ 1,267,429</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2012

	\$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	
December 31,	<u>Principal</u>	<u>Interest</u>
2013	\$ 376,419	\$ 377,231
2014	391,435	362,215
2015	407,048	346,600
2016	423,288	330,362
2017	440,174	313,476
2018	457,734	295,917
2019	475,993	277,656
2020	494,981	258,667
2021	514,728	238,922
2022	535,261	218,389
2023	556,614	197,035
2024	578,818	174,831
2025	601,907	151,740
2026	625,921	127,729
2027	650,890	102,760
2028	676,855	76,794
2029	703,857	49,793
2030	731,936	21,714
Total	<u>\$ 9,643,859</u>	<u>\$ 3,921,831</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Year Ended December 31, 2012

December 31,	Total		
	Principal	Interest	Total
2013	\$ 906,419	\$ 659,297	\$ 1,565,716
2014	931,435	632,787	1,564,222
2015	962,048	603,793	1,565,841
2016	988,288	573,757	1,562,045
2017	1,020,174	542,814	1,562,988
2018	1,052,734	510,837	1,563,571
2019	1,085,993	477,984	1,563,977
2020	1,114,981	445,516	1,560,497
2021	1,154,728	408,661	1,563,389
2022	1,210,261	351,308	1,561,569
2023	1,276,614	292,006	1,568,620
2024	858,818	237,079	1,095,897
2025	901,907	196,068	1,097,975
2026	945,921	150,608	1,096,529
2027	650,890	102,760	753,650
2028	676,855	76,794	753,649
2029	703,857	49,793	753,650
2030	731,936	21,714	753,650
Total	<u>\$ 17,173,859</u>	<u>\$ 6,333,576</u>	<u>\$ 23,507,435</u>

OTHER SUPPLEMENTARY INFORMATION

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2012

AD VALOREM PROPERTY TAX DATA

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

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

The District received additional property taxes as a result of HB1006, which provided for acceleration of taxes on "new growth" valuation up through six months of the levy year which is not included in the taxes levied but is a part of current taxes collected.

(Continued)

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

December 31, 2012

(Continued)

SYSTEM ACCOUNTS

<u>Classification</u>	<u>Number of Accounts</u>	<u>Percent of Total Accounts</u>
Residential	4,166	91.54%
Commercial	29	0.64%
Irrigation only	58	1.27%
Vacant lots	298	6.55%
Total	<u>4,551</u>	<u>100.00%</u>

WATER PROJECT FEE SCHEDULE

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

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

(Continued)

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

December 31, 2012

(Continued)

CHARGES FOR WATER SERVICE

WATER RATES AND CHARGES

(In Effect as of January 1, 2013 Through December 31, 2013)

Residential (Monthly)

Base Rate	\$26.26
0 - 3,000 gallons	\$26.26 + \$.10/1,000 gallons
3,000 -20,000 gallons	\$32.56 + \$.04/1,000 gallons
20,000 - 30,000 gallons	\$84.24 + \$.83/1,000 gallons
30,000 - 50,000 gallons	\$122.54 + \$.98/1,000 gallons
50,000 - 60,000 gallons	\$222.14 + \$.81/1,000 gallons
Over 60,000 gallons	\$290.25 + \$13.29/1,000 gallons

Commercial (Monthly)

Meter Size	\$2.10/1,000 gallons		\$3.04/1,000 gallons		\$3.83/1,000 gallons		\$4.98/1,000 gallons		\$6.81/1,000
	Base Rate	Maximum Gallons	Minimum Gallons	Maximum Gallons	Minimum Gallons	Maximum Gallons	Minimum Gallons	Maximum Gallons	Gallons over
3/4" (1)	25.70	3,000	3,001	20,000	20,001	30,000	30,001	50,000	50,001
1" (2)	42.45	6,000	6,001	40,000	40,001	60,000	60,001	100,000	100,001
1-1/2" (4)	60.34	12,000	12,001	80,000	80,001	120,000	120,001	200,000	200,001
2" (7)	86.04	21,000	21,001	140,000	140,001	210,000	210,001	350,000	350,001
3" (16)	163.14	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	\$26.26
All usage	\$2.54/1,000 gallons

Golf Courses

Base Rate	\$26.26
All usage	\$2.35/1,000 gallons for usage up to 150 AF per year for each 9 holes. For usage greater than 150 AF the rate becomes \$4.03/1,000 gallons (applies to Pinery CC)

Ready to Serve "Standby Fee" (Monthly)

Water and sewer	\$16.67
Water only	\$9.00

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

(Continued)

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

December 31, 2012

(Continued)

CHARGES FOR WASTEWATER SERVICE

WASTEWATER RATES AND CHARGES

(In Effect as of January 1, 2013 Through December 31, 2013)

Residential (Monthly)

Billing for a calendar year is based on winter water use

0 - 3,000 gallons	\$	27.03
Over 3,000 gallons	\$	39.71

Commercial (Monthly based on water meter reading)

<u>Tap Size</u>	<u>Base Rate</u>	<u>Base Use Gallons</u>
3/4" Diameter	\$ 46.61	9,000
1" Diameter	\$ 81.63	18,000
1-1/2" Diameter	\$ 151.13	36,000
2" Diameter	\$ 255.93	63,000
3" Diameter	\$ 568.12	144,000

Usage over base amount of \$4.15/1,000 gallons

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2012
(Continued)

CHARGES FOR WASTEWATER SERVICE

REVENUE FROM WASTEWATER CHARGES

<u>Year</u>	<u>Users of Wastewater Services Average Number of Taps During the Year</u>	<u>Revenue from Water Wastewater Charges</u>
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

(Continued)

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

December 31, 2012

(Continued)

ADDITIONAL CHARGES AND FEES OF THE SYSTEM

WATER AND WASTEWATER TAP AND CONNECTION FEES

(Effective February 1, 2013)

RESIDENTIAL (per SFE with 3/4" Meter)

Water fee	\$ 24,518
Sewer fee	8,589
Total fee	<u>\$ 33,107</u>

COMMERCIAL

<u>Meter Size</u>	<u>Water Fee</u>	<u>Sewer Fee</u>	<u>Total Fee</u>
3/4" (1)	\$ 24,518	\$ 8,589	\$ 33,107
1" (2)	4,906	17,178	22,084
1-1/2" (4)	98,072	34,356	132,428
2" (7)	171,626	60,123	231,749
3" (16)	392,288	137,424	529,712

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/Reata	800	-
Colorado Golf Club	800	-

(Continued)

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2012
(Continued)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
OPERATING REVENUE						
Water and sewer charges	\$ 3,335,137	\$ 3,760,589	\$ 4,104,290	\$ 5,162,800	\$ 5,731,220	\$ 6,368,129
Irrigation, hydrant fees and other	676,564	705,861	577,645	714,210	722,477	739,855
Total operating revenue	<u>4,011,701</u>	<u>4,466,450</u>	<u>4,681,935</u>	<u>5,877,010</u>	<u>6,453,697</u>	<u>7,107,984</u>
OPERATING EXPENSES						
Depreciation	1,936,122	2,014,638	2,181,466	2,198,067	2,252,065	2,377,368
Auto expenses/vehicle maintenance	63,639	60,559	38,977	40,811	54,172	58,647
Salaries and wages	1,028,204	1,108,462	1,012,563	1,090,086	1,057,742	1,110,895
Payroll taxes	73,185	82,395	79,422	79,506	77,339	80,880
Employee benefits	266,759	317,568	307,947	360,482	366,015	304,469
Telephone and utilities	597,132	753,434	564,348	801,832	745,554	864,296
Outside services	82,831	114,274	68,658	39,559	45,634	21,171
Maintenance and supplies	703,635	882,495	719,037	757,682	682,173	505,566
Professional fees	293,095	390,257	420,475	359,530	409,586	414,205
Other operating expenses	129,657	186,744	161,897	174,122	148,694	167,170
Office expense	25,162	20,236	21,229	17,924	17,307	18,714
Insurance	105,926	89,402	91,275	75,248	82,523	82,074
Directors' fees	6,225	7,550	7,200	7,700	5,800	5,500
Sludge disposal	46,905	38,806	47,269	37,700	50,939	54,261
CCWPA assessment	113,791	120,886	69,893	53,784	106,543	108,592
Total operating expenses	<u>5,472,268</u>	<u>6,187,706</u>	<u>5,791,656</u>	<u>6,094,033</u>	<u>6,102,086</u>	<u>6,173,808</u>
Income (loss) from operations	<u>(1,460,567)</u>	<u>(1,721,256)</u>	<u>(1,109,721)</u>	<u>(217,023)</u>	<u>351,611</u>	<u>934,176</u>
NONOPERATING REVENUE						
Property taxes	276,336	33	-	-	-	-
Specific ownership taxes	26,793	-	-	-	-	-
Net investment income	432,083	192,051	43,965	28,537	9,181	27,077
Miscellaneous other income	143,480	160,566	195,902	220,759	179,123	168,145
Ready to serve fees	82,626	81,738	79,513	71,219	60,979	69,444
Gain (loss) on disposition of assets	(133,377)	28,745	-	5,135	13,984	31,152
Contributions in aid of construction	9,912,401	2,745,341	759,146	1,118,782	720,231	515,871
Total nonoperating revenue	<u>10,740,342</u>	<u>3,208,474</u>	<u>1,078,526</u>	<u>1,444,432</u>	<u>983,498</u>	<u>811,689</u>
NONOPERATING EXPENSES						
Interest and paying agent fees	471,232	414,547	512,647	473,582	131,744	291,415
County treasurer's fees	4,729	1	-	-	-	-
Amortization	19,174	17,630	15,927	(5,244)	131,185	104,478
Total nonoperating expenses	<u>495,135</u>	<u>432,178</u>	<u>528,574</u>	<u>468,338</u>	<u>262,929</u>	<u>395,893</u>
NET INCOME (LOSS)/						
CHANGE IN NET POSITION	<u>\$ 8,784,640</u>	<u>\$ 1,055,040</u>	<u>\$ (559,769)</u>	<u>\$ 759,071</u>	<u>\$ 1,072,180</u>	<u>\$ 1,349,972</u>

(Continued)

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2012**

CUSTOMER INFORMATION

Years (December 31)	Total Estimated Residential Equivalent Units
2003	3,249
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

TEN LARGEST CUSTOMERS OF THE SYSTEM

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

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

(Continued)

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

December 31, 2012
(Continued)

BUDGET SUMMARY AND COMPARISON

	<u>2013 Budget</u>	<u>2012 Budget</u>
REVENUE		
Water, operating		
User charges	\$ 3,500,340	\$ 3,405,000
Irrigation and hydrant fees	642,500	633,800
Water supply project fee	701,000	630,000
Other	28,000	32,230
Sewer, operating		
User charges	1,885,027	1,608,600
Nonoperating		
Loan proceeds	4,000,000	-
Tap fees	475,067	475,067
Other	470,000	505,000
Total revenue	<u>11,701,934</u>	<u>7,289,697</u>
EXPENDITURES		
Water, operating		
Utilities	685,000	615,000
Salaries and related costs	725,980	698,409
Other	556,500	505,000
Sewer, operating		
Utilities	200,000	203,500
Salaries and related costs	385,456	373,226
Other	345,400	347,775
Nonoperating		
Insurance	86,000	85,000
Salaries and related costs	450,197	442,527
Other	718,300	708,900
Debt service	1,865,716	1,666,975
Capital outlay	11,640,253	9,768,442
Total expenditures	<u>17,658,802</u>	<u>15,414,754</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(5,956,868)	(8,125,057)
FUNDS AVAILABLE - BEGINNING OF YEAR	12,178,527	11,366,714
FUNDS AVAILABLE - END OF YEAR	<u>\$ 6,221,659</u>	<u>\$ 3,241,657</u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2012
(Continued)**

SCHEDULE OF COVERAGE OF DEBT SERVICE REQUIREMENTS

<u>Year</u>	<u>Income</u>	<u>Operation and Maintenance Expenses</u>	<u>Available for Debt Service</u>	<u>Debt Service Require- ments</u>	<u>Debt Service Coverage</u>
2003	\$ 10,042,486	\$ 2,395,572	\$ 7,646,914	\$ 5,426,608	1.41
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

* 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 2012 Taxes Due in 2013)**

<u>Taxpayer</u>	<u>Assessed Valuation Property in the District</u>	<u>Percentage of Total District Assessed Valuation</u>
CGC EQUITY CLUB LLC	\$ 2,877,120	1.75%
BETTS LAKE LLC	1,765,310	1.08%
BRIGHTSTAR GOLF PINERY LLC	1,763,570	1.08%
BRIGHTSTAR GOLF PRADERA LLC	1,692,480	1.03%
CGC REAL ESTATE LLC	1,654,910	1.01%
ASHTON DENVER RESIDENTIAL LLC	1,131,020	0.69%
FORESTAR USA REAL ESTATE GROUP INC PINERY WEST	1,045,930	0.64%
COMCAST OF COLORADO X LLC	838,450	0.51%
CELEBRITY DEVELOPMENT OF COLORADO LLC	630,890	0.38%
CGC COTTAGE LLC	410,630	0.25%
ALL OTHERS	150,235,860	91.58%
	<u>\$ 164,046,170</u>	<u>100.00%</u>

(Continued)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS, SERIES 2002A AND 2005A
December 31, 2012
(Continued)**

COMBINED STATEMENT OF DEBT

<u>Designation</u>	<u>Amount Outstanding</u>
Water Enterprise Revenue Note, Series 2010	\$ 9,643,859
Local Government Bonds	7,530,000
	<u><u>\$ 17,173,859</u></u>

DEBT SERVICE REQUIREMENTS OF THE DISTRICT

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

ESTIMATED DIRECT AND OVERLAPPING DEBT SCHEDULE

	2012 Assessed Valuation	Outstanding General Obligation Debt (1)	Outstanding Debt Applicable to District	
			Percent	Amount
The District	\$ 164,046,170	\$ -	100.00%	\$ -
Douglas County School District RE-1	4,551,405,080	468,523,316	3.60%	16,866,839
Parker Fire Protection District	1,243,828,481	-	0.00%	-
				<u><u>\$ 16,866,839</u></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 including a portion of the Local Government Bond.

(Continued)

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

December 31, 2012

(Continued)

ASSESSED VALUATION, DEBT AND DEBT RATIOS

Actual valuation	\$ 1,845,812,384
Assessed valuation	\$ 164,046,170
Net general obligation direct debt	\$ -
Estimated overlapping debt	\$ 16,866,839
Net direct and estimated overlapping debt	\$ 16,866,839
Ratio of net direct debt to estimated actual valuation	0.00%
Ratio of net direct debt to assessed valuation	0.00%
Net direct debt per capita (1)	\$ -
Ratio of net direct and estimated overlapping debt to estimated actual valuation	0.91%
Ratio of net direct and estimated overlapping debt to assessed valuation	10.28%
Net direct and estimated overlapping debt per capita (1)	\$ 1,411
Estimated actual valuation per capita (1)	\$ 154,378
Assessed valuation per capita (1)	\$ 13,720

(1) Estimated permanent population 11,956

Appendix D

APPENDIX D

LETTER OF BUDGET TRANSMITTAL

January 24, 2013

VIA E-filing Portal

Division of Local Government
1313 Sherman Street, Room 521
Denver, Colorado 80203

Pursuant to the requirements of Section 29-1-113, C.R.S., attached please find a copy of the 2013 Budget and Budget Message for Denver Southeast Suburban Water and Sanitation District, d/b/a Pinery Water and Wastewater District, Douglas County, Colorado (the "District"). The Budget was adopted at a regular meeting of the Board of Directors of District held December 12, 2012. If there are any questions regarding the Budget, please contact Charles J. Krogh, District Manager, at 303-841-2797, or P. O. Box 1660, Parker, CO 80134.

The mill levy certified to the Douglas County Board of County Commissioners is 0 mills for general obligation bonds and interest. A copy of the Certification of Tax Levies submitted to the County Commissioners is enclosed.

Copies of the Resolution to Adopt 2013 Budget, Resolution to Appropriate Sums of Money, and Resolution to Set Mill Levies, approved and adopted by the District Board of Directors on December 12, 2012 are also enclosed.

I, James B. Folkestad, General Counsel, hereby certify that the enclosed are true and accurate copies of the 2013 Budget and related budget documents, and of the Certification of Tax Levies filed with the Douglas County Board of County Commissioners.

DENVER SOUTHEAST SUBURBAN WATER
AND SANITATION DISTRICT, D/B/A PINERY
WATER AND WASTEWATER DISTRICT

By: 

James B. Folkestad, General Counsel for
Denver Southeast Suburban Water and
Sanitation District, d/b/a Pinery Water and
Wastewater District

RESOLUTION NO. 2012 - 27

RESOLUTION TO ADOPT 2013 BUDGET

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET FOR THE DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT, D/B/A PINERY WATER AND WASTEWATER DISTRICT, DOUGLAS COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2013, AND ENDING ON THE LAST DAY OF DECEMBER, 2013

WHEREAS, the Board of Directors of Denver Southeast Suburban Water and Sanitation District, d/b/a Pinery Water and Wastewater District (the "District"), has appointed Mr. Charles Krogh, District Manager, to prepare and submit a proposed budget to the Board of Directors of the District at the proper time;

WHEREAS, Mr. Krogh has submitted a proposed budget to the Board of Directors of the District on or before October 15, 2012, for its consideration;

WHEREAS, upon due and proper notice published on November 1, 2012 in accordance with the law, said proposed budget was open for inspection by the public at a designated place - the office of the District located at 5242 Old Schoolhouse Road, Parker, Colorado 80134; and interested taxpayers were given the opportunity to file or register any objections to said proposed budget; and a public hearing was held on November 14, 2012, at 6:00 p.m. at the District's Office located at 5242 Old Schoolhouse Road, Parker, Colorado 80134; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or were planned to be expended from reserves/fund balances so that the budget remains in balance, as required by law;

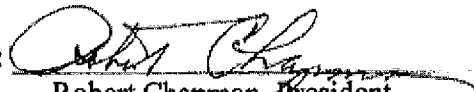
NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Denver Southeast Suburban Water and Sanitation District, d/b/a Pinery Water and Wastewater District, Douglas County, Colorado:

Section 1. That the budget as submitted, amended, and summarized by fund and attached hereto as Exhibit A, is hereby approved and adopted as the budget of the Denver Southeast Suburban Water and Sanitation District, d/b/a Pinery Water and Wastewater District, for the year 2013.

Section 2. That the 2013 budget hereby approved and adopted shall be signed by the President and Secretary of the District and made a part of the public records of the District and filed in accordance with applicable law.

APPROVED AND ADOPTED this ¹²~~14~~ day of ^{December}~~November~~, 2012, by a vote of 25 for
and 0 against.

DENVER SOUTHEAST SUBURBAN WATER
AND SANITATION DISTRICT, D/B/A PINERY
WATER AND WASTEWATER DISTRICT, a quasi-
municipal corporation and political subdivision of the
State of Colorado

By: 
Robert Chapman, President

ATTEST:

By: 
Walter Partridge, Secretary

SEAL

EXHIBIT A

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT, D/B/A
PINERY WATER AND WASTEWATER DISTRICT**

2013 BUDGET AND BUDGET MESSAGE



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Accountant's Compilation Report

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

We have compiled the accompanying forecasted budget of revenue, expenditures and funds available of the Denver Southeast Suburban Water and Sanitation District for the General Government and Enterprise Activities for the year ending December 31, 2013, including the forecasted estimate of comparative information for the year December 31, 2012, in accordance with attestation standards established by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not audited or reviewed the forecast and, accordingly, do not express an opinion or any other form of assurance about whether the accompanying budget of revenues, expenditures and funds available or assumptions are in accordance with attestation standards generally accepted in the United States of America. Furthermore, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Management is responsible for the preparation and fair presentation of the forecast in accordance with attestation standards generally accepted in the United States of America, and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the forecast.

The actual historical information for the year 2011 is presented for comparative purposes only. Such information is taken from the audit report of the District for the year ended December 31, 2011, as prepared by L. Paul Goedecke, P.C., dated April 26, 2012, wherein an unqualified opinion was expressed.

Management has elected to omit the summary of significant accounting policies required by the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants. If the omitted disclosures were included in the forecast, they might influence the user's conclusions about the District's results of operations for the forecasted periods. Accordingly, this forecast is not designed for those who are not informed about such matters.

We are not independent with respect to Denver Southeast Suburban Water and Sanitation District.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 12, 2012

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
2013 BUDGET AS ADOPTED
WITH 2011 ACTUAL AND 2012 ESTIMATED
For the Years Ended and Ending December 31,

12/12/2012

Page 2

	ACTUAL 2011	ESTIMATED 2012	ADOPTED 2013
WATER OPERATIONS			
Water revenue	\$ 4,695,371	\$ 5,273,884	\$ 4,871,840
Direct water expenses	(1,807,533)	(1,900,300)	(1,967,480)
Gross profit (loss) from water operations	2,887,838	3,373,584	2,904,360
Non-operating water revenue	164,915	184,576	155,000
Non-operating water expenses	(646,837)	(651,100)	(684,749)
Debt service - water	(832,483)	(852,723)	(1,053,650)
Capital outlay - water - replacement	(101,170)	(1,236,422)	(1,772,102)
Subtotal net water operations	1,472,263	817,915	(451,141)
SEWER OPERATIONS			
Sewer revenue	1,758,326	1,864,480	1,885,027
Direct sewer expenses	(880,182)	(905,375)	(930,856)
Gross profit (loss) from sewer operations	878,144	959,105	954,171
Non-operating sewer revenue	108,221	124,576	85,000
Non-operating sewer expenses	(515,469)	(537,100)	(569,749)
Debt service - sewer	(1,096,944)	(813,325)	(812,066)
Capital outlay - sewer - replacement	(101,170)	(161,820)	(162,302)
Subtotal net sewer operations	(727,218)	(428,564)	(504,945)
TAP FEES			
Tap fees - water	584,915	358,000	365,060
Tap fees - sewer	168,671	110,000	110,007
Total tap fee revenue	753,586	468,000	475,067
Loan proceeds	-	-	4,000,000
Other contributions	241,600	230,000	230,000
Capital outlay water - new capital	(1,758,203)	(1,353,402)	(9,454,729)
Capital outlay sewer - new capital	(198,887)	(110,500)	(184,700)
Cost recovery payments	(141,908)	(137,000)	(66,420)
Subtotal tap fee coverage	(1,103,812)	(902,902)	(5,000,782)
EXCESS REVENUE OVER (UNDER)			
EXPENDITURES	(358,767)	(513,551)	(5,956,868)
FUNDS AVAILABLE - BEGINNING	13,050,845	12,692,078	12,178,527
FUNDS AVAILABLE - ENDING	\$ 12,692,078	\$ 12,178,527	\$ 6,221,659

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT

**GENERAL GOVERNMENT ACTIVITY
2013 BUDGET AS ADOPTED
WITH 2011 ACTUAL AND 2012 ESTIMATED
For the Years Ended and Ending December 31,**

12/12/2012

Page 3

GENERAL REVENUE

Net investment income	\$ 19,050	\$ 27,000	\$ 20,000
Total general revenue	19,050	27,000	20,000

GENERAL EXPENDITURES

Accounting and audit	4,049	4,200	4,200
Salaries and related expenses	11,182	11,799	12,250
Employee benefits	3,567	3,507	3,507
Directors' fees	5,800	6,900	8,000
Insurance	3,195	2,500	2,500
Dues and seminars	350	1,050	1,050
Legal	7,758	8,050	8,050
Debt service			
1989 CWRPDA loan - principal (100%)	245,789	-	-
1989 CWRPDA loan - interest	(92,742)	-	-
Total general expenditures	188,947	38,006	39,557

**EXCESS GENERAL REVENUE OVER
EXPENDITURES**

(169,897) (11,006) (19,557)

**GENERAL FUNDS AVAILABLE -
BEGINNING OF YEAR**

645,185 475,288 464,282

**GENERAL FUNDS AVAILABLE -
END OF YEAR**

\$ 475,288 \$ 464,282 \$ 444,725

Undesignated	\$ 470,388	\$ 463,482	\$ 444,125
Emergency Reserve	4,900	800	600
	\$ 475,288	\$ 464,282	\$ 444,725

ENTERPRISE ACTIVITY
2013 BUDGET AS ADOPTED
WITH 2011 ACTUAL AND 2012 ESTIMATED
For the Years Ended and Ending December 31,

12/12/2012

Page 4

ACTUAL 2011	ESTIMATED 2012	ADOPTED 2013
----------------	-------------------	-----------------

ENTERPRISE REVENUE

Water operating income	\$ 4,695,371	\$ 4,572,884	\$ 4,170,840
Water project fee	-	701,000	701,000
Sewer operating income	1,758,326	1,864,480	1,885,027
Ready to serve fees	60,979	76,000	60,000
Late charges	78,348	75,000	45,000
Other income	44,081	40,000	30,000
Proceeds from asset disposition	13,984	31,152	15,000
Cherry Creek Project Water authority	56,694	60,000	70,000
Contributions in aid of construction	995,186	698,000	705,067
Loan proceeds	-	-	4,000,000
Total enterprise revenue	7,702,969	8,118,516	11,681,934

ENTERPRISE EXPENDITURES

Water operating expense	1,807,533	1,900,300	1,967,480
Sewer operating expense	880,182	905,375	930,856
Nonoperating expense	1,126,405	1,150,193	1,214,940
Debt service			
2013 Revenue Note - principal	-	-	200,000
2013 Revenue Note - interest	-	-	100,000
2010 Revenue Note - principal	329,375	361,979	376,419
2010 Revenue Note - interest	404,000	391,671	377,231
1989 CWRPDA loan - principal	215,796	-	-
1989 CWRPDA loan - interest	(81,426)	-	-
2002 CWRPDA loan - principal	315,000	320,000	325,000
2002 CWRPDA loan - interest	152,406	149,787	144,827
2005 CWRPDA loan - principal	195,000	200,000	205,000
2005 CWRPDA loan - interest	147,121	143,538	137,239
2005 water rights lease - principal	92,723	96,293	-
2005 water rights lease - interest	6,385	2,780	-
Capital outlay	2,301,338	2,999,145	11,640,253
Total enterprise expenditures	7,891,839	8,621,061	17,619,245

EXCESS ENTERPRISE REVENUE OVER

(UNDER) ENTERPRISE EXPENDITURES	(188,870)	(502,545)	(5,937,311)
---------------------------------	-----------	-----------	-------------

**ENTERPRISE FUNDS AVAILABLE -
BEGINNING OF YEAR**

12,405,660	12,216,790	11,714,245
------------	------------	------------

**ENTERPRISE FUNDS AVAILABLE -
END OF YEAR**

\$	12,216,790	\$	11,714,245	\$	5,776,934
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This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
2013 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The District distributes water and collects and transmits wastewater in its service area located in Douglas County, Colorado. The District was established to finance the construction, maintenance, and operation of water and sanitation improvements. No significant change in the levels of service is anticipated during 2013. The District has budgeted an increase of 2.8% for water and sewer services for 2013, which is consistent with the rate study prepared for the District in 2010.

Revenue, Expenditures and Changes in Funds Available of the General Government Activity and the Enterprise Activity are presented to demonstrate compliance with a resolution of the Board of Directors of the Denver Southeast Suburban Water and Sanitation District readopting and reestablishing a water activity enterprise pursuant to Article 45.1, Title 37, Colorado Revised Statutes, 1973, as amended.

The District believes that the Water and Sewer Activities qualify as an enterprise as defined by the TABOR Amendment and are therefore exempt from the provisions of the TABOR Amendment.

The District prepares its budget on the modified accrual basis of accounting.

Revenues

Water Service Charges

The District bills its customers monthly. Revenue for water service is mainly comprised of billings to residential customers and golf course irrigation fees based upon water meter readings at established rates.

Water Project Fee

A Water Project Fee will be billed to each customer at \$12.50 per month.

Sewer Service Charges

The District bills its customers monthly. Residential customers are charged based upon winter water usage at established rates. Commercial customers are billed based upon monthly water meter readings at established rates.

Interest Income

Interest earned on projected funds available has been estimated using a rate of approximately 0.25%.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
2013 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

(continued)

Property Taxes

For 2013, the District will not levy property taxes on the property within the District. The assessed valuation of the District was \$197,028,250 for 2011, \$163,524,840 for 2012, and \$164,046,170 for 2013.

Cherry Creek Project Water Authority

The District is a dues-paying member of the Cherry Creek Project Water Authority and has estimated receipts of \$70,000 for 2013 for reimbursement of operating staff costs incurred to administer the operations of the Authority.

Loan Proceeds

In 2013, the District anticipates obtaining a 20-year loan in the amount of \$4,000,000 at an annual interest rate of 5%.

Canyons Revenue

On December 23, 2004 the District entered into an agreement with the Mississippi Partnership (the Developer) in connection with the property known as "The Canyons". 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%. During 2009, the payment date was changed to December 1, per an amendment of the agreement. The District has budgeted a \$230,000 payment in 2013.

Tap Fees

The District charges a connection fee for new users to connect to the District's water and sewer systems. The District has budgeted payment of approximately 15 water taps and 13 sewer taps during 2013, which reflects the slower rate of growth the District has experienced in recent years.

Expenditures

Water Operating Expenses

These expenditures represent salaries and related payroll and benefit costs, repairs and maintenance, utilities, and other related expenses associated with the treatment and delivery of potable and non-potable water to the District's customers.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
2013 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

(continued)

Sewage Operating Expenses

These expenditures represent salaries and related payroll and benefit costs, repairs and maintenance, utilities, and other related expenses associated with the treatment of sewage and wastewater from the District's customers.

Administrative Expenses

Administrative expenditures have been budgeted based on estimates of the District's Board of Directors, management, and consultants and include the services necessary to maintain the District's administrative viability such as legal, accounting, managerial, general engineering, insurance, meeting expense, and other administrative expenses.

Debt Service

Interest and principal payments on the District's various long-term obligations are being paid based upon the Schedules of Debt Service Requirements to Maturity.

Capital Outlay

The District has a sizable capital plan and has budgeted \$11,640,235 for capital improvements in 2013. This includes new well facilities, planning a replacement for Pump Station 1, design of a new storage tank, and the District's portion of the 2013 costs for the WISE project and the Cherry Creek Project Water Authority.

WISE Project – The District is a participant in the WISE project (Water Infrastructure Supply and Efficiency) which is a joint project between Denver Water, Aurora Water, and the South Metro Water Supply Authority. At the time of preparation of this budget the agreements have not been finalized, but they are planned to be completed in the first quarter of 2013. If successful, the District will then be funding its portion of the infrastructure and other costs for the project. In 2013 these costs will be primarily design related costs and payment of some fees to Denver Water and Aurora Water.

Cherry Creek Project Water Authority – This Authority is a cooperative effort between Inverness Water and Sanitation District, Cottonwood Water and Sanitation District, Arapahoe County Water and Wastewater Authority, and the Pinery Water and Wastewater District. The Authority is in the process of completing an update to its master plan and anticipates beginning construction in 2013 on the initial pieces (wells, pipelines, etc.) which will allow the Authority to deliver water to its members in future years.

The District has also budgeted for the purchase of maintenance vehicles and updating the GIS programs and computer/networking systems.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
2013 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Reserve Funds

Emergency Reserve

The District has provided for an emergency reserve equal to at least 3% of general government fiscal year spending.

Operations Reserve

The District has provided an operations reserve per the requirements of the 2002 Colorado Water Resources and Power Development Authority loan in the amount of \$1,250,000.

Loan Debt Service

The Enterprise Fund has provided a reserve per the requirements of the 2010 Water Enterprise Revenue Refunding Note in the amount of \$1,033,521.

Rate Stabilization Reserve

The District has provided a rate stabilization reserve in the amount of \$900,000.

Operating and Capital Leases

The District has no capital or operating leases for 2013.

Loan Agreements

On October 1, 2002, the District entered into a loan agreement with the 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.

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.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
2013 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Refunding Notes

Water Enterprise Revenue Refunding Note, Series 2010, dated December 21, 2010 in the original amount of \$10,335,213 is due semi-annually on June 1 and December 1 in equal installments of principal and interest 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 water 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.

During 2013, the District anticipates borrowing approximately \$4,000,000 to help finance the planned capital expenditures. The interest rate on this loan has been estimated to be 5% with a 20 year term. Because the actual terms of the loan are unknown at the time of this budget, no debt service requirements to maturity have been provided.

This information is an integral part of the forecasted budget.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY - CAPITAL LEASE
(Cash Basis)

	\$7,045,000 Loan Dated October 1, 2002 Colorado Water Resources and Power Development Authority Interest 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 Interest Rate of 3.35% Principal and Interest Payable February 1 and August 1	
<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 325,000	\$ 144,827	\$ 205,000	\$ 137,239
2014	330,000	139,790	210,000	130,782
2015	335,000	133,025	220,000	124,168
2016	340,000	126,157	225,000	117,238
2017	350,000	119,187	230,000	110,151
2018	355,000	112,012	240,000	102,908
2019	365,000	104,380	245,000	95,948
2020	370,000	96,167	250,000	90,682
2021	380,000	86,307	260,000	83,432
2022	410,000	57,027	265,000	75,892
2023	445,000	25,437	275,000	69,534
2024	-	-	280,000	62,248
2025	-	-	300,000	44,328
2026	-	-	320,000	22,879
Total	<u>\$ 4,005,000</u>	<u>\$ 1,144,316</u>	<u>\$ 2,085,000</u>	<u>\$ 992,548</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY - CAPITAL LEASE
(Cash Basis)

\$10,335,213 Loan
Dated December 31, 2010
Water Enterprise Revenue
Refunding Note,
Series 2010
Interest Rate of
3.95%

<u>December 31,</u>	<u>Principal and Interest Payable</u> <u>June 1 and December 1</u>		<u>Total</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 376,419	\$ 377,231	\$ 906,419	\$ 659,297	\$ 1,565,716
2014	391,435	362,215	931,435	632,787	1,564,222
2015	407,048	346,600	962,048	603,793	1,565,841
2016	423,288	330,362	988,288	573,757	1,562,045
2017	440,174	313,476	1,020,174	542,814	1,562,988
2018	457,734	295,917	1,052,734	510,837	1,563,571
2019	475,993	277,656	1,085,993	477,984	1,563,977
2020	494,981	258,667	1,114,981	445,516	1,560,497
2021	514,728	238,922	1,154,728	408,661	1,563,389
2022	535,261	218,389	1,210,261	351,308	1,561,569
2023	556,614	197,035	1,276,614	292,006	1,568,620
2024	578,818	174,831	858,818	237,079	1,095,897
2025	601,907	151,740	901,907	196,068	1,097,975
2026	625,921	127,729	945,921	150,608	1,096,529
2027	650,890	102,760	650,890	102,760	753,650
2028	676,855	76,794	676,855	76,794	753,649
2029	703,857	49,793	703,857	49,793	753,650
2030	731,936	21,714	731,936	21,714	753,650
Total	<u>\$ 9,643,859</u>	<u>\$ 3,921,831</u>	<u>\$ 17,173,859</u>	<u>\$ 6,333,576</u>	<u>\$ 23,507,435</u>

This financial information should be read only in connection with the accompanying accountant's
compilation report and summary of significant assumptions

Denver Southeast Suburban Water and Sanitation District
8390 E. Crescent Pkwy., Suite 600
Greenwood Village, CO 80111-2814
303-779-5710

December 8, 2012

TO: Board of County Commissioners
Douglas County Government
100 Third Street #130
Castle Rock, CO 80104

**RE: DENVER SOUTHEAST SUBURBAN WATER AND SANITATION
DISTRICT**

The above named District is certifying that their attached mill levy certification is in compliance with all Colorado statutory and constitutional requirements and limitations.

Sincerely,


Signature

Kevin Collins
Printed Name

December 8, 2012
Date

District Accountant
Title

CERTIFICATION OF TAX LEVIES for NON-SCHOOL GovernmentsTO: County Commissioners¹ of Douglas County, Colorado.On behalf of the Denver SE Suburban Water & Sanitation District(taxing entity)^Athe Board of Directors(governing body)^Bof the Denver SE Suburban Water & Sanitation District(local government)^C

Hereby officially certifies the following mills

to be levied against the taxing entity's GROSS \$ 164,046,170

assessed valuation of:

(GROSS^D assessed valuation, Line 2 of the Certification of Valuation Form DLG 57^E)**Note:** If the assessor certified a NET assessed valuation

(AV) different than the GROSS AV due to a Tax

Increment Financing (TIF) Area^F the tax levies must be \$ 164,046,170calculated using the NET AV. The taxing entity's total
property tax revenue will be derived from the mill levy
multiplied against the NET assessed valuation of:(NET^G assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)**Submitted:**12/12/2012

for budget/fiscal year

2013

(not later than Dec. 15)

(mm/dd/yyyy)

(yyyy)

PURPOSE (see end notes for definitions and examples)**LEVY²****REVENUE²**1. General Operating Expenses^H0.000

mills

\$ 02. <Minus> Temporary General Property Tax Credit/
Temporary Mill Levy Rate Reduction^I

<

>

mills

\$ <

>

SUBTOTAL FOR GENERAL OPERATING:0.000

mills

\$ 03. General Obligation Bonds and Interest^J0.000

mills

\$ 04. Contractual Obligations^K

mills

\$

5. Capital Expenditures^L

mills

\$

6. Refunds/Abatements^M

mills

\$

7. Other^N (specify):

mills

\$

mills

\$

TOTAL: [Sum of General Operating
Subtotal and Lines 3 to 7]0.000

mills

\$ 0

Contact person:

(print)

Kevin Collins

Daytime

phone: (303) 779-5710

Signed:



Title:

Accountant for the District*Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 866-2156.*¹ If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.² Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's final certification of valuation).

CERTIFICATION OF TAX LEVIES, continued

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS:

1. Purpose of Issue: _____
 Series: _____
 Date of Issue: _____
 Coupon Rate: _____
 Maturity Date: _____
 Levy: _____
 Revenue: _____

2. Purpose of Issue: _____
 Series: _____
 Date of Issue: _____
 Coupon Rate: _____
 Maturity Date: _____
 Levy: _____
 Revenue: _____

CONTRACTS:

3. Purpose of Contract: _____
 Title: _____
 Date: _____
 Principal Amount: _____
 Maturity Date: _____
 Levy: _____
 Revenue: _____

4. Purpose of Contract: _____
 Title: _____
 Date: _____
 Principal Amount: _____
 Maturity Date: _____
 Levy: _____
 Revenue: _____

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

RESOLUTION NO. 2012 - 28

RESOLUTION TO APPROPRIATE SUMS OF MONEY

A RESOLUTION APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS AND SPENDING AGENCIES, IN THE AMOUNT AND FOR THE PURPOSE AS SET FORTH BELOW, FOR THE DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT, D/B/A PINERY WATER AND WASTEWATER DISTRICT, DOUGLAS COUNTY, COLORADO, FOR THE 2013 BUDGET YEAR

WHEREAS, the Board of Directors of Denver Southeast Suburban Water and Sanitation District, d/b/a Pinery Water and Wastewater District (the "District"), has adopted the annual budget in accordance with the Local Government Budget Law, on November 14, 2012; and

WHEREAS, the Board of Directors of the District has made provision therein for revenues in an amount equal to or greater than the total proposed expenditures as set forth in said budget; and

WHEREAS, it is not only required by law, but also necessary to appropriate the revenues and reserves or fund balances provided in the budget to and for the purposes described below, thereby establishing a limitation on expenditures for the operations of the District.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Denver Southeast Suburban Water and Sanitation District, d/b/a Pinery Water and Wastewater District, Douglas County, Colorado:

Section 1. That the following sums are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated:

GENERAL FUND:

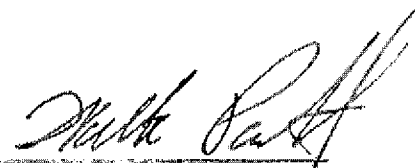
Operating Expenses		\$ 4,152,833
Administration	\$1,254,497	
Water System	\$1,967,480	
Sewer System	\$ 930,856	
Capital Improvements		\$11,640,253
Debt Service		\$ 1,865,716
 TOTAL GENERAL FUND		 \$17,658,802

APPROVED AND ADOPTED, this ^{12th} ~~14th~~ day of ^{December} ~~November~~, 2012 by a vote of 5 for and
O against.

DENVER SOUTHEAST SUBURBAN WATER
AND SANITATION DISTRICT, D/B/A PINERY
WATER AND WASTEWATER DISTRICT, a quasi-
municipal corporation and political subdivision of the
State of Colorado

By: 
Robert Chapman, Chairman

ATTEST:

By: 
Walter Partridge, Secretary

SEAL

RESOLUTION NO. 2012 -29

RESOLUTION TO SET MILL LEVY

A RESOLUTION LEVYING PROPERTY TAXES FOR THE YEAR 2012 FOR COLLECTION IN 2013, TO HELP DEFRAY THE COSTS OF GOVERNMENT FOR THE DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT, D/B/A PINERY WATER AND WASTEWATER DISTRICT, DOUGLAS COUNTY, COLORADO, FOR THE 2013 BUDGET YEAR

WHEREAS, the Board of Directors of Denver Southeast Suburban Water and Sanitation District, d/b/a Pinery Water and Wastewater District (the "District"), has adopted the annual budget, in accordance with the Local Government Budget Law of Colorado, on November 14, 2012; and

WHEREAS, the 2012 valuation for assessment for the District as certified by the County Assessor is \$164,072,360; and

WHEREAS, no money is necessary to balance the budget for voter approved bonds and interest; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Denver Southeast Suburban Water and Sanitation District, d/b/a Pinery Water and Wastewater District, Douglas County, Colorado:

Section 1. That for the purpose of meeting all payments for bonds and interest of the Denver Southeast Suburban Water and Sanitation District during the 2013 budget year, there is hereby levied a tax of 0 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2012.

Section 2. That the District Manager is hereby authorized and directed to certify to the County Commissioners of Douglas County, Colorado, a tax of 0 mills for the District.

APPROVED AND ADOPTED, this ^{12th} ~~14th~~ day of ^{December} ~~November~~, 2012, by a vote of 5 for and 0 against.

DENVER SOUTHEAST SUBURBAN WATER AND
SANITATION DISTRICT, D/B/A PINERY WATER AND
WASTEWATER DISTRICT, a quasi-municipal corporation and
political subdivision of the State of Colorado

By:


Robert Chapman, Chairman

ATTEST:

By:


Walter Partridge, Secretary

SEAL

WATER INFRASTRUCTURE AND SUPPLY EFFICIENCY PROJECT

Loan Feasibility Study

Supplemental Information

B&V PROJECT NO. 176888

PREPARED FOR

Colorado Water Conservation Board on Behalf
of the WISE Authority

14 MARCH 2014



Expected Project Yield

The Water Delivery Agreement (WDA) with Denver Water and Aurora Water allows for variable deliveries every year based on hydrology conditions. However, the WDA also guarantees that each participant will receive a minimum amount of water over any 10-year period. This guaranteed delivery amount is listed in Supplement Table 1, along with the corresponding average annual average yield (1/10th of the 10-year guaranteed delivery).

Supplement Table 1. Expected WISE Project Yield

WISE Authority Member	10-Year Guaranteed Delivery (AF)	Average Annual Delivery (AFY)
Castle Rock	10,000	1,000
Centennial	10,000	1,000
Cottonwood	4,000	400
Dominion	13,250	1,325
Inverness	5,000	500
Meridian	3,000	300
Parker	12,000	1,200
Pinery	5,000	500
Rangeview	5,000	500
Stonegate	5,000	500
Total	72,250	7,225

Detailed Project Cost Breakdown by Participant

The estimated amount that each WISE Authority member is required to pay for each project component is shown in Supplement Table 2 and is based on:

- The amount of water each WISE Authority member has committed to taking.
- The amount of local infrastructure that must be constructed to deliver each member's WISE water.

Supplemental Table 2 – WISE Project Capital Cost Opinion by Participant (\$Millions)

Component ID	Castle Rock	Centennial	Cottonwood	Dominion	Inverness	Meridian	Parker	Pinery	Rangeview	Stonegate
E22	0.05	0.05	0.02	0.06	0.02	0.01	0.06	0.02	0.02	0.02
E3	0.32	0.32	0.13	0.43	0.16	0.10	0.39	0.16	0.16	0.16
E5	0.00	0.00	0.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E7	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.00	0.00	0.00
E8	0.00	0.00	0.00	0.00	0.73	0.00	0.00	0.00	0.00	0.00
E9	0.00	0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E13P	1.11	0.00	0.00	1.47	0.00	0.00	0.00	0.55	0.00	0.55
E15	1.77	0.00	0.00	2.35	0.00	0.00	0.00	0.00	0.00	0.00
E16P	8.16	0.00	0.00	2.06	0.00	0.00	0.00	0.00	0.00	0.00
E16, E19, E20	8.56	0.00	0.00	2.16	0.00	0.00	0.00	0.00	0.00	0.00
E12	0.66	0.00	0.00	0.87	0.00	0.00	0.79	0.33	0.00	0.33
E13	1.05	0.00	0.00	1.39	0.00	0.00	1.26	0.52	0.00	0.52
E17	0.55	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E2P	1.04	1.04	0.41	1.37	0.52	0.31	1.24	0.52	0.52	0.52
E2	1.16	1.16	0.46	1.53	0.58	0.35	1.39	0.58	0.58	0.58
E1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.28	0.00
E14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.33	0.00	0.33
E21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.86	0.00	0.00
E11	0.00	0.00	0.00	12.19	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	24.43	2.83	1.55	25.88	2.01	0.89	5.13	5.87	2.56	3.01
Engineering/Design (8%)	1.95	0.23	0.12	2.07	0.16	0.07	0.41	0.47	0.20	0.24
Permitting/Easements (2%)	0.49	0.06	0.03	0.52	0.04	0.02	0.10	0.12	0.05	0.06
Subtotal	26.87	3.11	1.71	28.47	2.21	0.98	5.64	6.46	2.82	3.31
Contingency (30%)	8.06	0.93	0.51	8.54	0.66	0.29	1.69	1.94	0.84	0.99
Total Construction Cost	34.93	4.05	2.22	37.01	2.87	1.27	7.34	8.39	3.66	4.30
ECCV pipeline acquisition (WISE Authority portion)	4.06	4.06	1.62	5.37	2.03	1.22	4.87	2.03	2.03	2.03
DIA Connection Fee	1.00	1.00	0.40	1.33	0.50	0.30	1.21	0.50	0.50	0.50
Total Capital Cost Opinion	40.0	9.1	4.2	43.7	5.4	2.8	13.4	10.9	6.2	6.8