
ARAPAHOE COUNTY
WATER AND WASTEWATER AUTHORITY
A Component Unit Of Arapahoe County
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Arapahoe County Water and
Wastewater Authority
Centennial, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the Arapahoe County Water and Wastewater Authority (ACWWA), a component unit of Arapahoe County, Colorado, as of and for the years ended December 31, 2019 and 2018 and the related notes to the financial statements, which collectively comprise ACWWA's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' 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 auditors' 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 that 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 financial position of ACWWA as of December 31, 2019 and 2018 and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 1, ACWWA adopted the provisions of Governmental Accounting Standards Board Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through ix be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise ACWWA's basic financial statements. The schedule of revenues and expenditures - budget and actual (budgetary basis); the reconciliation of budgetary basis to statement of revenues, expenses and changes in net position; the schedule of debt service requirements to maturity and the continuing disclosure annual financial information are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of revenues and expenditures - budget and actual (budgetary basis); the reconciliation of budgetary basis to statement of revenues, expenses and changes in net position and the schedule of debt service requirements to maturity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The continuing disclosure annual financial information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

April 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Arapahoe County Water and Wastewater ACWWA's (ACWWA's) discussion and analysis provides an overview of financial activities for the fiscal years ended December 31, 2019 and 2018. Please read it in conjunction with ACWWA's financial statements, which begin on page 1.

Financial Highlights

- ACWWA's assets exceeded its liabilities at the close of the 2019 fiscal year by \$ 10,585,000 (change in net position).
- The water and wastewater operations of ACWWA are business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. In 2019, ACWWA's water and sewer rates increased from 2% - 3%, as did the monthly water and sewer service fees. The water system investment fee did not increase.
- Operating revenues of \$20,897,600 reflect an increase of \$101,000 or 0.5% from 2018.
- Operating expenses of \$14,822,000 increased \$1,675,000, or 12.7% from 2018.
- Non-operating revenues increased \$1,466,000, or 57% over 2018. This increase was primarily the result of the favorable outcome of the Chambers Reservoir litigation. Additionally, interest income increased \$83,000, or 11.6%.
- Non-operating expenses decreased \$63,100, or 0.9%, from prior year. The Authority refunded the Series 2009A Bonds in 2019, incurring \$393,000 in issue costs that were offset by a \$456,000 decrease in interest expense.
- Tap and extra-territorial fees of \$7,124,000 reflect a decrease of \$3,486,000 or 32.9% from 2018. ACWWA sold 200 and 306 tap equivalents in 2019 and 2018, respectively. This decrease in the number of tap equivalents sold and the amount of fees collected was the result of an anticipated 2019 reduction in new construction in its service area.
- Capital assets, net of depreciation and depletion, increased \$13,608,000 or 7.6% from 2018.
- At December 31, 2019 and 2018, ACWWA's debt service coverage ratio was 1.99 and 2.35, respectively. Bond covenants require a coverage ratio of 1.25 or greater.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to ACWWA's basic financial statements, which are comprised of the Statements of Net Position; the Statements of Revenue, Expenses, and Changes in Net Position; the Statements of Cash Flows, and the Notes to the Financial Statements.

ACWWA's financial statements are presented as a special-purpose government engaged only in business-type (enterprise) activities: providing water and sewer utility services.

The Statement of Net Position presents information about ACWWA's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of ACWWA is improving or deteriorating. Non-financial factors should also be considered to assess the overall position of ACWWA.

The Statement of Revenues, Expenses, and Changes in Net Position report the changes that have occurred during the year to ACWWA's net position. All changes in 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. Revenues and expenses are reported for some items that will only affect cash flows in subsequent years.

The Statements of Cash Flows is concerned solely with flows of cash and cash equivalents. Only transactions that affect ACWWA's cash position are reflected in this statement. Transactions are categorized as cash flows from operating, cash flows from capital and related financing activities, and cash flows from investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The supplemental information provides budget and actual information, debt service requirements, and continuing disclosure reporting.

Financial Summary and Analysis

Statement of Net Position

	December 31,		
	2019	2018	2017
Current assets	\$ 36,110,515	\$ 34,083,561	\$ 38,884,134
Restricted assets	11,513,268	21,555,022	11,113,091
Other assets	—	—	—
Capital assets, net	193,273,858	179,666,241	173,339,030
Deferred outflows of resources	1,753,147	1,883,318	2,009,575
Total assets	<u>242,650,788</u>	<u>237,188,142</u>	<u>225,345,830</u>
Current liabilities	7,125,097	9,155,112	7,867,711
Long-term obligations	114,242,666	117,335,377	120,895,627
Total liabilities	<u>121,367,763</u>	<u>126,490,489</u>	<u>128,763,338</u>
Net position:			
Net investment in capital assets	79,178,430	65,349,801	49,107,561
Debt reserve	552,500	7,674,873	7,674,873
Reserved for capital projects	553,453	3,477,654	2,979,553
Unrestricted	40,998,642	34,195,325	23,030,287
Total net position	<u>121,283,025</u>	<u>110,697,653</u>	<u>96,582,492</u>
Total liabilities and net position	<u>\$ 242,650,788</u>	<u>\$ 237,188,142</u>	<u>\$ 225,345,830</u>

Net Position

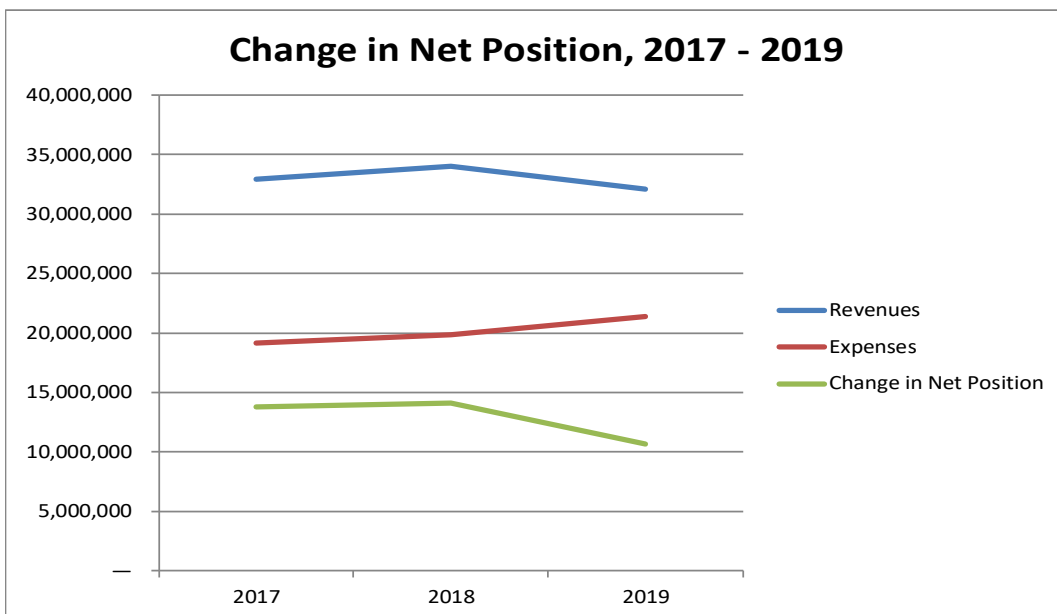
ACWWA's net position increased \$10,585,000 in 2019. Current assets at December 31, 2019 increased \$2,027,000 from December 31, 2018, primarily due to a \$2,900,000 increase in unrestricted pooled investments. Receivables decreased

slightly year over year. Restricted assets decreased \$10,000,000, as the debt service reserve fund of \$7,100,000 for the Series 2009A bonds was not required following the refunding of that issue, and as restricted funds were expended on designated capital projects.

Net capital assets increased \$13,608,000 as a result of investment in capital projects and equipment, net of depreciation and depletion. Total liabilities decreased \$5,211,000 mostly because of a \$3,200,000 decrease in long-term debt and a \$717,000 decrease in payables. Detailed information about ACWWA’s long-term debt and other liabilities can be found in Note 5 to the financial statements.

ACWWA’s assets are primarily dedicated to providing water and wastewater services to its customers, and to the acquisition of water rights and related water and sewer system infrastructure. The acquisition of water rights ensures that the ACWWA will be able to provide reliable, high-quality water to its customers for the foreseeable future. While ACWWA’s investment in its capital assets is used to generate revenues, the capital assets themselves are not intended to be liquidated to repay the debt related to these assets. Such debt repayment must be funded through future operations.

Certain of ACWWA’s assets represent resources that are restricted as to how they must be used. Restricted cash consists of debt service reserves and reserves for capital asset replacement at the Lone Tree Creek Water Reuse Facility (LTCWRF) and at the Joint Water Purification Plant (JWPP), as well as capital project funds for an expansion of East Cherry Creek Valley Water and Sanitation District’s (ECCV) Northern Treatment Plant (NTP) and the conversion of the JWPP to a reverse osmosis/microfiltration plant. Restricted cash at December 31, 2019 decreased \$10,000,000 over December 31, 2018, primarily as the 2009A debt service fund was released from restriction and from expenditures against the project funds.



Change in Net Position

	December 31,		
	2019	2018	2017
Revenues			
Operating Revenue			
Water charges	\$ 13,168,781	12,961,677	12,434,848
Sewer charges	6,039,682	5,810,633	5,533,558
Fees for services	1,276,567	1,378,371	1,615,746
Water plant revenue	79,796	299,286	279,402
Other revenue	332,786	346,446	358,280
Total operating revenues	20,897,612	20,796,413	20,221,834
Nonoperating Revenues			
Gain on sale of assets	—	49,772	-
Net investment income	897,033	717,795	163,467
Inkind contributions	605,300	-	-
Settlement revenue	850,000	-	-
Interest subsidy	1,795,107	1,817,124	1,836,707
Capital contributions			
Tap and extraterritorial fees	7,123,625	10,609,229	10,713,614
Total revenues	32,072,383	33,990,333	32,935,622
Expenses			
Operating expenses			
Salaries and benefits	4,094,909	3,833,313	3,719,661
Office expense	251,613	205,229	245,532
Professional services	897,033	1,178,153	1,045,983
Insurance	154,712	154,140	136,371
Operational	2,520,022	2,259,269	1,831,500
Contractual services	225,250	251,619	198,146
Repairs and maintenance	2,819,013	1,077,415	1,110,951
Utilities	1,149,678	1,240,170	1,299,021
Depreciation and depletion	2,700,347	2,938,962	2,689,953
Other supplies and expense	9,629	8,997	13,903
Total operating expenses	14,822,206	13,147,267	12,291,021
Nonoperating expense			
Bond issue costs	393,135	—	—
Interest and fiscal charges	6,271,670	6,727,905	6,854,383
Total expenses	21,487,011	19,875,172	19,145,404
Change In Net Position	10,585,372	14,115,161	13,790,218
Total Net Position - Beginning Of Year	110,697,653	96,582,492	82,792,274
Total Net Position - End Of Year	\$ 121,283,025	\$ 110,697,653	\$ 96,582,492

Revenue and Expenditures

Operating revenue in 2019 increased \$101,000 or 0.5%, from 2018. Revenue from water charges increased 1.6% from 2018, and sewer revenue increased 3.9%. Fees for service decreased 7.4% due to a decrease in the number of taps sold year over year. Water plant revenue decreased from 2018, as the Authority contracted with Jacobs Engineering to run the plant for a period of time following its reconversion to a reverse osmosis (RO) plant. This reduced the amount of expenses paid and billed out by the JWPP.

Operating expenses increased a total of \$1,675,000, or 12.7% from 2018, primarily due to an increase in repairs and maintenance (R&M) costs and salary expense resulting from a lift station failure. On the evening of June 17, 2019, the Authority experienced a failure of its Valley Country Club lift station during a period of heavy rainfall. The failure was due to a significant inflow of water that overflowed the wet well into the emergency overflow tank, and eventually into the dry well where the water shorted out the pumps. The lift station has a pumping capacity of 6,400 gallons per minute (gpm) with all four pumps operating. Average flows to the lift station are 1,000 gallons per minute (gpm), with peaks around 2,000 gpm. During the storm, water was coming into the lift station at a rate of approximately 12,000 gpm.

The National Weather Service had issued a flash flood warning around 4 p.m. that day, so Authority staff was on call to respond to emergencies and was able to be on site shortly after the first high water alarm at the lift station. After assessing the situation, staff began calling on neighboring utilities and contractors with emergency pumping/storage tanks and trucks to remove and store the wastewater until the lift station could be brought back on-line.

Authority staff and consultants began investigating the cause of the lift station failure on June 18 through visual inspection of manholes, hydraulic analysis of the sewer system, and inspection of the sewer lines by jetting and running cameras through the pipes. On June 24, a sinkhole was found over one of the Authority's sanitary sewer interceptors just south of Arapahoe Road and west of Chambers Way. Water from adjacent wetland channels was flowing into the sinkhole and the sanitary sewer interceptor. Excavation of the pipe revealed that the top of approximately a 14-foot section of the pipeline was broken and/or missing. The pipe was immediately replaced.

Investigation of the cause of the break is underway. Two other entities performed work near the pipeline after it was installed, and it is believed that their heavy equipment may have caused the break. The Authority's insurance carrier has retained a subrogation attorney and a forensics specialist to review the evidence and make a determination of liability.

Fourteen homeowners near the lift station experienced sewer backups in their basements as a result of the lift station failure. The Authority's insurance carrier is

handling those claims, and repair costs are not expected to exceed the policy limit of \$2,000,000/occurrence.

The financial impact to the Authority from the lift station failure is undetermined at this time. Insurance proceeds covered the cost to clean and repair the lift station; however, the majority of expense (around \$2 million) was incurred to support a temporary bypass of the lift station, and these costs are considered “extra expenses” that are capped at \$250,000. If the CSD Pool’s subrogation attorney is able to establish that one or more third parties are responsible for the broken sewer pipe, the Authority will file a claim against those third parties to recoup costs.

Salaries and benefits increased 6.8%, a majority of which is due to increased overtime for field staff dealing with the consequences of the lift station failure. Office expense increased \$46,000, and professional services decreased \$281,000 compared to 2018, as legal litigation fees and utilization of consulting services declined from prior year.

Operational expenses increased \$260,700 over 2018. The increase was largely to due to \$626,000 paid to Jacobs Engineering to operate the JWPP from May 2019 through December 2019, and was partially offset by decreases in JWPP salaries, R&M, utilities, and chemical costs that were formerly paid directly by the Authority. Authority lab expenses increased \$34,000 or 186% from 2018, as the frequency and number of required water system samples increased substantially from 2018, primarily in the number of mandated lead and copper samples. Lab testing also increased for the new Elkhorn well coming on-line, as well as the reconfigured JWPP starting up.

Repairs and maintenance costs increased \$1,742,000 from prior year because of the Valley Country Club lift station failure. During 2019, the Authority continued the sewer jetting project started in 2018 and cleaned the remaining sewer mains at a cost of \$135,000. Utilities expense decreased \$90,000 primarily because the JWPP utilities expenses are included in the Jacobs Engineering contracted fees.

Depreciation and depletion expense decreased \$239,000 because a partial sale of the Authority’s interest in the Cherry Creek Project Water Authority resulted in an adjustment to the associated water rights depletion.

Non-operating revenue increased \$1,466,000 because of cash and in-kind contributions received from contractors involved in the design and construction of Chambers Reservoir. Non-operating expenses decreased \$63,100 from lower interest expense following the Series 2009A bond refunding. Tap sales decreased \$3,486,000 in 2019 as construction in the service area slowed, but tap revenue exceeded budget by \$1,235,000 or 17.3%.

The change in net position on a budgetary basis of \$10,585,000 exceeds budget by \$7,411,000. In addition to a favorable revenue variance of \$4,300,000, capital outlay was \$2,600,000 below budget, including capital projects budget of

\$4,925,000 that is being carried forward to 2019. Bond payments were \$500,000 lower than budget as a result of the Series 2009A refunding.

Capital Assets

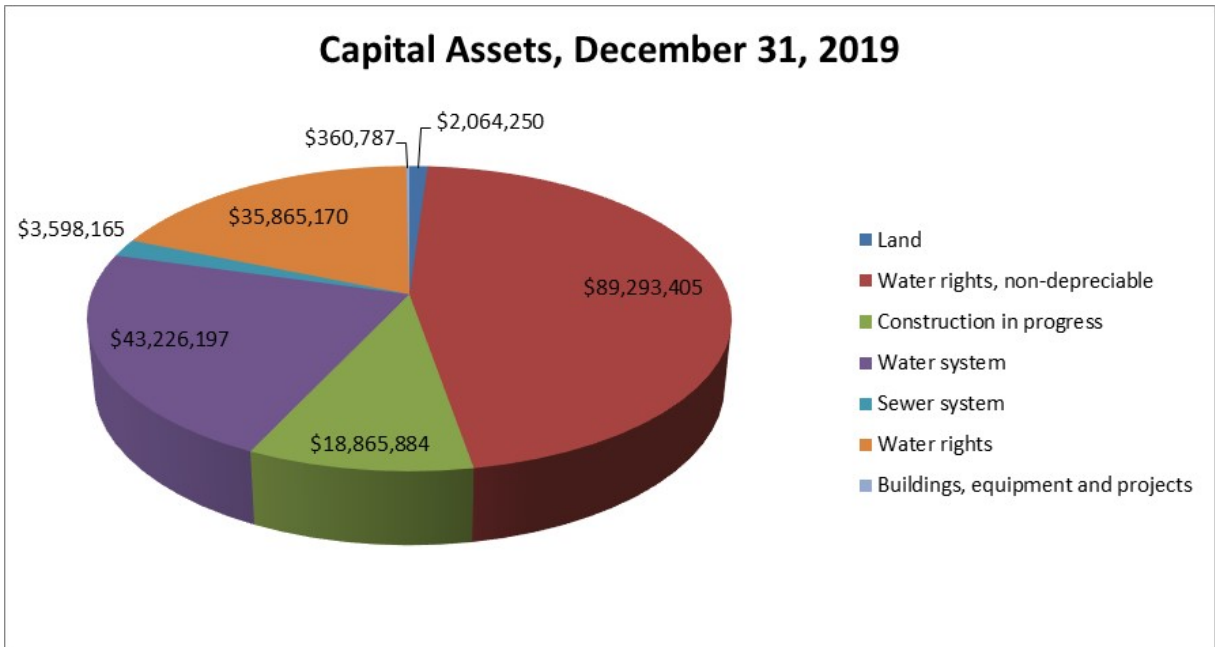
Net capital assets increased \$13,600,000 in 2019 as ACWWA continued to make investments in water and wastewater infrastructure. Project expenditures included \$9,500,000 for the new booster pump station and expansion of ECCV’s northern treatment plant, where water from the ACWWA Flow project is treated. Other significant capital additions included \$1,813,000 to complete Phase 2C of the ACWWA Flow water main that connects ACWWA’s service area to ECCV, which is necessary to receive water from the ACWWA Flow project. The completed connection, together with the work at the northern RO plant, will enable ACWWA to receive its full complement of 5.25 million gallons per day from its renewable northern water supply.

In August 2019, ACWWA and Cottonwood Water and Sanitation District (CWSD) entered into a \$9.6 million contract with Jacobs Engineering to convert the JWPP to a reverse osmosis/microfiltration water treatment plant by constructing an on-site biological treatment system to reduce selenium in the brine discharge to the permitted level, and by reconfiguring the interior of the plant to operate the blended process. During 2019, the Authority expended \$2,600,000 for its share of the cost to reconvert. The plant began limited operations in late May 2019, and Jacobs has contracted to operate the plant for a period of three years following start-up. The reconversion of the JWPP is necessary for ACWWA to meet its water quality goals.

Other capital expenditures in 2019 included \$1,400,000 to complete a new well for the Elkhorn Ranch subdivision, \$721,000 for adjudication of water rights, and \$139,000 for the design of a third clarifier at the LTCWRF. Construction in progress at December 31, 2019 included \$14,981,000 for the ECCV NTP expansion, and \$2,613,000 for improvements to Chambers Reservoir.

Net capital assets at December 31, 2019 are categorized as follows:

	Capital Assets		
	December 31,		
	2019	2018	2017
Land	\$ 2,064,250	\$ 2,063,196	2,063,196
Water rights, non-depreciable	89,293,405	89,293,405	88,859,664
Construction in progress	18,865,884	7,639,645	2,116,086
Water system	43,226,197	36,987,758	35,899,597
Sewer system	3,598,165	4,263,630	4,683,566
Water rights	35,865,170	39,001,240	39,153,685
Buildings, equipment and projects	360,787	417,367	563,236
Total capital assets, net	<u>\$ 193,273,858</u>	<u>\$ 179,666,241</u>	<u>\$ 173,339,030</u>



Long Term Debt

In October 2019, ACWWA issued \$71,485,000 with a premium of \$11,733,135, in revenue bonds to refund \$84,670,000 of the Taxable Water and Wastewater Revenue Bonds, Series 2009A. The Water and Wastewater Revenue Bonds, Series 2019 bear variable interest rates of 2.125%-5.000% with an average coupon rate of 4.1282% and an average life of 13.412 years. The refunding resulted in a present value savings of \$12,497,890. The Series 2019 Bonds received an AA rating from Standard & Poor's (S&P), and the Authority's other outstanding debt issues were upgraded to an AA rating as well.

As of December 31, 2019, ACWWA had \$101,920,000 in outstanding debt, a decrease of \$14,830,000 from prior year. The reduction in outstanding debt in 2019 resulted from scheduled debt principal repayments, and the refunding of the Series 2009A bonds. Additional detail about ACWWA's long-term debt is presented in Note 5 of the financial statements.

Long-term Planning

For long-term planning, ACWWA refers to the 2015 cost-of service study and financial model prepared by Carollo Engineering, as well as the Master Plan dated 2011. The Master Plan includes plans for ACWWA's long-term water supply, as well as the non-potable, wastewater, and distribution and collections systems. ACWWA is currently in the process of updating the Master Plan, and has completed the first step, the Raw Water Supply Master Plan. A new cost-of-service study is expected to be commissioned in spring 2021.

Economic and Other Factors

Water and sewer rates and fees are set by ACWWA's Board of Directors to meet the cost of operations and to fund debt service. In 2019, water and sewer rates and service fees increased 3% and 2%, respectively. The monthly water investment fee did not increase.

During 2017 and 2018, ACWWA experienced strong tap sales due to rapid growth in its service area. However, as expected, 2019 tap sales, although still robust, decreased from 2018 and are expected to decrease further in 2020. Management recognizes that tap sales are unpredictable and are highly dependent on economic factors such as interest rates and costs of building inputs, as well as demand for new commercial and residential developments. ACWWA has been able to add to its operating and capital reserves the past three years and plans to utilize these funds for future capital needs.

In 2020, ACWWA will continue to focus on capital improvement and infrastructure needs, maintenance of the water and wastewater systems, improving water quality, and cost containment to ensure system stability, meet growth needs, and maintain affordable rates for customers.

Requests for Information

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

Arapahoe County Water and Wastewater Authority
13031 E. Caley Avenue
Centennial, CO 80111

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

STATEMENT OF NET POSITION

Assets And Deferred Outflows Of Resources

	December 31,	
	2019	2018
Current Assets		
Cash and cash equivalents	\$ 4,817,109	\$ 5,667,888
Receivables	2,267,889	2,290,394
Prepaid expenses and other	265,312	271,551
Pooled investments	28,760,205	25,853,728
Total Current Assets	36,110,515	34,083,561
Restricted Assets		
Noncurrent cash and cash equivalents	4,885,220	13,159,552
Noncurrent pooled investments	6,628,048	8,395,470
Total Restricted Assets	11,513,268	21,555,022
Capital Assets, Net	193,273,858	179,666,241
Total Assets	240,897,641	235,304,824
Deferred Outflows Of Resources		
Deferred charges on refunding	1,753,147	1,883,318
Total Assets And Deferred Outflows Of Resources	\$ 242,650,788	\$ 237,188,142

Liabilities And Net Position

Current Liabilities		
Accounts payable and accrued expenses	\$ 2,469,681	\$ 3,098,394
Accrued payroll	197,900	127,948
Deferred revenue	202,563	—
Meter deposits	62,000	54,000
Escrowed development funds	193,747	1,589,291
Accrued interest payable	368,477	568,182
Compensated absences payable, current portion	325,729	227,297
Revenue bonds payable, current portion	3,305,000	3,490,000
Total Current Liabilities	7,125,097	9,155,112
Long-Term Liabilities		
Escrowed capital project funds	1,088,476	956,068
Compensated absences payable, long-term portion	58,615	122,049
Revenue bonds payable, long-term portion	113,095,575	116,257,260
Total Long-Term Liabilities	114,242,666	117,335,377
Total Liabilities	121,367,763	126,490,489
Net Position		
Net investment in capital assets	78,626,430	65,354,799
Restricted for capital projects	552,500	3,477,654
Restricted for debt reserve	553,453	9,681,898
Unrestricted	41,550,642	32,183,302
Total Net Position	121,283,025	110,697,653
Total Liabilities And Net Position	\$ 242,650,788	\$ 237,188,142

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

	For The Years Ended December 31,	
	2019	2018
Operating Revenue		
Water revenue	\$ 13,168,781	\$ 12,961,677
Sewer revenue	6,039,682	5,810,633
Fees for services	1,276,567	1,378,371
Water plant revenue	79,796	299,286
Other revenue	332,786	346,446
Total Operating Revenues	20,897,612	20,796,413
Operating Expenses		
Salaries and benefits	4,094,909	3,833,313
Office expense	251,613	205,229
Professional services	897,033	1,178,153
Insurance	154,712	154,140
Operational	2,520,022	2,259,269
Contractual services	225,250	251,619
Repairs and maintenance	2,819,013	1,077,415
Utilities	1,149,678	1,240,170
Depreciation and depletion	2,700,347	2,938,962
Other supplies and expense	9,629	8,997
Total Operating Expenses	14,822,206	13,147,267
Operating Income	6,075,406	7,649,146
Nonoperating Revenues		
Gain on sale of assets	—	49,772
Net investment income	800,739	717,795
In-kind contributions	605,300	—
Settlement revenue	850,000	—
Interest subsidy	1,795,107	1,817,124
Total Nonoperating Revenues	4,051,146	2,584,691
Nonoperating Expenses		
Bond issuance costs	393,135	—
Interest and fiscal charges	6,271,670	6,727,905
Total Nonoperating Expenses	6,664,805	6,727,905
Income Before Contributions	3,461,747	3,505,932
Capital Contributions		
Tap and extraterritorial fees	7,123,625	10,609,229
Change In Net Position	10,585,372	14,115,161
Total Net Position - Beginning Of Year	110,697,653	96,582,492
Total Net Position - End Of Year	\$ 121,283,025	\$ 110,697,653

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2019	2018
Cash Flows From Operating Activities		
Receipts from customers	\$ 20,920,117	\$ 20,164,724
Payments to suppliers	(8,438,861)	(5,124,316)
Payments to employees and related expenses	(3,989,959)	(3,815,512)
Net Cash Provided By Operating Activities	8,491,297	11,224,896
Cash Flows From Capital And Related Financing Activities		
Net tap and extraterritorial fees	7,123,625	10,609,229
Principal payments on bonds	(86,315,000)	(3,300,000)
Bond proceeds	83,218,135	—
Interest paid on revenue bonds	(6,591,024)	(6,820,569)
Subsidy received on bond interest	1,795,107	1,817,124
Payments for capital acquisitions	(18,692,924)	(9,266,173)
Settlement payment	850,000	—
Proceeds from sale of capital assets	2,990,259	49,772
Net Cash Used In Capital And Related Financing Activities	(15,621,822)	(6,910,617)
Cash Flows From Investing Activities		
Purchases of short-term pooled investments	(34,212,149)	(13,624,872)
Sales of short-term pooled investments	32,679,960	5,750,518
Interest received	800,739	717,795
Payments to escrowed development funds	(1,263,136)	(244,315)
Net Cash Used In Investing Activities	(1,994,586)	(7,400,874)
Net Decrease In Cash And Cash Equivalents	(9,125,111)	(3,086,595)
Cash And Cash Equivalents - Beginning Of Year	18,827,440	21,914,035
Cash And Cash Equivalents - End Of Year	\$ 9,702,329	\$ 18,827,440
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating income:	\$ 6,075,406	\$ 7,649,146
Provided by operating activities:		
Depreciation and depletion	2,700,347	2,938,962
Changes in asset and liabilities:		
Accounts receivable	22,505	(631,689)
Prepaid expenses	6,239	(221,910)
Accounts payable and accrued expenses	(523,763)	1,583,471
Deferred revenue	202,563	(71,084)
Meter deposits	8,000	(22,000)
Net Cash Provided By Operating Activities	\$ 8,491,297	\$ 11,224,896

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS December 31, 2019 And 2018

1. Definition Of Reporting Entity

The Arapahoe County Water and Wastewater Authority (ACWWA) was organized pursuant to Colorado State Statutes (CRS) 29-1-204.2 by an Intergovernmental Agreement (the IGA) between Arapahoe County (the County) and the Arapahoe Water and Sanitation District (the District) in 1988. ACWWA is governed by a Board of Directors appointed by the Arapahoe County Board of Commissioners. As of December 31, 2019, two of the five County Commissioners served on ACWWA's Board of Directors. ACWWA does not have taxing powers.

Effective January 1, 1989, the IGA granted to ACWWA all responsibility for and control over the District's operating system, including related operating assets, tap fees, contributions, revenues and expenses. The agreement provided for a lease of the District's property, plant and equipment, which would expire on the earlier of December 1, 2010 or upon the dissolution of the District. Pursuant to the IGA dated July 7, 1995, the County and ACWWA entered into a plan to dissolve the District. The voters of the District approved the plan and the Order of Dissolution was signed March 4, 2000 by the Arapahoe County District Court, officially dissolving the District. All property, assets and water rights were turned over to ACWWA, and any prior agreements between the two entities are subordinate to the July 7, 1995 agreement.

On February 6, 2002, the County entered into an IGA with the Arapahoe County Water and Wastewater Public Improvement District (PID). PID was organized in 2001, pursuant to the provisions of CRS Title 30, Article 20, Part 5, for the purpose of constructing certain public improvements to serve customers within and without its jurisdictional boundaries. The IGA was amended and restated, in part, to have PID replace the District as a party to the IGA. PID retains ACWWA as its management agency pursuant to this management agreement. In consideration for ACWWA's commitment to provide management service, PID agreed to issue general obligation bonds and certify a mill levy on property within PID at a level sufficient to make the annual debt service payments as identified in PID's annual capital plan. PID purchased certain assets from ACWWA's inventory with a replacement value of approximately \$32,000,000. Upon issuance of the first series of general obligation bonds and in consideration for conveyance of the assets, PID paid to ACWWA the replacement value of the assets. ACWWA, in recognizing its responsibilities to PID and reviewing its powers, determined that revenue from the sale of its assets shall be used for the repayment of the general obligation debt of PID. PID is a component unit of the County.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

ACWWA 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 of ACWWA.

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, the appointment of a voting majority of the organization's governing body, the ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Joint Water Purification Plant (JWPP) is included in the financial statements for ACWWA. See Note 7 for further discussion. ACWWA is considered a blended component unit of the County.

New Accounting Standard

ACWWA implemented the provisions of GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*. The implementation of this standard did not require adjustment to the prior-year reported amounts.

2. Summary Of Significant Accounting Policies

The more significant accounting policies of ACWWA are described as follows:

The accounting policies of ACWWA conform to generally accepted accounting principles (GAAP) as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since ACWWA'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 a specific use, it is ACWWA's policy to use restricted resources first, then unrestricted resources as they are needed.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

Basis Of Accounting

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

Operating Revenues And Expenses

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

Certain prior-year amounts in the statement of activities have been reclassified for consistency with the current-year presentation. These reclassifications had no effect on the reported results of operations in the prior year.

Budgets

In accordance with the State Budget Law, ACWWA's Board of Directors holds a public hearing 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. ACWWA'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.

Cash Equivalents

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

Investments

Investments are carried at fair value.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

Capital Assets

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

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

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

Water rights (nontributary only)	250 years
Tanks	40 - 50 years
Wells	25 years
Water mains	30 years
Sewer mains	20 years
Buildings	10 years
Sewer system	5 - 30 years
Water system	5 - 30 years
Equipment	3 - 5 years
Leasehold improvements	5 years

Tap Fees And Contributed Lines

Tap fees are recorded as nonoperating revenue in the period in which they are received or become collectible. Under ACWWA's policy, developers are required to pay for the equivalent cost of certain water lines previously constructed by ACWWA to serve the developers' property as actual development begins. Payments to other governments for the construction of capital infrastructure that ACWWA has a vested interest in, but are not operated or maintained by ACWWA, are recorded as capital assets.

Water Rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the adjudication and development of those rights. Certain water rights to renewable water resources have a perpetual life and are not amortized. Nontributary water rights are being amortized over 250 years. All other costs, including costs incurred for the protection of water rights, are expensed.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

Amortization

Bond premiums are deferred and amortized over the respective terms of the debt using the straight-line method, which approximates the effective interest method.

The deferred cost on debt refunding is amortized using the straight-line method, which approximates the effective interest method over the life of the new debt. The amortization amount is a component of interest expense.

Compensated Absences

ACWWA's employees are entitled to certain compensated absences, in the form of vacation and sick leave benefits, and are accrued based on their length of employment. Compensated absences are accrued when incurred in the financial statements. At December 31, 2019, accrued vacation benefits are capped at 200 hours per employee. Sick leave benefits are accrued using the termination payment method. When terminations are made, employees are allowed up to 50% of their allowable 480 hours of accrued benefit. ACWWA has accrued \$384,344 and \$349,346 as of December 31, 2019 and 2018, respectively, for future payment of this earned leave.

Reimbursement Agreements

ACWWA may enter into various reimbursement agreements with developers. The terms of these agreements will vary based on the individual circumstances of each project and on the terms negotiated with each agreement.

3. Cash And Investments

The bank balance of cash and cash equivalents as of December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Deposits with financial institutions	<u>\$ 9,702,329</u>	<u>\$ 18,827,440</u>

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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 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, 2019 and 2018, ACWWA had bank deposits of \$9,926,922 and \$21,546,276, respectively, collateralized with securities held by the financial institution's agent, but not in ACWWA's name.

Investments

ACWWA's investment policy limits its concentration of investments to those noted below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, ACWWA 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.

CRS limits 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 government 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 certain reverse repurchase agreements collateralized by certain authorized securities

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

ACWWA has investments in certain investment pools, either at net asset value (the NAV), which approximate fair value, or at amortized cost in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

ACWWA’s Colorado Government Liquid Asset Trust (COLOTRUST) external investment pool of \$34,852,256 at December 31, 2019 is valued using the NAV per share (or its equivalents) of the investments. ACWWA had \$34,073,633 invested in COLOTRUST at December 31, 2018. The investments do not have any unfunded commitments, redemption restriction or redemption notice periods. ACWWA’s investment in the Colorado Surplus Asset Fund Trust (CSAFE) external investment pool of \$535,997 at December 31, 2019 is valued using amortized cost. ACWWA had \$175,565 invested in CSAFE at December 31, 2018.

These are investment trusts established for local government entities in Colorado to pool surplus funds and are registered with the State Securities Commissioner. The pools operate similarly to a money market fund, and each share is equal in value to \$1. Investments of the pool consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by pools in connection with the direct investment and withdrawal functions of the pools. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian’s internal records identify the investments owned by ACWWA. The trusts are rated AAAM by Standard & Poor’s:

Type Of Security	Fair Value	S&P Rating	Maturity 12 Months Or Less
COLOTRUST (external investment pool)	\$ 34,852,256	AAAM	\$ 34,852,256
CSAFE (external investment pool)	535,997	AAAM	535,997
	<u>\$ 35,388,253</u>		<u>\$ 35,388,253</u>

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

4. Capital Assets

An analysis of the changes in capital assets for the years ended December 31, 2019 and 2018 follows:

	Balance At December 31, 2018		Increases	Decreases	Balance At December 31, 2019	
Capital Assets, Not Being Depreciated						
Land	\$ 2,063,196	\$ 1,054	\$ —	\$ —	\$ 2,064,250	
Water rights	89,293,405	—	—	—	89,293,405	
Construction in progress	7,639,645	18,834,014	7,607,776		18,865,883	
Total Capital Assets, Not Being Depreciated	98,996,246	18,835,068	7,607,776		110,223,538	
Capital Assets, Being Depreciated						
Water system	56,447,888	7,977,040	31,572		64,393,356	
Sewer system	16,370,367	125,464	—		16,495,831	
Water rights	40,956,833	—	3,140,248		37,816,585	
Buildings, equipment and projects	3,924,376	—	—		3,924,376	
Total Capital Assets, Being Depreciated	117,699,464	8,102,504	3,171,820		122,630,148	
Less Accumulated Depreciation For						
Water system	19,451,250	1,715,909	—		21,167,159	
Sewer system	12,115,617	782,049	—		12,897,666	
Water right depletion	1,955,593	145,810	149,989		1,951,414	
Buildings, equipment and projects	3,507,009	56,579	—		3,563,589	
Total Accumulated Depreciation	37,029,469	2,700,347	149,989		39,579,828	
Total Capital Assets, Being Depreciated, Net	80,669,995	5,402,157	3,021,831		83,050,320	
Capital Assets, Net	\$ 179,666,241	\$ 24,237,225	\$ 10,629,607		\$ 193,273,858	

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

	Balance At December 31, 2017	Increases	Decreases	Balance At December 31, 2018
Capital Assets, Not Being Depreciated				
Land	\$ 2,063,196	\$ —	\$ —	\$ 2,063,196
Water rights	88,859,664	433,741	—	89,293,405
Construction in progress	2,116,086	8,698,956	3,175,397	7,639,645
Total Capital Assets, Not Being Depreciated	93,038,946	9,132,697	3,175,397	98,996,246
Capital Assets, Being Depreciated				
Water system	53,489,909	3,054,368	96,389	56,447,888
Sewer system	16,135,527	234,840	—	16,370,367
Water rights	40,952,015	4,818	—	40,956,833
Buildings, equipment and projects	3,909,529	14,847	—	3,924,376
Total Capital Assets, Being Depreciated	114,486,980	3,308,873	96,389	117,699,464
Less Accumulated Depreciation For				
Water system	17,590,312	1,957,327	96,389	19,451,250
Sewer system	11,451,961	663,656	—	12,115,617
Water rights depletion	1,798,330	157,263	—	1,955,593
Buildings, equipment and projects	3,346,293	160,716	—	3,507,009
Total Accumulated Depreciation	34,186,896	2,938,962	96,389	37,029,469
Total Capital Assets, Being Depreciated, Net	80,300,084	369,911	—	80,669,995
Capital Assets, Net	\$ 173,339,030	\$ 9,502,608	\$ 3,175,397	\$ 179,666,241

Depreciation and depletion expense for the years ended December 31, 2019 and 2018 was charged to the following:

	2019	2018
Water	\$ 1,861,719	\$ 2,114,590
Sewer	782,049	663,656
Buildings, equipment and projects	56,579	160,716
	\$ 2,700,347	\$ 2,938,962

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (Continued)

5. Long-Term Obligations

The following is an analysis of the changes in ACWWA's long-term obligations for the years ended December 31, 2019 and 2018:

	Balance At December 31, 2018	Increases	Decreases	Balance At December 31, 2019	Amounts Due Within One Year
Series 2009A					
Revenue bonds	\$ 84,670,000	\$ —	\$ 84,670,000	\$ —	\$ —
Series 2012					
Revenue bonds	4,465,000	—	1,080,000	3,385,000	1,105,000
Series 2016					
Revenue bonds	14,930,000	—	420,000	14,510,000	435,000
Bond premium	1,871,022	—	125,430	1,745,592	—
Series 2017					
Revenue bonds	12,685,000	—	145,000	12,540,000	130,000
Bond premium	1,126,238	—	75,502	1,050,736	—
Series 2019					
Revenue bonds	—	71,485,000	—	71,485,000	1,635,000
Bond premium	—	11,733,135	48,888	11,684,247	—
Total Bonds Payable	119,747,260	83,218,135	86,564,820	116,400,575	3,305,000
Compensated absences	349,346	347,968	312,970	384,344	325,729
Total Long-Term Obligations	\$ 120,096,606	\$ 83,566,103	\$ 86,877,790	\$ 116,784,919	\$ 3,630,729

	Balance At December 31, 2017	Increases	Decreases	Balance At December 31, 2018	Amounts Due Within One Year
Series 2009A					
Revenue bonds	\$ 86,460,000	\$ —	\$ 1,790,000	\$ 84,670,000	\$ 1,845,000
Series 2012					
Revenue bonds	5,525,000	—	1,060,000	4,465,000	1,080,000
Series 2016					
Revenue bonds	15,345,000	—	415,000	14,930,000	420,000
Bond premium	1,996,452	—	125,430	1,871,022	—
Series 2017					
Revenue bonds	12,720,000	—	35,000	12,685,000	145,000
Bond premium	1,201,740	—	75,502	1,126,238	—
Total Bonds Payable	123,248,192	—	3,500,932	119,747,260	3,490,000
Compensated absences	340,582	213,889	205,125	349,346	227,297
Total Long-Term Obligations	\$ 123,588,774	\$ 213,889	\$ 3,706,057	\$ 120,096,606	\$ 3,717,297

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

The detail of ACWWA's bonds payable is as follows:

Series 2009A Revenue Bonds

On December 8, 2009, ACWWA issued \$91,545,000 in Taxable Water and Wastewater Revenue Direct Pay Build America Bonds (BAB) with interest rates ranging from 3.61% to 6.68%. The revenue refunding and improvement bonds are due in annual principal and interest installments of \$5,516,894 to \$15,804,642 until December 2039. ACWWA is eligible to receive a 35% interest subsidy credit on its interest payments for these bonds, subject to Section 6431 of the Internal Revenue Code. To receive BAB credits, ACWWA must file a form 8038-CP between 45 and 90 days prior to the corresponding interest payment date. Such credits, if received by ACWWA, are required under the bond resolution to be deposited to the BAB interest account of the BAB Fund. There is no assurance, however, that ACWWA will receive all or any of the BAB credits which it expects to receive. ACWWA will be required to pay interest on the 2009A bonds regardless of whether BAB payments are received. ACWWA received interest subsidies in the amounts of \$1,795,107 and \$1,817,124 during 2019 and 2018, respectively. In accordance with the Trust Indenture, as of December 31, 2018, \$7,121,420 was held in reserve. The 2009A Revenue bonds were refunded during 2019, and the reserve requirement was eliminated.

Series 2012 Revenue Refunding Loan

On October 18, 2012, ACWWA refunded the Series 2009B Revenue Bonds and entered into a loan agreement with Colorado State Bank and Trust dated October 18, 2012 in the amount of \$5,525,000. Principal and interest payments are due June 1 and December 1 in varying amounts through December 1, 2022, with a fixed interest rate of 2.16%. In accordance with the Trust Indenture, as of December 31, 2019 and 2018, \$553,453 was held in reserve for both years.

Series 2016 Revenue Refunding Bonds

On October 4, 2016, ACWWA issued \$16,475,000 of Revenue Refunding Bonds, Series 2016, with interest rates ranging from 2.00% to 4.00% to refund the outstanding Refunding Bonds, Series 2006. As a result, the 2006 refunding bonds are considered to be defeased, and the related liability for the Series 2006 bonds has been removed from ACWWA's liabilities. The purpose of this refunding was to reduce its total debt service payments over the next six years by \$3,392,816 and to realize an economic gain of \$3,040,287. Principal and interest payments are due June 1 and December 1 in varying amounts through December 1, 2033.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

Series 2017 Revenue Refunding Bonds

On August 22, 2017, ACWWA issued \$12,720,000 of Revenue Refunding Bonds, Series 2017, with interest rates ranging from 2.00% to 4.00% to refund the outstanding Refunding Bonds, Series 2007. As a result, the 2007 refunding bonds are considered to be defeased, and the related liability for the Series 2007 bonds has been removed from ACWWA's liabilities. The purpose of this refunding was to reduce its total debt service payments over the term of the bonds by \$2,440,100 and to realize an economic gain of \$2,345,844. Principal and interest payments are due June 1 and December 1 in varying amounts through December 1, 2033.

Series 2019 Revenue Refunding Bonds

On October 22, 2019, ACWWA issued \$71,485,000 of Revenue Refunding Bonds, Series 2019, with interest rates ranging from 4.00% to 5.00% to refund the outstanding Refunding Bonds, Series 2009A. As a result, the 2009A revenue bonds are considered to be defeased, and the related liability for the Series 2009A bonds has been removed from ACWWA's liabilities. The purpose of this refunding was to reduce its total debt service payments over the term of the bonds by \$15,451,417 and to realize an economic gain of \$12,497,890. Principal and interest payments are due June 1 and December 1 in varying amounts through December 1, 2039.

Pledged Revenue And Debt Coverage Requirements

Over the years, ACWWA has issued revenue bonds to fund capital projects and infrastructure of its water and sewer system, which has pledged "net revenue" (all income and revenues directly or indirectly derived by ACWWA less operation and maintenance expenses) toward the repayment of the revenue bonds noted above. Revenues are pledged until the bonds are paid off in full or refunded in full. Pledged revenues recognized for the years ended December 31, 2019 and 2018 were \$20,039,169 and \$23,782,028, respectively. Debt service payments for the years ended December 31, 2019 and 2018 were \$10,083,849 and \$10,120,571, respectively.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

ACWWA's long-term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,305,000	\$ 4,197,399	\$ 7,502,399
2021	3,460,000	4,042,048	7,502,048
2022	4,155,000	3,911,440	8,066,440
2023	3,755,000	3,752,700	7,507,700
2024	3,930,000	3,583,300	7,513,300
2025 - 2029	22,355,000	15,188,600	37,543,600
2030 - 2034	27,570,000	9,981,550	37,551,550
2035 - 2039	33,390,000	4,118,000	37,508,000
Total Payments	\$ 101,920,000	\$ 48,775,037	\$ 150,695,037

6. Net Position

ACWWA has net position consisting of three components: net investment in capital assets, restricted for debt reserves and capital projects and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. As of December 31, 2019 and 2018, ACWWA had net investment in capital assets calculated as follows:

	<u>2019</u>	<u>2018</u>
Net Investment In Capital Assets		
Capital assets, net	\$ 193,273,858	\$ 179,666,241
Cost of refunding	1,753,147	1,883,318
Bond premium	(14,480,575)	(2,997,260)
Capital-related debt	(101,920,000)	(113,197,500)
Net Investment In Capital Assets	\$ 78,626,430	\$ 65,354,799

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

7. Intergovernmental Agreements

Cherry Creek Project Water Authority

ACWWA participates in the Cherry Creek Project Water Authority (CCPWA). CCPWA is expected to produce up to 2,000 acre feet of firm annual yield water, dependent on final configuration, for the use of the members. The amount of water to be received by each member will be based on each member's percentage of equity interest. ACWWA contributed over \$7,000,000 and expects to receive 41.25% of the water produced on the completion of future facilities. In 2019, ACWWA received \$2,990,259 for its share of a partial sale of the CCPWA asset, and is considering selling its remaining interest to another entity.

Town Of Castle Rock

In October 2009, ACWWA entered into an agreement with the Town of Castle Rock (Castle Rock), whereby ACWWA leases a portion of Castle Rock's surplus water on an "as-available, as-needed basis." "As available" is defined as all surplus water not required in the management of Castle Rock's water resources. However, Castle Rock has an existing lease for one acre foot of surplus water, which is considered a prior encumbrance and not available for ACWWA's use. ACWWA will pay \$250/acre foot of leased water. The agreement is one year annually renewable; either party may terminate this agreement with 90-days' notice. ACWWA has not utilized any water from Castle Rock to date pursuant to this agreement.

Cottonwood Water And Sanitation District Lease

In November 2012, ACWWA entered into a lease agreement with the Cottonwood Water and Sanitation District (CWSD) with respect to the Chambers Pipeline. ACWWA leased the pipeline from CWSD for transportation of raw water supplies for \$10 per year from October 22, 2012 through October 22, 2018. This lease was amended in 2019 to extend the term of the agreement through May of 2021. During the term of the lease, ACWWA operates and maintains the Chambers Pipeline at its expense. At the end of the lease, ACWWA will return the pipeline to CWSD in the same condition as of the date of the lease. In the event of damage, CWSD and ACWWA will confer to determine a reasonable course of action; however, the costs of any repairs shall not be paid by ACWWA without ACWWA's consent, unless the damage is caused by ACWWA's use.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

CWSD - Sewer Service Agreement

In December 2012, ACWWA entered into a sewer service agreement with CWSD, whereby ACWWA agrees to receive and process wastewater from CWSD's sanitary sewer collection system, and thereafter to return or dispose of the effluent to CWSD, per the specific terms of the agreement.

ACWWA Flow Project

In 2009, in order to reduce its dependence upon nonrenewable water supplies such as Denver basin groundwater wells, ACWWA and PID (see Note 1) entered into an agreement with two water districts, East Cherry Creek Valley Water and Sanitation District (ECCV) and United Water and Sanitation District (United), whereby ACWWA and PID commenced acquiring, from United and ECCV, and developing water rights, easements and infrastructure, including interests in water treatment plants, recharge facilities, pipelines, pump stations, diversion facilities, storage and other water-related infrastructure with the intent of eventually providing 4,400 acre-feet of average annual yield renewable water to ACWWA's service area and customers. The water rights are acquired through purchases within the South Platte River Basin. This water is delivered to the Beebe Draw, a shallow underground aquifer system that was once a historic stream channel of the South Platte River. It is stored in the Beebe Draw until it is pumped out and delivered to the ECCV reverse osmosis (RO) water treatment plant, the first phase of which was completed and operating in 2012, where it is treated and delivered to ACWWA. ACWWA received 1,357 and 1,404 acre feet from the ACWWA flow project in 2019 and 2018, respectively.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

One of the ACWWA flow storage projects, Chambers Reservoir, was completed in 2014. During a drawdown of the reservoir, a slope failure occurred in the southwest corner of the reservoir and has not been filled since. In 2019, ACWWA began the work necessary to bring the reservoir back on-line. This included scraping the existing clay liner of the reservoir, importing additional fill material, reshaping the slopes and installing a synthetic liner. It is ACWWA's intention to have the earthwork completed and the new synthetic liner installed in 2020. At this time, all facilities have been constructed to utilize ACWWA's current capacity in the ECCV water treatment plant and ECCV pump stations, which is 2.25 million gallons per day (mgd). When built out to capacity, currently estimated to be completed by the end of 2020, it is expected that this will allow ACWWA to have access to 5.25 mgd of renewable water from the ACWWA Flow Project. Significant infrastructure was constructed in 2019, including the necessary storage tanks and pump stations to deliver 5.25 mgd from the project. Much work remains to adjudicate the remaining water rights that will allow ACWWA to receive the full 4,400 acre-feet of water per year. In May 2015, the Board of Directors executed an addendum to the intergovernmental agreement between United and ACWWA for the extension of the completion of all ACWWA flow-related facilities until December 31, 2019. In December 2019, the Board of Directors executed the Second Addendum to the intergovernmental agreement between United and ACWWA, which extended the completion of the Project until December 31, 2024. As of December 31, 2019, ACWWA has spent approximately \$183,000,000 on the ACWWA Flow Project, with a current estimate of approximately \$27,000,000 of spending needed over several years to complete the project.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

Inverness Water And Sanitation District

In April 2005, ACWWA, Inverness Water and Sanitation District (IWSD) and PID entered into an agreement for the financing and construction of a wastewater treatment plant expansion including discharges from IWSD to the Lone Tree Creek Wastewater Treatment Plant (WWTP). On September 30, 2011, the parties entered into the First Amendment to the 2005 Agreement to set the initial rate to be charged in 2011 for the treatment of effluent delivered by IWSD to WWTP and also to set the terms of a Renewal and Replacement Reserve Fund, which is to be established by both ACWWA and IWSD. The Renewal and Replacement Reserve Fund will be contributed to annually, based on the established prorated share of capacity in WWTP. The maximum balance, once established, shall not exceed \$7,500,000 and will be reviewed every four years, beginning in 2011, as to the adequacy of the reserve amount and shall be adjusted accordingly. ACWWA and IWSD entered into the Second Amendment to the 2005 Agreement on September 30, 2015. This amendment establishes the rate-setting process to be followed in future years and provides for the settlement of a prior-year rate dispute. The amendment also clarifies the use of the Renewal and Replacement Reserve.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

JWPP

In February 2002, ACWWA entered into an agreement with PID (see Note 1) with respect to the construction and operation of public improvements. In June 2003, ACWWA entered into an agreement with CWSD concerning the construction of water treatment facilities (now known as JWPP). The 2003 agreement, among other things, assigns responsibility to ACWWA for the overall management and operations of JWPP. Under the terms of the agreement, ACWWA is to be the manager and operator of JWPP. In exchange for operating the plant, pursuant to a lease dated April 2002, PID has leased and will transfer its assets in JWPP to ACWWA for a nominal amount at the final payment of the last PID bonds issued pursuant to the 2001 bond authorization. In June 2010, JWPP was placed into service and began operations. On December 6, 2010, ACWWA received a Notice of Violation/Cease and Desist Order as a result of an alleged permit violation from the Colorado Department of Public Health and Environment, Division of Administration, Water Quality Control Division related to excess discharge of selenium in the waste product of JWPP which allegedly violated a federal Environmental Protection Agency standard. JWPP changed from a RO-based system to microfiltration in 2012 and operated as a microfiltration plant until December 2018. At that time, the plant was shut down so work could begin on converting the JWPP to a blended RO/microfiltration process, which will utilize a biological treatment process to enable the brine stream from the RO process to be acceptably discharged into Windmill Creek. In August 2018, ACWWA and CWSD contracted Jacobs Engineering to run and manage the project at a cost of approximately \$9.6 million, with ACWWA contributing \$3.8 million and CWSD contributing the remaining \$5.8 million over the term of the agreement. The plant is scheduled to begin processing water in late May of 2019, and is expected to reach planned capacity in May 2020. ACWWA and CWSD have contracted with Jacobs Engineering to operate the reconfigured plant for a period of three years, with the term beginning in May 2019. The agreement was amended in 2019.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

In December 2014, the two parties entered into an agreement for the operation and maintenance of, and improvement to, JWPP by ACWWA as operator for PID, ACWWA and CWSD. The agreement shall be for the term of the useful life of JWPP and its process equipment existing now or as expanded, upgraded, improved or rebuilt by either party in the future. The parties agree that the useful life of the JWPP is estimated at 50 years, beginning September 1, 2010. The agreement shall continue in effect as long as JWPP is operating, unless amended or terminated by the parties. For purposes of determining the percentage of ownership in JWPP, the interests of ACWWA and PID (see Note 1) shall be combined into a single percentage that shall be considered, for purposes of this agreement only, to be owned by ACWWA. The JWPP land and building, other than the process equipment, is owned by CWSD and PID as tenants in common, with 36.67% ownership by CWSD and 63.33% ownership by PID and ACWWA. The process equipment is owned 77.78% by PID and ACWWA and 22.22% by CWSD. The percentage of capacity used for calculation of the payment of fixed costs by each party shall be 63.33% by ACWWA and 36.67% by CWSD. Each year, ACWWA will perform a true-up of total costs and total volumes for a calendar year by April 1 of the succeeding year, based upon actual costs and invoices received. ACWWA, on behalf of JWPP, will maintain both a separate JWPP general operating fund, along with a separate JWPP reserve fund. The minimum reserve fund of \$100,000 is being funded in annual increments of \$20,000 beginning in January 2014. Both CWSD and ACWWA will contribute to the reserve fund with each party funding its portion of the initial reserve amount by paying its respective portion of the \$20,000 by January 31 of each year. After the reserve fund reaches \$100,000, the parties shall contribute sufficient dollars to maintain the reserve fund at its minimum balance. As of December 31, 2019, the reserve was fully funded. The operations, assets, liabilities and equity of JWPP are included in ACWWA's financial statements as a blended component unit in accordance with the provision of GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*.

Stonegate Village Metropolitan District

In February 2013, ACWWA entered into a limited wastewater system connection agreement with Stonegate Village Metropolitan District (SVMD), whereby ACWWA is authorized to make a connection to SVMD's wastewater system for the limited purpose of discharging the liquid waste from the chlorine analyzers that ACWWA will operate at the ECCV Connection Chlorination Vault. The volume of discharge shall not exceed 5,000 gallons per month. In exchange, ACWWA will pay regular monthly wastewater fees to SVMD.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

In February 2013, ACWWA entered into a limited potable water system connection agreement with SVMD, whereby ACWWA is authorized to make a connection to SVMD's potable water system to supply an emergency eyewash/shower station location at the Chambers Pump Station. The volume of water permitted shall not exceed 1,000 gallons per month. In exchange, ACWWA will pay regular monthly water service fees to SVMD.

City Of Longmont

In December 2016, ACWWA entered into a water supply agreement with the City of Longmont (Longmont), ECCV and United. This agreement was amended in 2019 to state that whereby, from July 1, 2019 through August 31, 2019, ECCV and ACWWA shall deliver fully consumable water from the ECCV/ACWWA Water Rights and/or the United/ACWWA Water Rights for the purpose of meeting Longmont's Bijou Ditch Loss Obligation. In exchange, from October 1, 2019 through March 31, 2020, Longmont shall release an amount equal to the number of acre-feet delivered by ECCV and ACWWA of fully consumable water owned by Longmont to ECCV and ACWWA for the purpose of meeting the ECCV/ACWWA Winter Return Flow Obligation.

City Of Aurora

In November 2013, ACWWA entered into a license agreement with the City of Aurora (Aurora), whereby Aurora authorizes ACWWA to construct, operate, maintain, repair and replace sewer mains situated in the County.

Other Contracts

ACWWA is also a party to several other agreements with other governmental entities. These agreements do not have a material effect on the financial statements.

8. Commitments And Contingencies

Construction Commitments

ACWWA has entered into various contracts and agreements with contractors and partner agencies for the improvement and upgrading of facilities. Total commitments with such contractors for 2019 and 2018 totaled approximately \$6,800,000 and \$21,100,000, respectively.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

9. Pension And Benefit Plans

ACWWA's Retirement Plan (the Plan) was established to qualify as a defined contribution plan under Sections 401(a) and 501(a) of the Internal Revenue Code. It was first adopted in 1990 and has been amended four times since. There are mandatory and discretionary employer contributions.

ACWWA's mandatory contributions during both 2019 and 2018 was 6.2% of employee compensation. Discretionary employer contributions are decided on an annual basis at the time of budget approval for the following budget year. The entire discretionary contribution was 3% of employee compensation during 2019 and 2018, with an available match up to an additional 5%. Under the Plan document and the Internal Revenue Code, the entire discretionary contribution is considered an employer contribution. Total Plan contributions for the years ending December 31, 2019 and 2018 were \$369,301 and \$343,361, respectively. Total payroll was \$3,077,544 and \$2,820,207 for the years ended December 31, 2019 and 2018, respectively. Total employer contributions represented 12% and 12.2% of total compensation for the years ended December 31, 2019 and 2018, respectively. An employee is not fully vested until the completion of four complete years of service. Vesting is 0% for less than one year, 25% for one to two years, 50% for two to three years, 75% for three to four years and 100% for over four years.

10. Related Party Transactions

As provided by the IGA between PID and ACWWA dated February 6, 2002 and PID's procedures, the Manager of ACWWA has contract signature authority for PID under certain circumstances, including the approval of certain expenditures on behalf of PID.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

11. Conflict Of Interest

State law requires that members of the Board of Directors verbally disclose potential conflicts of interest prior to discussing topics that may involve those conflicts of interest. The Directors have disclosed their potential conflicts in writing to the Secretary of State and the Secretary of ACWWA. On behalf of the Board, these potential conflicts of interest as of December 31, 2019 are disclosed as follows:

- A board member owns a home in ACWWA's service area. The board member retired from CH2M Hill.
- Two board members have contributed to the campaigns of various Arapahoe County Commissioners who have served or are currently serving on ACWWA's Board.
- A board member is a member of the Arapahoe County Board of County Commissioners, the Centennial Airport Authority Board and is an alternate on the Southeast Metro Stormwater Authority Board. The board member has received campaign donations from employees of United and Mulhern MRE, Inc.
- A board member is a member of the Arapahoe County Board of County Commissioners and of the Southeast Metro Stormwater Authority Board.
- A board member owns a nominal amount of the ACWWA's Water and Wastewater Refunding Bonds Series 2017.

12. Risk Management

ACWWA is exposed to various risks of losses, including general liability (limited under the Colorado Governmental Immunity Act to \$350,000 per person and \$990,000 per occurrence), property damage and employee life, medical, dental and accidental benefits. ACWWA has a risk management program, which includes commercial property insurance for catastrophic losses, including floods and earthquakes, for the operating plant. ACWWA also carries commercial insurance for employee life, health, accident and workers compensation.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

ACWWA is also a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2019 and 2018. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's 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.

ACWWA pays annual premiums to the Pool for liability, property and public official's coverage, which are recorded as expenditures. In the event the 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 Pool members. Any excess funds that the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

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 that 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. ACWWA's management believes a significant portion of its operations qualifies for this exclusion.

ACWWA's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions will require judicial interpretation.

14. Subsequent Event

In March 2020, the Authority executed a Purchase and Sale Agreement with Castle Rock to sell its 41.25% interest in CCPWA. The parties are currently conducting due diligence.

Supplementary Information

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (BUDGETARY BASIS)
For The Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance With Budget Positive (Negative)
Revenues				
Water revenue	\$ 12,662,662	\$ 12,662,662	\$ 13,168,781	\$ 506,119
Sewer revenue	5,844,156	5,844,156	6,039,682	195,526
Water plant revenue	—	—	79,796	79,796
Other user fees	258,764	258,764	332,786	74,022
Interest subsidy	1,792,240	1,792,240	1,795,107	2,867
Interest	475,000	475,000	800,739	325,739
Fees for service	854,539	854,539	1,276,567	422,028
Tap and territorial fees	5,888,374	5,888,374	7,123,625	1,235,251
In-kind contributions	—	—	605,300	605,300
Settlement revenue	—	—	850,000	850,000
Total Revenues	27,775,735	27,775,735	32,072,383	4,296,648
Expenditures				
Salaries and benefits	4,094,129	4,094,129	4,094,909	(780)
Office expense	313,449	313,449	251,613	61,836
Professional services	1,314,400	1,314,400	897,033	417,367
Contractual services	141,273	141,273	225,250	(83,977)
Insurance	199,779	199,779	154,712	45,067
Capital outlay	21,138,654	21,138,654	18,576,411	2,562,243
Acquisition of water rights	1,000,000	1,000,000	720,759	279,241
Repair and maintenance	1,204,202	1,204,202	2,819,013	(1,614,811)
Utilities	1,209,183	1,209,183	1,149,678	59,505
Operational expenses	3,152,764	3,152,764	2,520,022	632,742
Other supplies and expense	315,400	315,400	9,629	305,771
Bond payments	10,083,849	10,083,849	10,083,849	—
Total Expenditures	44,167,082	44,167,082	41,502,878	2,664,204
Change In Net Position				
(Budgetary Basis)	\$ (16,391,347)	\$ (16,391,347)	\$ (9,430,495)	\$ 6,960,852

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**RECONCILIATION OF BUDGETARY BASIS
TO STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For The Year Ended December 31, 2019**

Change In Net Position (Budgetary Basis)	\$ (9,430,495)
Depreciation, depletion and amortization	(2,771,303)
Capital outlay	18,576,411
Acquisition of water rights	720,759
Bond principal payments	<u>3,490,000</u>
Change In Net Position	10,585,372
Net Position, Beginning Of Year	<u>110,697,653</u>
Net Position, End Of Year	<u><u>\$ 121,283,025</u></u>

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2019

December 31,	\$5,525,000 Fixed Rate Water And Wastewater Revenue Refunding Loan Series 2012 Dated September 26, 2012, Fixed Interest Rate, Interest Due June 1 And December 1, Principal Due December 1		\$16,475,000 Variable Rate Water And Wastewater Revenue Refunding Bonds, Series 2016 Dated October 4, 2016, Variable Interest Rate, Due June 1 And December 1, Principal Due December 1		\$12,720,000 Variable Rate Water And Wastewater Revenue Bonds, Series 2017, Dated September 7, 2017, Variable Interest Rate, Principal And Interest Due December 1		\$71,485,000 Variable Rate Taxable Water And Wastewater Revenue Refunding Bonds, Series 2019 Dated October 22, 2019 Variable Interest Rate Principal And Interest Due December 1		Total Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	\$ 1,105,000	\$ 73,116	\$ 435,000	\$ 566,900	\$ 130,000	\$ 455,850	\$ 1,635,000	\$ 3,101,533	\$ 3,305,000	\$ 4,197,399	\$ 7,502,399
2021	1,130,000	49,248	450,000	553,850	130,000	453,250	1,750,000	2,985,700	3,460,000	4,042,048	7,502,048
2022	1,150,000	24,840	465,000	540,350	705,000	448,050	1,835,000	2,898,200	4,155,000	3,911,440	8,066,440
2023	—	—	975,000	526,400	860,000	419,850	1,920,000	2,806,450	3,755,000	3,752,700	7,507,700
2024	—	—	1,015,000	487,400	900,000	385,450	2,015,000	2,710,450	3,930,000	3,583,300	7,513,300
2025	—	—	1,055,000	446,800	915,000	367,450	2,115,000	2,609,700	4,085,000	3,423,950	7,508,950
2026	—	—	1,100,000	404,600	950,000	330,850	2,215,000	2,503,950	4,265,000	3,239,400	7,504,400
2027	—	—	1,140,000	360,600	1,000,000	292,850	2,325,000	2,393,200	4,465,000	3,046,650	7,511,650
2028	—	—	1,190,000	315,000	1,035,000	252,850	2,440,000	2,276,950	4,665,000	2,844,800	7,509,800
2029	—	—	1,235,000	267,400	1,085,000	211,450	2,555,000	2,154,950	4,875,000	2,633,800	7,508,800
2030	—	—	1,285,000	218,000	1,135,000	168,050	2,680,000	2,027,200	5,100,000	2,413,250	7,513,250
2031	—	—	1,335,000	166,600	1,180,000	122,650	2,785,000	1,920,000	5,300,000	2,209,250	7,509,250
2032	—	—	1,385,000	113,200	1,235,000	75,450	2,895,000	1,808,600	5,515,000	1,997,250	7,512,250
2033	—	—	1,445,000	57,800	1,280,000	38,400	3,000,000	1,692,800	5,725,000	1,789,000	7,514,000
2034	—	—	—	—	—	—	5,930,000	1,572,800	5,930,000	1,572,800	7,502,800
2035	—	—	—	—	—	—	6,160,000	1,335,600	6,160,000	1,335,600	7,495,600
2036	—	—	—	—	—	—	6,395,000	1,089,200	6,395,000	1,089,200	7,484,200
2037	—	—	—	—	—	—	6,640,000	833,400	6,640,000	833,400	7,473,400
2038	—	—	—	—	—	—	6,895,000	567,800	6,895,000	567,800	7,462,800
2039	—	—	—	—	—	—	7,300,000	292,000	7,300,000	292,000	7,592,000
Total	\$ 3,385,000	\$ 147,204	\$ 14,510,000	\$ 5,024,900	\$ 12,540,000	\$ 4,022,450	\$ 71,485,000	\$ 39,580,483	\$ 101,920,000	\$ 48,775,037	\$ 150,695,037

**Continuing Disclosure Annual
Financial Information (Unaudited)**

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

HISTORICAL DEBT SERVICE COVERAGE¹ For The Year Ended December 31, 2019

	2014	2015	2016	2017	2018	2019
Operating Revenues²	\$ 17,610,269	\$ 17,390,731	\$ 19,595,682	\$ 20,221,834	\$ 20,796,413	\$ 20,897,612
Nonoperating Revenues³	5,809,391	4,978,877	10,543,855	12,713,788	13,193,920	11,174,771
Gross Revenues	23,419,660	22,369,608	30,139,537	32,935,622	33,990,333	32,072,383
Less Operation And Maintenance						
Expenses (net of depreciation) ²	(9,096,783)	(9,099,080)	(9,527,933)	(9,601,069)	(10,208,305)	(12,121,859)
Net Revenue	\$ 14,322,877	\$ 13,270,528	\$ 20,611,604	\$ 23,334,553	\$ 23,782,028	\$ 19,950,524
Historical Annual Debt Service⁴	\$ 8,683,180	\$ 10,342,888	\$ 10,216,177	\$ 9,186,724	\$ 10,120,571	\$ 10,083,849
Historical Coverage Factor	1.65	1.28	2.02	2.54	2.35	1.98

1. This table reflects actual, audited revenues, expenditures and debt service coverage.
2. Gross revenue and operation and maintenance expenses reflect ACWWA's audited financial statements.
3. Consists of one-time tap fees, gains on sales of assets, BAB rebate and nonoperating interest
4. Constitutes the annual debt service on ACWWA's outstanding water and wastewater revenue bonds

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**WATER ENTERPRISE OPERATIONAL DATA
For The Year Ended December 31, 2019**

**Residential Water And Irrigation Volume Charges
For The Year Ended December 31, 2019**

For residential customers, ACWWA imposes a monthly service fee of \$41.04 plus a volume charge for each 1,000 gallons of metered usage, as follows:

<u>Usage Gallon/Month</u>	<u>From</u>	<u>To</u>	<u>Rate</u>
Block 1	—	4,000	\$ 3.95
Block 2	4,001	10,000	4.94
Block 3	10,001	30,000	6.18
Block 4	30,001	Above 30,001	7.72

Usage is divided into four blocks, depending upon volume. Volume charges are imposed in different amounts for each block.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**WATER ENTERPRISE OPERATIONAL DATA (CONTINUED)
For The Year Ended December 31, 2019**

**Nonresidential Meter Size Water And Irrigation Charges
For The Year Ended December 31, 2019**

Nonresidential customers pay service fees which vary based upon both meter size and monthly volume. The base monthly service fee is as follows:

Meter Size	Monthly Service Fee
¾"	\$ 44.41
1"	88.80
1½"	177.59
2"	355.20
3"	799.23
4"	1,687.24
6"	3,196.87

**Nonresidential Water And
Irrigation Volume Charges
For The Year Ended December 31, 2019**

Customer use is divided into four blocks, depending upon volume. Volume charges are imposed in different amounts for each block, as follows:

Metered Usage	¾"	1"	1½"	2"	3"	4"	6"
Block 1 from	—	—	—	—	—	—	—
Block 1 to	40,000	40,000	40,000	90,000	252,000	288,000	1,620,000
Block 2 from	40,001	40,001	40,001	90,001	252,001	288,001	1,620,001
Block 2 to	100,000	100,000	100,000	225,000	672,000	768,000	2,700,000
Block 3 from	100,001	100,001	100,001	225,001	672,001	768,001	2,700,001
Block 3 to	300,000	300,000	300,000	600,000	1,320,000	1,344,000	3,960,000
Block 4	>300,001	>300,001	>300,001	>600,001	>1,320,001	>1,344,001	>3,960,001
Volume Rate							
Block 1	\$ 4.54	\$ 4.54	\$ 4.54	\$ 4.54	\$ 4.54	\$ 4.54	\$ 4.54
Block 2	5.68	5.68	5.68	5.68	5.68	5.68	5.68
Block 3	7.10	7.10	7.10	7.10	7.10	7.10	7.10
Block 4	8.90	8.90	8.90	8.90	8.90	8.90	8.90

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**WATER ENTERPRISE OPERATIONAL DATA (CONTINUED)
For The Year Ended December 31, 2019**

Historic And Current Tap Fee Amounts

A history of tap fee amounts collected since 2015 is set forth in the following table:

	Water And Irrigation			Sewer		
	Amount	\$ Increase	% Increase	Amount	\$ Increase	% Increase
2015	\$ 25,467	\$ 742	3.0%	\$ 6,312	\$ 184	2.9%
2016	25,690	223	0.9%	7,360	1,048	14.2%
2017	26,204	514	2.0%	7,507	147	2.0%
2018	26,990	786	3.0%	7,657	150	2.0%
2019	27,800	810	3.0%	7,810	153	2.0%

History Of Water, Sewer And Irrigation Tap Fee Collections

A history of taps issued and the fees collected from taps since 2015 is presented in the following table:

Year	Water And Irrigation		Sewer		Total Tap Fee
	Number ¹	Revenue	Number	Revenue	Revenue
2015	91	\$ 2,491,417	97	\$ 603,642	\$ 3,095,059
2016	224	5,857,228	371	2,786,406	8,643,634
2017	309	8,086,164	350	2,627,450	10,713,614
2018	288	7,543,439	408	3,065,790	10,609,229
2019	191	5,303,629	233	1,819,996	7,123,625

1. Represents a tap equivalent.

**Current Water And Irrigation Tap Equivalents
As Of December 31, 2019**

The following table sets forth a breakdown of water and irrigation tap equivalents by category and type of tap.

Customer Category	Type Of Tap		Total	Percentage Of Total
	Water	Irrigation		
Residential	3,065	1,200	4,265	44.3%
Nonresidential	4,227	1,145	5,372	55.7%
Total	7,292	2,345	9,637	100%

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

COMPARISON STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For The Past Five Years Ending December 31,

	2015	2016	2017	2018	2019
Operating Revenues					
Water revenue	\$ 10,850,926	\$ 12,039,034	\$ 12,434,848	\$ 12,961,677	\$ 13,168,781
Sewer revenue	5,024,264	5,561,283	5,533,558	5,810,633	6,039,682
Fees for services	923,853	1,491,828	1,615,746	1,378,371	1,276,567
Miscellaneous	591,681	503,537	637,682	645,732	412,582
Total Operating Revenues	17,390,724	19,595,682	20,221,834	20,796,413	20,897,612
Operating Expenses					
Salaries, payroll taxes and benefits	3,538,390	3,704,529	3,719,661	3,833,313	4,094,909
Office expense	373,365	219,849	245,532	205,229	251,613
Professional services	1,472,229	1,163,704	1,045,983	1,178,153	897,033
Insurance expense	166,304	138,619	136,371	154,140	154,712
Operational expense	922,604	1,743,198	1,831,500	2,259,269	2,520,022
Contractual services	127,245	190,451	198,146	251,619	225,250
Repairs and maintenance	765,945	1,153,403	1,110,951	1,077,415	2,819,013
Utilities	1,233,797	1,193,027	1,299,021	1,240,170	1,149,678
Depreciation and depletion	2,929,333	2,940,160	2,689,953	2,938,962	2,700,347
Other supplies and expense	499,201	21,153	13,903	8,997	9,629
Total Operating Expenses	12,028,412	12,468,093	12,291,021	13,147,267	14,822,206
Operating Income	5,362,312	7,127,589	7,930,813	7,649,146	6,075,406
Nonoperating Revenues					
Gain on sale of asset	—	—	—	49,772	—
Interest subsidy	1,872,502	1,857,417	1,836,707	1,817,124	1,795,107
In-kind contributions	—	—	—	—	605,300
Settlement revenue	—	—	—	—	850,000
Interest	11,316	42,804	163,467	717,795	800,739
Total Nonoperating Revenues	1,883,818	1,900,221	2,000,174	2,584,691	4,051,146
Nonoperating Expenses					
Bond issue costs	—	—	—	—	393,135
Interest and fiscal charges	7,604,784	7,336,501	6,854,383	6,727,905	6,271,670
Total Nonoperating Expenses	7,604,784	7,336,501	6,854,383	6,727,905	6,664,805
Income (Loss) Before Contributions	(358,654)	1,691,309	3,076,604	3,505,932	3,461,747
Capital Contributions					
Tap and extraterritorial fees	3,095,059	8,643,633	10,713,614	10,609,229	7,123,625
Change In Net Position	2,736,405	10,334,942	13,790,218	14,115,161	10,585,372
Net Position - Beginning Of Year	69,720,927	72,457,332	82,792,274	96,582,492	110,697,653
Net Position - End Of Year	\$ 72,457,332	\$ 82,792,274	\$ 96,582,492	\$ 110,697,653	\$ 121,283,025

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

BUDGET TO ACTUAL (NON-GAAP) COMPARISON OF RESULTS OF OPERATIONS For The Years Ended December 31, 2019 And 2018

	2018			2019			2020
	Budget	Actual	Variance	Budget	Actual	Variance	Budget
Revenues							
Water revenue	\$ 12,201,609	\$ 12,961,677	\$ 760,068	\$ 12,662,662	\$ 13,168,781	\$ 506,119	\$ 13,394,936
Sewer revenue	5,616,281	5,810,633	194,352	5,844,156	6,039,682	195,526	6,324,161
Water plant revenue	323,755	299,286	(24,469)	—	79,796	79,796	—
Fees for service	849,008	396,218	(452,790)	854,539	332,786	(521,753)	824,763
Interest subsidy	1,807,417	1,817,124	9,707	1,792,240	1,795,107	2,867	—
Interest	295,000	717,795	422,795	475,000	800,739	325,739	475,000
Other user fees	199,124	1,378,371	1,179,247	258,764	1,276,567	1,017,803	203,670
Tap and territorial fees	8,156,242	10,609,229	2,452,987	5,888,374	7,123,625	1,235,251	5,121,569
In-kind contributions	—	—	—	—	605,300	605,300	—
Settlement revenue	—	—	—	—	850,000	850,000	—
Total Revenues	29,448,436	33,990,333	4,541,897	27,775,735	32,072,383	4,296,648	26,344,099
Expenses							
Salaries and benefits	3,979,615	3,833,313	(146,302)	4,083,411	4,094,909	11,498	4,524,487
Office expense	300,354	205,229	(95,125)	313,449	251,613	(61,836)	319,529
Professional services	1,490,272	1,429,772	(60,500)	1,505,666	1,033,640	(472,026)	1,383,824
Insurance	193,400	154,140	(39,260)	199,779	154,712	(45,067)	214,342
Capital outlay	15,650,660	8,299,471	(7,351,189)	21,138,654	18,576,411	(2,562,243)	23,933,298
Acquisition of water rights	1,000,000	438,559	(561,441)	1,000,000	720,759	(279,241)	1,250,000
Repair and maintenance	1,746,055	1,077,415	(668,640)	1,404,199	2,819,013	1,414,814	1,450,070
Utilities	1,332,089	1,240,170	(91,919)	1,209,183	1,149,678	(59,505)	1,168,256
Operational expenses	2,333,251	2,259,269	(73,982)	3,213,992	2,520,022	(693,970)	3,935,570
Bond payments	10,116,558	10,120,571	4,013	10,083,849	10,083,849	—	7,502,399
Miscellaneous	39,900	8,997	(30,903)	14,900	9,629	(5,271)	14,900
Total Expenses	38,182,154	29,066,906	(9,115,248)	44,167,082	41,414,235	(2,752,847)	45,696,675
Excess Revenues Over (Under)							
Expenditures	(8,733,718)	4,923,427	13,657,145	(16,391,347)	(9,341,852)	7,049,495	(19,352,576)
Change In Net Position (Budgetary)	\$ (8,733,718)		\$ 11,126,059	\$ (16,391,347)		\$ 7,049,495	\$ (19,352,576)
Reconciliation To GAAP Basis							
Depreciation, depletion and amortization		(2,846,296)			(2,771,303)		
Capital outlay		8,738,030			19,297,170		
Bond principal		3,300,000			3,490,000		
Change In Net Assets		14,115,161			10,674,015		
Net Position, Beginning Of Year		<u>96,582,492</u>			<u>110,697,653</u>		
Net Position, End Of Year		<u>\$ 110,697,653</u>			<u>\$ 121,371,668</u>		

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**OUTSTANDING REVENUE BONDS
For The Year Ended December 31, 2019**

	<u>Amount</u>
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2012	\$ 3,385,000
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2016	14,510,000
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2017	12,540,000
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2019	<u>71,485,000</u>
Total	<u>\$ 101,920,000</u>