
ARAPAHOE COUNTY
WATER AND WASTEWATER AUTHORITY
A Component Unit Of Arapahoe County
FINANCIAL STATEMENTS
DECEMBER 31, 2014

Contents

	Page
Independent Auditors' Report	1 - 3
Management's Discussion And Analysis	i - vii
Basic Financial Statements	
Statements Of Net Position	4
Statements Of Revenues, Expenses And Changes	
In Net Position	5
Statements Of Cash Flows	6
Notes To Financial Statements	7 - 27
Supplementary Information	
Schedule Of Revenues, Expenditures And Funds Available -	
Budget And Actual (Budgetary Basis)	28
Reconciliation Of Budgetary Basis (Actual) To Statement Of	
Revenues, Expenses And Changes In Net Position.....	29
Schedule Of Debt Service Requirements To Maturity	30
Continuing Disclosure Annual Financial Information	
(Unaudited)	
Historical Debt Service Coverage.....	31
Water Enterprise Operational Data	32 - 34
Comparison Statement Of Revenues, Expenses And	
Changes In Net Position.....	35
Budget To Actual (Non-GAAP) Comparison Of Results Of	
Operations	36
Outstanding Revenue Bonds	37

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, 2014 and 2013 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, 2014 and 2013 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.

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 vii 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, expenditures and funds available budget and actual (budgetary basis); the reconciliation of budgetary basis (actual) 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, expenditures and funds available budget and actual (budgetary basis); the reconciliation of budgetary basis (actual) 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.

BolinBrown LLP

June 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Arapahoe County Water and Wastewater Authority (ACWWA) offers the readers of ACWWA's financial statements this narrative overview and analysis of the financial activities of ACWWA for the years ended December 31, 2014 and 2013.

Financial Highlights

- Net position increased \$3,768,696 to \$69,720,927 as of the end of 2014 from \$65,952,231 as of the end of 2013.
- Operating revenue increased \$548,226 to \$17,610,269 in 2014 from \$17,062,043 in 2013.
- Operating expenses increased \$1,391,916 in 2014 while component changes in 2014 compared to 2013 consisted of a decrease in salary and benefits of \$28,285; an increase in professional services of \$541,033; an increase in repair and maintenance of \$327,811; an increase of \$255,690 in operational expenses; an decrease in utilities of \$63,322 and an increase in office expense of \$159,319; an increase of \$76,879 in contractual services; a decrease in depreciation and depletion of \$26,457, a decrease in liability insurance of \$14,163; an increase of \$71,939 in bad debt expense, and an increase in other supplies and expenses of \$91,472.
- Non-operating revenues and expenses consisted of interest and fiscal charges in the amount of \$7,647,502; BABs interest subsidy of \$1,868,788; and interest income of \$10,144.
- Tap fees and extra-territorial fees increased \$604,981 to \$3,930,459 in 2014 compared to \$3,325,478 in 2013 due to an increase in the number of taps sold.
- Capital assets, net of depreciation and depletion, decreased \$694,430 to \$168,558,389 in 2014 from \$169,252,819 in 2013.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to ACWWA's basic financial statements. The basic financial statements are comprised of Financial Statements and Notes to Financial Statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of ACWWA's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of ACWWA is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position present information that reflects how ACWWA's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs. Thus,

revenues are reported when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows.

The Statements of Cash Flows reports ACWWA's cash flows from operating, noncapital financing, capital and investing activities.

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

The supplemental information provides budget and actual information, debt service requirements and continuing disclosure annual information.

Statement of Net Position

	December 31,		
	2014	2013	2012
Current Assets	\$ 27,727,479	\$ 23,731,536	\$ 21,783,793
Restricted assets	7,672,717	7,668,989	6,652,787
Other assets	126,027	119,323	111,666
Capital Assets	168,558,389	169,252,819	168,168,514
Deferred outflows of resources	1,931,526	2,063,596	2,228,684
Total Assets	206,016,138	202,836,263	198,945,444
Current liabilities	6,669,047	4,301,014	3,258,239
Long-term obligations	129,500,137	132,463,695	133,556,165
Deferred inflows of resources	126,027	119,323	111,666
Total Liabilities	136,295,211	136,884,032	136,926,070
Net position:			
Net investment in capital assets	41,862,334	41,521,087	39,465,437
Debt Reserve	7,672,717	7,668,989	6,652,787
Unrestricted	20,185,876	16,762,155	15,901,150
Total net position, restated	\$ 69,720,927	\$ 65,952,231	\$ 62,019,374

ACWWA's assets are primarily dedicated to providing water and wastewater services to its customers and the acquisition of water rights and related water system infrastructure. The acquisition of water rights and infrastructure assures that ACWWA will be able to provide a high quality of 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 increased \$3,728 as of December 31, 2014 to \$7,672,717 from \$7,668,989 in 2013. This increase is related to the interest earnings of restricted cash investments. Restricted cash consists of escrow accounts, debt reserves, and funds restricted for capital projects.

Current, restricted and other assets increased \$4,006,375 to \$35,526,223 in 2014 from \$31,519,848 in 2013. This increase is primarily the net result of transactions related to operations and debt service.

Capital assets decreased \$694,430 in 2014 to \$168,558,389 from \$169,252,819 in 2013 primarily due to the net investment in infrastructure and a decrease in depreciation and depletion of \$26,457 to \$2,906,679 in 2014 from \$2,933,136 in 2013.

Current liabilities increased by a net amount of \$2,368,033 primarily due to an increase in the current portion of bonds payable of \$1,705,000 to \$2,855,000 in 2014 from \$1,150,000 in 2013; an increase in accounts payable and accrued expenses of \$571,359 to \$1,624,536 in 2014 from \$1,053,177 in 2013; an increase in accrued payroll of \$2,303 to \$79,328 in 2014 from \$77,025 in 2013; a decrease of \$8,000 in meter deposits to \$48,000 in 2014 from \$56,000 in 2013; an increase in escrowed development funds of \$175,878 to \$1,294,964 in 2014 from \$1,119,086 in 2013; a decrease in compensated absences of \$74,300 to \$143,228 in 2014 from \$217,528 in 2013; and a decrease in accrued interest payable of \$4,207 to \$623,991 in 2014 from \$628,198 in 2013.

Long-term obligations decreased by a net amount of \$2,963,558 to \$129,500,137 in 2014 from \$132,463,695 in 2013. More detailed information about ACWWA's long-term debt and other liabilities is presented in Note 5 to the basic financial statements.

Change in Net Position

	December 31,		
	2014	2013	2012
Revenues			
Operating revenue			
Water charges	\$ 10,533,451	\$ 10,206,846	\$ 10,964,732
Sewer charges	5,062,930	4,959,230	4,826,201
Fees for services	1,368,741	838,286	493,616
Water plant revenue	221,869	270,078	502,125
Other revenue	423,278	787,603	263,519
Total operating revenues	17,610,269	17,062,043	17,050,193
Non-operating revenues			
Net investment income	10,144	18,689	43,518
Interest subsidy	1,868,788	1,854,684	2,014,866
Contributions			
Tap and Extra-territorial fees	3,930,459	3,325,478	982,959
Water shortage revenue			
Total revenues	23,419,660	22,260,894	20,091,536
Expenses			
Operating expenses			
Salaries and benefits	3,517,204	3,545,489	3,197,904
Office expense	299,158	139,839	104,075
Professional services	1,186,183	645,150	899,578
Insurance	161,036	175,199	177,755
Operational	912,673	656,983	19,539
Contractual services	189,428	112,549	105,133
Repairs and maintenance	828,741	500,930	417,434
Utilities	1,321,463	1,384,785	1,405,976
Depreciation and depletion	2,906,679	2,933,136	3,045,818
Bad debt expense	75,502	3,563	0
Other supplies and expense	605,395	513,923	675,461
Total operating expenses	12,003,462	10,611,546	10,048,673
Non-operating expense			
Interest and fiscal charges	7,647,502	7,716,491	7,866,042
Loss on disposal of capital assets			
Total expenses	19,650,964	18,328,037	17,914,715
Changes in net position	3,768,696	3,932,857	2,176,821
Net position-Beginning of year, as restated	65,952,231	62,019,374	59,842,553
Net position-End of year, as restated	\$ 69,720,927	\$ 65,952,231	\$ 62,019,374

ACWWA's financial position as measured by the change in net position increased \$3,768,696 to \$69,720,927 as of the end of 2014 from \$65,952,231 as of the end of 2013. The major components of this increase are explained as follows:

Operating revenues increased \$548,226 to \$17,610,269 in 2014 from \$17,062,043 in 2013. Component changes consisted of an increase in water charges of \$326,605 to \$10,533,451 in 2014 from \$10,206,846 in 2013; an increase in sewer charges of \$103,700 to \$5,062,930 in 2014 from \$4,959,230 in 2013; an increase in fees for service of \$530,455 to \$1,368,741 in 2014 from \$838,286 in 2013; a decrease in revenue generated from the water treatment plant of \$48,209 to \$221,869 in 2014 from \$270,078 in 2013; and a decrease of \$364,325 to \$423,278 in 2014 from \$787,603 in 2013 in other revenue.

Operating expenses increased \$1,391,916 to \$12,003,462 in 2014 from \$10,611,546 in 2013. Component changes consisted of a decrease in salaries and benefits of \$28,285 to \$3,517,204 in 2014 from \$3,545,489 in 2013; an increase in professional services of \$541,033 to \$1,186,183 in 2014 from \$645,150 in 2013; an increase in repairs and maintenance of \$327,811 to \$828,741 in 2014 from \$500,930 in 2013; an increase in operational expenses of \$255,690 to \$912,673 in 2014 from \$656,983 in 2013; a decrease in depreciation and depletion of \$26,457 to \$2,906,679 in 2014 from \$2,933,136 in 2013; a decrease in liability insurance of \$14,163 to \$161,036 in 2014 from \$175,199 in 2013; an increase in contracted services of \$76,879 to \$189,428 in 2014 from \$112,549 in 2013; and a decrease in utilities of \$63,322 to \$1,321,463 in 2014 from \$1,384,785 in 2013; an increase in office expenses of \$159,319 to \$299,158 in 2014 from \$139,839 in 2013; and a net increase in all other component items of \$163,411 to \$680,897 in 2014 from \$517,486 in 2013.

Non-operating revenues increased \$5,559 to \$1,878,932 in 2014 from \$1,873,373 in 2013. Component changes consisted of a decrease in interest income of \$8,545 to \$10,144 in 2014 from \$18,689 in 2013; and an increase of \$14,104 interest subsidy relating to the Build America Bonds to \$1,868,788 in 2014 from \$1,854,684 in 2013. Non-operating expenses decreased due to a decrease in interest and fiscal charges of \$68,989 to \$7,647,502 in 2014 from \$7,716,491 in 2013. The net effect of these changes is a decrease in non-operating revenue and expenses of \$74,548 in 2014.

Tap and extra-territorial fees increased \$604,981 to \$3,930,459 in 2014 from \$3,325,478 in 2013.

Budgetary Highlights

ACWWA prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in additions to operations and nonoperating revenues and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect "funds available". State statutes require this budgetary accounting.

Capital Assets

An analysis of the changes in Capital Assets for the year ended 2014, 2013, and 2012 is as follows:

Capital Assets Activity

December 31,

	2013	Net Changes	2014
Land and land improvements	2,063,196		2,063,196
Water rights	125,281,071	1,574,250	126,855,321
Construction in progress	1,880,745	(1,495,013)	385,732
Water system	44,391,751	1,459,557	45,851,308
Sewer system	15,120,058	143,492	15,263,550
Buildings and projects	3,254,315	529,963	3,784,278
Total assets	191,991,136	2,212,249	194,203,385
Accumulated depreciation	(22,738,317)	(2,906,679)	(25,644,996)
Net capital assets	169,252,819	(694,430)	168,558,389

	2012	Net Changes	2013
Land and land improvements	2,063,196		2,063,196
Water rights	124,064,222	1,216,849	125,281,071
Construction in progress	3,135,250	(1,254,505)	1,880,745
Water system	40,359,348	4,032,403	44,391,751
Sewer system	15,097,364	22,694	15,120,058
Buildings and projects	3,254,315		3,254,315
Total assets	187,973,695	4,017,441	191,991,136
Accumulated depreciation	(19,805,181)	(2,933,136)	(22,738,317)
Net capital assets	168,168,514	1,084,305	169,252,819

	2011	Net Changes	2012
Land and land improvements	2,063,196		2,063,196
Water rights	124,037,248	26,974	124,064,222
Construction in progress	1,805,926	1,329,324	3,135,250
Water system	38,847,008	1,512,340	40,359,348
Sewer system	15,097,364		15,097,364
Buildings and projects	3,244,015	10,300	3,254,315
Total assets	185,094,757	2,878,938	187,973,695
Accumulated depreciation	(16,759,363)	(3,045,818)	(19,805,181)
Net capital assets	168,335,394	(166,880)	168,168,514

ACWWA's net capital assets decreased \$694,430 to \$168,558,389 in 2014 from \$169,252,819 in 2013.

Additional information on ACWWA's capital assets can be found in Note 4 of this report.

Debt Administration

All scheduled debt service payments were made timely during 2014 and 2013.

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

Economic and Other Factors

ACWWA continues to emphasize three key areas for the 2015 year: capital improvement project needs, proactive maintenance of the water and wastewater infrastructure, and operating costs required in sustaining and enhancing service levels. ACWWA's emphasis will allow the system to continue providing high quality and reliable water and wastewater services at reasonable rates while also maintaining a healthy financial position. ACWWA has made efforts to ensure that rates remain affordable for its customers while ensuring the continued stability of the system and the ability to meet the needs related to future growth.

Request for Information

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

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

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

STATEMENTS OF NET POSITION
December 31, 2014 And 2013

Assets And Deferred Outflows Of Resources		
	2014	2013
Current Assets		
Cash and cash equivalents	\$ 25,979,226	\$ 21,365,409
Receivables	1,570,178	2,190,973
Prepaid expenses and other	178,075	175,154
Total Current Assets	27,727,479	23,731,536
Restricted Assets		
Cash and cash equivalents	7,672,717	7,668,989
Capital Assets, Net	168,558,389	169,252,819
Other Assets		
Noncurrent receivables	126,027	119,323
Total Assets	204,084,612	200,772,667
Deferred Outflows Of Resources		
Deferred charges on refunding	1,931,526	2,063,596
Total Assets And Deferred Outflows Of Resources	\$ 206,016,138	\$ 202,836,263
Liabilities, Deferred Inflows Of Resources And Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,624,536	\$ 1,053,177
Accrued payroll	79,328	77,025
Meter deposits	48,000	56,000
Escrowed development funds	1,294,964	1,119,086
Accrued interest payable	623,991	628,198
Compensated absences payable, current portion	143,228	217,528
Revenue bonds payable, current portion	2,855,000	1,150,000
Total Current Liabilities	6,669,047	4,301,014
Long-Term Liabilities		
Compensated absences payable, long-term portion	175,056	265,867
Revenue bonds payable, long-term portion	129,325,081	132,197,828
Total Long-Term Liabilities	129,500,137	132,463,695
Total Liabilities	136,169,184	136,764,709
Deferred Inflows Of Resources		
Deferred revenue	126,027	119,323
Net Position		
Net investment in capital assets	41,862,334	41,521,087
Debt reserve	7,672,717	7,668,989
Unrestricted	20,185,876	16,762,155
Total Net Position, Restated	69,720,927	65,952,231
Total Liabilities, Deferred Inflows Of Resources And Net Position	\$ 206,016,138	\$ 202,836,263

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**
Years Ended December 31, 2014 And 2013

	2014	2013
Operating Revenue		
Water revenue	\$ 10,533,451	\$ 10,206,846
Sewer revenue	5,062,930	4,959,230
Fees for services	1,368,741	838,286
Water plant revenue	221,869	270,078
Other revenue	423,278	787,603
Total Operating Revenues	17,610,269	17,062,043
Operating Expenses		
Salaries and benefits	3,517,204	3,545,489
Office expense	299,158	139,839
Professional services	1,186,183	645,150
Insurance	161,036	175,199
Operational	912,673	656,983
Contractual services	189,428	112,549
Repairs and maintenance	828,741	500,930
Utilities	1,321,463	1,384,785
Depreciation and depletion	2,906,679	2,933,136
Bad debt expense	75,502	3,563
Other supplies and expense	605,395	513,923
Total Operating Expenses	12,003,462	10,611,546
Operating Income	5,606,807	6,450,497
Nonoperating Revenues		
Net investment income	10,144	18,689
Interest subsidy	1,868,788	1,854,684
Total Nonoperating Revenues	1,878,932	1,873,373
Nonoperating Expenses		
Interest and fiscal charges	7,647,502	7,716,491
Total Nonoperating Expenses	7,647,502	7,716,491
Income Before Contributions	(161,763)	607,379
Capital Contributions		
Tap and extraterritorial fees	3,930,459	3,325,478
Change In Net Position	3,768,696	3,932,857
Total Net Position - Beginning Of Year, Restated	65,952,231	62,019,374
Total Net Position - End Of Year, Restated	\$ 69,720,927	\$ 65,952,231

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 And 2013

	2014	2013
Cash Flows From Operating Activities		
Receipts from customers	\$ 18,231,063	\$ 17,113,374
Payments to suppliers	(5,019,141)	(3,942,070)
Payments to employees and related expenses	(3,680,012)	(3,439,589)
Net Cash Provided By Operating Activities	9,531,910	9,731,715
Cash Flows From Capital And Related Financing Activities		
Net tap and extra-territorial fees	3,930,459	3,325,478
Principal payments on bonds	(1,150,000)	(1,110,000)
Interest paid on revenue bonds	(7,537,385)	(7,581,785)
Subsidy received on bond interest	1,868,788	1,854,684
Payments for capital acquisitions	(2,212,249)	(4,017,441)
Net Cash Used In Capital And Related Financing Activities	(5,100,387)	(7,529,064)
Cash Flows From Investing Activities		
Interest received	10,144	18,689
Change in escrowed funds	175,878	668,150
Net Cash Provided By Investing Activities	186,022	686,839
Net Increase In Cash And Cash Equivalents	4,617,545	2,889,490
Cash And Cash Equivalents - Beginning Of Year	29,034,398	26,144,908
Cash And Cash Equivalents - End Of Year	\$ 33,651,943	\$ 29,034,398
Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities		
Operating income	\$ 5,606,807	\$ 6,450,497
Provided by operating activities		
Depreciation and amortization	2,906,679	2,933,136
(Increase) decrease in		
Accounts receivable	620,795	51,381
Prepaid expenses	(2,921)	(125,786)
Increase (decrease) in		
Accounts payable and accrued expenses	408,550	392,537
Deposits	(8,000)	30,000
Net Cash Provided By Operating Activities	\$ 9,531,910	\$ 9,731,715

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS December 31, 2014 And 2013

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 nine-member Board of Directors appointed by the Arapahoe County Board of Commissioners. As of December 31, 2014, one of the five County Commissioners served on ACWWA's Board of Directors. Currently, two of the five County Commissioners serve 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, 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 the District, 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 the District. 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, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

ACWWA is not financially accountable for any other organization. ACWWA is considered a component unit of Arapahoe County.

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.

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. Tap fees and contributed assets from developers are recorded as capital contributions when received.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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.

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.

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 estimated fair 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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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

Water rights (nontributary only)	100 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 capital contributions 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. Water and sewer lines contributed to ACWWA by developers are recorded as capital contributions and additions to the systems at the developers' cost or at estimated fair value when received. ACWWA records the contributions at the time the lines are conveyed to ACWWA for preliminary acceptance. Payments to other governments for the construction of capital infrastructure that will benefit ACWWA but not be owned, operated or maintained by ACWWA, are recorded as an expense.

Water Rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Certain water rights to renewable water resources have a perpetual life and are not amortized. Nontributary water rights are being amortized over 100 years. All other costs, including costs incurred for the protection of water rights, are expensed.

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 being 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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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, 2014, accrued vacation benefits are capped at 240 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 \$318,284 and \$483,395 as of December 31, 2014 and 2013, 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.

Reclassifications

For comparability, certain 2013 amounts have been reclassified where appropriate to conform to the 2014 financial statement presentation.

3. Cash And Investments

Cash and investments as of December 31, 2014 and 2013 are classified in the accompanying financial statements as follows:

	2014	2013
Statement Of Net Position		
Cash and cash equivalents	\$ 25,979,226	\$ 21,365,409
Cash and cash equivalents - restricted	<u>7,672,717</u>	<u>7,668,989</u>
Total Cash And Cash Equivalents	<u>\$ 33,651,943</u>	<u>\$ 29,034,398</u>

Cash and investments as of December 31, 2014 and 2013 consist of the following:

	2014	2013
Deposits with financial institutions	<u>\$ 33,651,943</u>	<u>\$ 29,034,398</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, 2014, ACWWA had bank deposits of \$38,908,080 collateralized with securities held by the financial institution's agent but not in the 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.

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

Revenue bonds of local 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

4. Capital Assets

An analysis of the changes in capital assets for the years ended December 31, 2014 and 2013 follows:

	Balance At December 31, 2013	Increases	Decreases	Balance At December 31, 2014
Capital Assets, Not Being Depreciated				
Land	\$ 2,063,196	\$ —	\$ —	\$ 2,063,196
Water rights	84,700,306	1,573,290	—	86,273,596
Construction in progress	1,880,745	1,923,341	3,418,354	385,732
Total Capital Assets, Not Being Depreciated	88,644,247	3,496,631	3,418,354	88,722,524
Capital Assets, Being Depreciated				
Water system	44,391,751	1,459,557	—	45,851,308
Sewer system	15,120,058	143,492	—	15,263,550
Water rights	40,580,765	960	—	40,581,725
Buildings, equipment and projects	3,254,315	529,963	—	3,784,278
Total Capital Assets, Being Depreciated	103,346,889	2,133,972	—	105,480,861
Less Accumulated Depreciation For				
Water system	9,919,528	1,973,136	—	11,892,664
Sewer system	8,979,365	594,153	—	9,573,518
Water right depletion	1,384,560	83,885	—	1,468,445
Buildings, equipment and projects	2,454,864	255,505	—	2,710,369
Total Accumulated Depreciation	22,738,317	2,906,679	—	25,644,996
Total Capital Assets, Being Depreciated, Net	80,608,572	(772,707)	—	79,835,865
Capital Assets, Net	\$ 169,252,819	\$ 2,723,924	\$ 3,418,354	\$ 168,558,389

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

	Balance At December 31, 2012	Increases	Decreases	Balance At December 31, 2013
Capital Assets, Not Being Depreciated				
Land	\$ 2,063,196	\$ —	\$ —	\$ 2,063,196
Water rights	83,512,521	1,187,785	—	84,700,306
Construction in progress	3,135,250	3,965,683	5,220,188	1,880,745
Total Capital Assets, Not Being Depreciated	88,710,967	5,153,468	5,220,188	88,644,247
Capital Assets, Being Depreciated				
Water system	40,359,348	4,032,403	—	44,391,751
Sewer system	15,097,364	22,694	—	15,120,058
Water rights	40,551,701	29,064	—	40,580,765
Buildings, equipment and projects	3,254,315	—	—	3,254,315
Total Capital Assets, Being Depreciated	99,262,728	4,084,161	—	103,346,889
Less Accumulated Depreciation For				
Water system	8,013,064	1,906,464	—	9,919,528
Sewer system	8,278,466	700,899	—	8,979,365
Water rights depletion	1,303,938	80,622	—	1,384,560
Buildings, equipment and projects	2,209,713	245,151	—	2,454,864
Total Accumulated Depreciation	19,805,181	2,933,136	—	22,738,317
Total Capital Assets, Being Depreciated, Net	79,457,547	1,151,025	—	80,608,572
Capital Assets, Net	\$ 168,168,514	\$ 6,304,493	\$ 5,220,188	\$ 169,252,819

Depreciation and depletion expense for the years ended December 31, 2014 and 2013 was charged to the following:

	2014	2013
Water	\$ 2,057,021	\$ 1,987,086
Sewer	594,153	700,899
Buildings, equipment and projects	255,505	245,151
	\$ 2,906,679	\$ 2,933,136

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, 2014 and 2013:

	Balance At December 31, 2013		Increases	Decreases	Balance At December 31, 2014		Amounts Due Within One Year
Series 2006							
Revenue bonds	\$ 20,055,000	\$ —	\$ 645,000	\$ 19,410,000	\$ 675,000		
Bond premium	282,828	—	17,747	265,081	—		
Series 2007							
Revenue bonds	15,940,000	—	505,000	15,435,000	530,000		
Series 2009A							
Revenue bonds	91,545,000	—	—	91,545,000	1,650,000		
Series 2012							
Revenue bonds	5,525,000	—	—	5,525,000	—		
Total Bonds Payable	133,347,828	—	1,167,747	132,180,081	2,855,000		
Compensated absences	483,395	52,417	217,528	318,284	143,228		
Total Long-Term Obligations	\$ 133,831,223	\$ 52,417	\$ 1,385,275	\$ 132,498,365	\$ 2,998,228		

	Balance At December 31, 2012		Increases	Decreases	Balance At December 31, 2013		Amounts Due Within One Year
Series 2006							
Revenue bonds	\$ 20,680,000	\$ —	\$ 625,000	\$ 20,055,000	\$ 645,000		
Bond premium	309,261	—	26,433	282,828	—		
Series 2007							
Revenue bonds	16,425,000	—	485,000	15,940,000	505,000		
Series 2009A							
Revenue bonds	91,545,000	—	—	91,545,000	—		
Series 2012							
Revenue bonds	5,525,000	—	—	5,525,000	—		
Total Bonds Payable	134,484,261	—	1,136,433	133,347,828	1,150,000		
Compensated absences	300,883	301,491	118,979	483,395	217,528		
Total Long-Term Obligations	\$ 134,785,144	\$ 301,491	\$ 1,255,412	\$ 133,831,223	\$ 1,367,528		

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

Series 2006 Refunding Bonds

On December 28, 2006, ACWWA issued \$22,940,000, with a premium of \$441,801, in revenue bonds with interest rates ranging from 4% to 5%. The revenue refunding and improvement bonds are due in average annual principal and interest installments of \$1,550,265 until December 2033.

Revenue Refunding And Improvement Bonds, Series 2007

On August 23, 2007, ACWWA issued \$18,760,000, with a discount of \$70,654, in Water and Wastewater Revenue Refunding and Improvement Bonds with interest rates ranging from 4% to 5%. The revenue refunding bonds are due in average annual principal and interest installments of \$1,262,915 until December 2033.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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 Build America Bond Interest account of the Build America Bond 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 \$1,868,788 and \$1,854,684 during 2014 and 2013, respectively. In accordance with the Trust Indenture, as of December 31, 2014 and 2013, \$7,119,388 and \$7,115,881, respectively, were held in reserve.

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 2.17%. In accordance with the Trust Indenture, as of December 31, 2014 and 2013, \$553,329 and \$553,108, respectively, were held in reserve.

Pledged Revenue And Debt Coverage Requirements

Over the years, ACWWA has issued revenue bonds with certain pledged revenues as collateral, certain debt coverage requirements and various covenants in which ACWWA's management believes that ACWWA is in compliance.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

Refunding

On October 18, 2012, ACWWA issued \$5,525,000 in the Revenue Refunding Loan dated October 18, 2012 for the refunding of the Series 2009B Tax-Exempt Water and Wastewater Revenue Bonds. Bond proceeds were transferred by the bond resolution to pay the costs of issuance and the remaining proceeds placed in a special fund and trust account for the purpose of paying the principal of, premium, if any, and interest on the refunded bonds as they become due and payable.

On October 18, 2012, ACWWA advance refunded and defeased (debt legally satisfied) \$5,362,857 of Water and Wastewater Revenue Bonds, Tax-Exempt Series 2009B, dated December 8, 2009 with interest rates ranging from 2.0% to 2.5%. ACWWA advance refunded the Series 2009B bonds to reduce its total debt service payments over the next three years by almost \$5,225,909, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$201,012. ACWWA incurred issuance cost in the amount of \$63,100. The defeased bonds are not considered a liability of ACWWA since sufficient funds in the amount of \$5,463,172 were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds until the call date, at which point the bonds will be repaid in their entirety from the remaining funds in the escrow account. As of December 31, 2013, the outstanding principal balance of the bonds was \$2,170,000. The bonds were redeemed on December 1, 2014.

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

	Principal	Interest	Total
2015	\$ 2,855,000	\$ 7,487,887	\$ 10,342,887
2016	2,945,000	7,384,624	10,329,624
2017	3,050,000	7,250,789	10,300,789
2018	4,225,000	7,104,466	11,329,466
2019	4,360,000	6,937,452	11,297,452
2020 - 2024	21,795,000	31,804,979	53,599,979
2025 - 2029	22,570,000	26,331,734	48,901,734
2030 - 2034	28,055,000	19,317,080	47,372,080
2035 - 2039	42,060,000	9,594,484	51,654,484
Total Payments	\$ 181,915,000	\$ 123,213,495	\$ 255,128,495

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

6. Net Position

ACWWA has net position consisting of three components: net investment in capital assets, restricted for debt reserve 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, 2014 and 2013, ACWWA had net investment in capital assets calculated as follows:

	2014	2013
Net Investment In Capital Assets		
Capital assets, net	\$ 168,558,389	\$ 169,252,819
Debt reserves	3,552,500	3,552,500
Cost of refunding	1,931,526	2,063,596
Bond premium	(265,081)	(282,828)
Capital related debt	(131,915,000)	(133,065,000)
Net Investment In Capital Assets	\$ 41,862,334	\$ 41,521,087

7. Intergovernmental Agreements

Cherry Creek Project Water Authority

ACWWA participates in the Cherry Creek Project Water Authority (CCPWA). CCPWA is expected to produce approximately 2,000 acre feet of firm annual yield water 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 \$6,000,000 and expects to receive 42% of the water produced on the completion of future facilities.

Town Of Castle Rock

In October 2009, ACWWA entered into an agreement with the Town of 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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

Cottonwood Water And Sanitation District

In 2009, ACWWA entered into an agreement with Cottonwood Water and Sanitation District (CWSD) to mutually plan for the construction and operation of a Joint Water Purification Plant. ACWWA agreed to drill an alluvial well on the CWSD site known as Well CCC-4. Project costs were paid by ACWWA, and ACWWA will initially own the well and equipment. Once the well is operational, CWSD may exercise its option to purchase the well. In this case, CWSD will reimburse ACWWA for the cost of the well and equipment, less the agreed-upon depreciation. Under all circumstances, ACWWA may use the well for its purposes for no less than 5 years from the agreement date.

Cottonwood Water And Sanitation District Lease

In November 2012, ACWWA entered into a lease agreement with CWSD with respect to the Chambers Pipeline. ACWWA will lease the pipeline from Cottonwood for transportation of raw water supplies for \$10 per year beginning on October 22, 2012 through October 22, 2015. During the term of the lease, ACWWA will operate and maintain the Chambers Pipeline at its expense. At the end of the lease, ACWWA will return the pipeline to Cottonwood in the same condition as of the date of the lease. In the event of damage, Cottonwood 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.

Cottonwood Water And Sanitation District - 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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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 (the ACWWA Flow IGA) 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 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 water treatment plant, the first phase of which was completed and operating in 2012, where it is treated and delivered to ACWWA.

One of the ACWWA Flow storage projects, Chambers Reservoir has been completed in 2014 and is in the multi-year process of being filled. Currently, all facilities have been constructed to utilize ACWWA's current treatment 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 December 31, 2019, it is intended that ACWWA will have access to 5.25 mgd of renewable water from the ACWWA Flow Project. Significant infrastructure remains to be constructed to attain the 5.25 mgd goal, including the construction of additional storage, water treatment, pumping station, pipeline and brine disposal well capacity, as well as payment of further water rights adjudication costs. As of December 31, 2014, ACWWA has spent approximately \$155,000,000 on the ACWWA Flow Project with a current estimate of approximately \$55,000,000 of spending needed over several years to complete the project.

Compark Business Campus Metropolitan District

In February 2011, ACWWA entered into an East-West Pipeline Capacity Acquisition Agreement with Compark Business Campus Metropolitan District whereby ACWWA acquired capacity from the Compark Business Campus Metropolitan District in the ECCV East-West Pipeline in exchange for Water Resource Fee Credits. The purchase price of the capacity of \$2,500,000 was satisfied by providing Water Resource Fee Credit.

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. IWSD has raised a number of issues concerning the agreement and its first amendment. In November 2014, IWSD and ACWWA entered into a Tolling Agreement while discussions continued. Through extensions of the Tolling Agreement, the expiration date of the Tolling Agreement became June 30, 2015.

Joint Water Purification Plant

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 the Joint Water Purification Plant or 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 and amended in 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 (CDPHE) related to excess discharge of selenium in the waste product of JWPP which allegedly violated a federal Environmental Protection Agency standard. The potential loss was unknown as of December 31, 2012; however, on May 16, 2013, the penalty was reduced to \$80,000, which ACWWA accepted. The final penalty and payment terms were established in a formal agreement with CDPHE. JWPP moved to microfiltration in 2012 while it continues to work on a longer-term solution that is compatible with the original construction design.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

Following unsuccessful efforts to mediate various issues, CWSD filed suit against ACWWA in the District Court in and for Arapahoe County, Colorado on June 27, 2014. On December 29, 2014, CWSD and ACWWA settled, and the court entered its Order Accepting Stipulation for Dismal, and the suit was dismissed with prejudice. An Operation Agreement was entered into by ACWWA and CWSD as part of the settlement.

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 a 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 will be 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 will be established 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. The operations of JWPP and operating and reserve funds are included in ACWWA financial statements.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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.

Stonegate Village Metropolitan District

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 February 2013, ACWWA entered into a water supply agreement with the City of Longmont (Longmont), ECCV and United, whereby, from May 1, 2013 through September 30, 2013, 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 Replacement Obligation. In exchange, from October 1, 2013 through March 31, 2014, Longmont shall release a minimum of 500 acre feet of fully consumable water from Union Reservoir for delivery 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 Arapahoe County.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

8. Commitments And Contingencies

Construction Commitments

ACWWA has entered into various contracts and agreements with contractors for the improvement and upgrading of facilities. Total commitments with such contractors for 2014 and 2013 totaled approximately \$0 and \$310,672, respectively.

Contracts

ACWWA is presently engaged in discussions with the Valley Country Club regarding the provision of nonpotable treated effluent for application to the golf course.

In March 2014, ACWWA notified the engineering contractor, construction contractor and United of potential ACWWA warranty claims as a result of leakage at the newly constructed Chambers Reservoir. Studies of the reservoir leakage and negotiations with the parties are underway regarding this issue.

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.

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 three times since. There are mandatory and discretionary employer contributions.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

ACWWA's mandatory contributions during 2014 and 2013 were 12.4% 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 10% of employee compensation during 2014 and 2013. 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, 2014 and 2013 were \$562,001 and \$563,835, respectively. Total payroll was \$2,514,162 and \$2,517,118 for the years ended December 31, 2014 and 2013, respectively. Total employer contributions represent 22.4% and 22.4% of total compensation for the years ended December 31, 2014 and 2013, 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.

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, 2014 are disclosed as follows:

- A board member owns a home in ACWWA's service area. The board member retired from CH2M Hill.
- A board member is a member of the Arapahoe County Board of County Commissioners, the Centennial Airport Authority Board, an alternate on the Southeast Metro Stormwater Authority and the Urban Drainage and Flood Control Authority Board.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

- A board member is the owner of a consulting company located in ACWWA's service area.
- A board member is a board member of the Arapahoe County Board of County Commissioners and the Centennial Airport Authority Board.

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 worker's compensation.

ACWWA is also a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2014 and 2013. 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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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

Valley Country Club filed suit in the District Court in and for Arapahoe County, Colorado, against ACWWA on January 20, 2015, and the proceeding is ongoing.

In May 2015, the Board executed an addendum to the intergovernmental agreement between United Water and ACWWA for the extension of the completion of all ACWWA flow-related facilities until December 31, 2019.

15. Restatement

ACWWA financial statements for 2013 were restated as a result of a change in reporting entity related to the operating and maintenance agreement with JWPP. ACWWA's 2013 financial statements were restated to increase the cash amount by \$391,785 from \$20,973,624 to the restated amount of \$21,365,409 and reduce utilities expenses by \$391,785 from \$1,776,570 to \$1,384,785. As a result, net position also increased by \$391,785 from \$65,560,446 to \$65,952,231.

Supplementary Information

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**SCHEDULE OF REVENUES, EXPENDITURES AND
FUNDS AVAILABLE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
For The Year Ended December 31, 2014**

	Original Budget	Final Budget	Actual	Variance With Budget Positive (Negative)
Revenues				
Water revenue	\$ 7,732,597	\$ 7,732,597	\$ 10,533,451	\$ 2,800,854
Sewer revenue	5,091,057	5,091,057	5,062,930	(28,127)
Water plant revenue	279,415	279,415	221,869	(57,546)
Other user fees	54,422	54,422	1,368,741	1,314,319
Interest subsidy	1,839,572	1,839,572	1,868,788	29,216
Interest	18,000	18,000	10,144	(7,856)
Fees for service	229,238	229,238	423,278	194,040
Tap and territorial fees	2,327,400	2,327,400	3,930,459	1,603,059
Total Revenues	17,571,701	17,571,701	23,419,660	5,847,959
Expenditures				
Salaries and benefits	3,497,655	3,497,655	3,517,204	19,549
Office expense	64,000	64,000	299,158	235,158
Professional services	322,500	322,500	1,186,183	863,683
Insurance	210,000	210,000	161,036	(48,964)
Capital outlay	3,794,770	3,794,770	2,211,290	(1,583,480)
Acquisition of water rights	7,000	7,000	960	(6,040)
Repair and maintenance	639,250	639,250	828,741	189,491
Utilities	1,410,000	1,410,000	1,321,463	(88,537)
Operational expenses	3,727,206	3,727,206	1,782,998	(1,944,208)
Bond payments	8,688,335	8,688,335	8,683,180	(5,155)
Total Expenditures	22,360,716	22,360,716	19,992,213	(2,368,503)
Change In Net Position (Budgetary Basis)	\$ (4,789,015)	\$ (4,789,015)	\$ 3,427,447	\$ 8,216,462

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**RECONCILIATION OF BUDGETARY BASIS
(ACTUAL) TO STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For The Year Ended December 31, 2014**

Change In Net Position (Budgetary Basis)		
Depreciation, depletion and amortization		\$ 3,427,447
Capital outlay		(3,021,001)
Bond payments		2,212,250
		<u>1,150,000</u>
Change in net position		3,768,696
Net Position, Beginning Of Year- Restated		<u>65,952,231</u>
Net Position, End Of Year		<u>\$ 69,720,927</u>

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2014

\$22,940,000 Variable Rate Revenue Refunding Bonds, Series 2006 Dated December 28, 2006 Variable Interest Rate Principal And Interest Due December 1		\$18,760,000 Variable Rate Water And Wastewater Revenue Bonds, Series 2007 Dated August 23, 2007 Variable Interest Rate Principal And Interest Due December 1		\$91,545,000 Variable Rate Taxable Water And Wastewater Revenue Refunding Bonds, Series 2009A Dated December 8, 2009 Variable Interest Rate Principal And Interest Due December 1		\$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		Total Debt Service Requirements			
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	\$ 675,000	\$ 873,439	\$ 530,000	\$ 737,363	\$ 1,650,000	\$ 5,756,759	\$ —	\$ 120,327	\$ 2,855,000	\$ 7,487,887	\$ 10,342,887
2016	705,000	846,439	545,000	714,838	1,695,000	5,703,021	—	120,327	2,945,000	7,384,624	10,329,624
2017	740,000	811,189	570,000	691,675	1,740,000	5,627,599	—	120,327	3,050,000	7,250,789	10,300,789
2018	775,000	774,189	600,000	663,175	1,790,000	5,546,776	1,055,000	120,327	4,220,000	7,104,466	11,324,466
2019	805,000	743,189	630,000	637,675	1,845,000	5,459,155	1,080,000	97,433	4,360,000	6,937,452	11,297,452
2020	840,000	710,989	650,000	608,550	1,915,000	5,364,230	1,110,000	73,997	4,515,000	6,757,765	11,272,765
2021	875,000	677,389	680,000	579,300	1,980,000	5,262,831	1,135,000	49,910	4,670,000	6,569,429	11,239,429
2022	915,000	637,389	710,000	548,700	2,050,000	5,155,020	1,145,000	25,281	4,820,000	6,366,389	11,186,389
2023	950,000	598,770	750,000	515,863	2,120,000	5,040,322	—	—	3,820,000	6,154,954	9,974,954
2024	995,000	556,739	780,000	481,175	2,200,000	4,918,528	—	—	3,975,000	5,956,442	9,931,442
2025	1,035,000	514,450	820,000	445,100	2,285,000	4,788,838	—	—	4,140,000	5,748,388	9,888,388
2026	1,080,000	470,464	860,000	404,100	2,380,000	4,641,913	—	—	4,320,000	5,516,476	9,836,476
2027	1,125,000	424,564	900,000	363,250	2,480,000	4,488,879	—	—	4,505,000	5,276,692	9,781,692
2028	1,175,000	376,750	940,000	320,500	2,585,000	4,329,415	—	—	4,700,000	5,026,665	9,726,665
2029	1,225,000	326,814	990,000	273,500	2,690,000	4,163,199	—	—	4,905,000	4,763,513	9,668,513
2030	1,275,000	274,750	1,040,000	224,000	2,805,000	3,990,232	—	—	5,120,000	4,488,982	9,608,982
2031	1,340,000	211,000	1,090,000	172,000	2,925,000	3,807,066	—	—	5,355,000	4,190,066	9,545,066
2032	1,405,000	144,000	1,145,000	117,500	3,050,000	3,616,063	—	—	5,600,000	3,877,563	9,477,563
2033	1,475,000	73,750	1,205,000	60,250	3,175,000	3,416,898	—	—	5,855,000	3,550,898	9,405,898
2034	—	—	—	—	6,125,000	3,209,571	—	—	6,125,000	3,209,571	9,334,571
2035	—	—	—	—	6,385,000	2,809,608	—	—	6,385,000	2,809,608	9,194,608
2036	—	—	—	—	6,660,000	2,383,090	—	—	6,660,000	2,383,090	9,043,090
2037	—	—	—	—	6,950,000	1,938,202	—	—	6,950,000	1,938,202	8,888,202
2038	—	—	—	—	7,250,000	1,473,942	—	—	7,250,000	1,473,942	8,723,942
2039	—	—	—	—	14,815,000	989,642	—	—	14,815,000	989,642	15,804,642
Total	\$ 19,410,000	\$ 10,046,263	\$ 15,435,000	\$ 8,558,514	\$ 91,545,000	\$ 103,880,799	\$ 5,525,000	\$ 727,929	\$ 131,915,000	\$ 123,213,495	\$ 255,128,495

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

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**HISTORICAL DEBT SERVICE COVERAGE¹
Year Ended December 31, 2014**

	Year Ended December 31,				
	2010	2011	2012	2013	2014
Operating Revenues⁴	\$ 15,294,613	\$ 17,327,857	\$ 17,050,193	\$ 17,062,043	\$ 17,610,269
Nonoperating revenues ²	3,246,766	5,562,730	3,041,343	5,198,851	5,809,391
Gross Revenues	18,541,379	22,890,587	20,091,536	22,260,894	23,419,660
Less Operation And Maintenance Expenses (net of depreciation)⁴	(7,741,919)	(9,273,490)	(7,002,855)	(7,678,410)	(9,096,783)
Net Revenue	10,799,460	13,617,097	13,088,681	14,582,484	14,322,877
Historical Annual Debt Service³	\$ 8,260,039	\$ 9,246,310	\$ 8,931,042	\$ 8,687,845	\$ 8,683,180
Historical Coverage Factor	1.31	1.47	1.47	1.68	1.65

1. This table reflects actual, audited revenues, expenditures and debt service coverage.
2. Consists of one-time tap fees, Build America Bond Rebate and nonoperating interest.
3. Constitutes the annual debt service on ACWWA's outstanding water and wastewater revenue bonds.
4. Gross Revenue and Operation and Maintenance Expenses reflect ACWWA's audited financial statements.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

WATER ENTERPRISE OPERATIONAL DATA Year Ended December 31, 2014

Residential Water And Irrigation Volume Charges Year Ended December 31, 2014

For residential customers, ACWWA imposes a monthly service fee of \$38.68 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	\$ 3.58
Block 2	4,001	10,000	4.48
Block 3	10,001	30,000	5.59
Block 4	30,001	Above 30,001	7.00

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 Year Ended December 31, 2014

Nonresidential Meter Size Water And Irrigation Charges Year Ended December 31, 2014

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"	\$ 41.04
1"	82.06
1½"	164.12
2"	328.24
3"	738.58
4"	1,559.20
6"	2,954.27

Nonresidential Water And Irrigation Volume Charges Year Ended December 31, 2014

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	768,001
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	\$ 4.12	\$ 4.12	\$ 4.12	\$ 4.12	\$ 4.12	\$ 4.12	\$ 4.12
Block 2	5.15	5.15	5.15	5.15	5.15	5.15	5.15
Block 3	6.44	6.44	6.44	6.44	6.44	6.44	6.44
Block 4	8.06	8.06	8.06	8.06	8.06	8.06	8.06

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

WATER ENTERPRISE OPERATIONAL DATA Year Ended December 31, 2014

Historic And Current Tap Fee Amounts

A history of tap fee amounts collected since 2008 is set forth in the following table:

	Water And Irrigation				Sewer			
	Amount	\$ Increase	% Increase		Amount	\$ Increase	% Increase	
2010	\$ 21,200	\$ 500	2.4%		\$ 5,415	\$ 130	2.5%	
2011	22,228	1,028	4.6%		5,678	263	4.6%	
2012	23,306	1,078	4.6%		5,950	272	4.6%	
2013	24,725	1,419	5.7%		6,312	362	5.7%	
2014	25,467	742	2.9%		6,501	189	2.9%	

History Of Water, Sewer And Irrigation Tap Fee Collections

A history of taps issued and the fees collected from taps since 2008 is presented in the following table:

Year	Water And Irrigation		Sewer		Total Tap Fee	
	Number (1)	Revenue	Number	Revenue	Revenue	Revenue
2010	51	\$ 946,541	40	\$ 216,600	\$	1,163,141
2011	33	753,564	38	215,750		969,314
2012	32	718,317	52	264,642		982,959
2013	112	2,663,298	110	662,180		3,325,478
2014	136	3,239,815	109	643,456		3,883,271

(1) Represents a tap equivalent.

Current Water And Irrigation Tap Equivalents As Of December 31, 2014

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

Customer Category	Type Of Tap			Percentage Of Total
	Water	Irrigation	Total	
Residential	2,482	1,160	3,642	48.0%
Nonresidential	2,814	1,068	3,882	52.0%
Total	5,296	2,228	7,524	100%

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**COMPARISON STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION**
Years Ended December 31, 2014

	Restated				
	2010	2011	2012	2013	2014
Operating Revenues					
Water revenue	\$ 9,583,597	\$ 10,637,445	\$ 10,964,732	\$ 10,206,846	\$ 10,533,451
Sewer revenue	4,959,925	4,895,956	4,826,201	4,959,230	5,062,930
Fees for services	519,700	684,718	493,616	838,286	1,368,741
Miscellaneous	231,391	1,109,738	765,644	1,057,681	645,147
Total Operating Revenues	15,294,613	17,327,857	17,050,193	17,062,043	17,610,269
Operating Expenses					
Salaries, payroll taxes and benefits	3,473,658	3,651,391	3,197,904	3,545,489	3,517,204
Office expense	282,359	440,575	104,075	139,839	299,158
Professional services	771,713	646,657	899,578	645,150	1,186,183
Insurance expense	189,024	183,881	177,755	175,199	161,036
Operational expense	112,618	130,706	124,672	773,095	1,102,101
Repairs and maintenance	894,026	677,583	417,434	500,930	828,741
Utilities	1,147,350	1,887,352	1,405,976	1,384,785	1,321,463
Depreciation and amortization	2,072,291	2,553,548	3,045,818	2,933,136	2,906,679
Miscellaneous	871,171	1,655,345	675,461	513,923	680,897
Total Operating Expenses	9,814,210	11,827,038	10,048,673	10,611,546	12,003,462
Operating Income	5,480,403	5,500,819	7,001,520	6,450,497	5,606,807
Nonoperating Revenues					
Interest subsidy	1,930,913	2,014,866	2,014,866	1,854,684	1,868,788
Interest	148,293	78,550	43,518	18,689	10,144
Total Nonoperating Revenues	2,079,206	2,093,416	2,058,384	1,873,373	1,878,932
Nonoperating Expenses					
Loss on disposal of capital assets	243,210	86,548	—	—	—
Interest and fiscal charges	7,491,387	7,871,310	7,866,042	7,716,491	7,647,502
Total Nonoperating Expenses	7,734,597	7,957,858	7,866,042	7,716,491	7,647,502
Income (Loss) Before Capital Contributions And Transfers					
	(174,988)	(363,623)	1,193,862	607,379	(161,763)
Tap fees and contributions	1,167,560	969,314	982,959	3,325,478	3,930,459
Transfer of capital assets to SEMSWA	(1,357,295)	—	—	—	—
Water capacity exchange	—	2,500,000	—	—	—
Total Capital Contributions	(189,735)	3,469,314	982,959	3,325,478	3,930,459
Change In Net Position	(364,723)	3,105,691	2,176,821	3,932,857	3,768,696
Net Position Beginning Of Year, Restated	57,101,585	56,736,862	59,842,553	62,019,374	65,952,231
Net Position End Of Year, Restated	\$ 56,736,862	\$ 59,842,553	\$ 62,019,374	\$ 65,952,231	\$ 69,720,927

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

BUDGET TO ACTUAL (NON-GAAP) COMPARISON OF RESULTS OF OPERATIONS December 31, 2014

	2013			2014			2015
	Budget	Actual	Variance	Budget	Actual	Variance	Budget
Operating Revenue							
Water revenue	\$ 11,160,375	\$ 10,206,846	\$ (953,529)	\$ 7,732,597	\$ 10,533,451	\$ 2,800,854	\$ 12,317,476
Sewer revenue	4,942,774	4,959,230	16,456	5,091,057	5,062,930	(28,127)	5,891,198
Water plant revenue	325,219	270,078	(55,141)	279,415	221,869	(57,546)	290,500
Fees for service	394,794	888,286	493,492	54,422	1,368,741	1,314,319	969,961
Interest subsidy	2,014,866	1,854,684	(160,182)	1,839,572	1,868,788	29,216	1,886,532
Interest	30,800	18,689	(12,111)	18,000	10,144	(7,856)	18,000
Other user fees	250,898	787,603	536,705	229,238	423,278	194,040	—
Tap and territorial fees	903,990	3,325,478	2,421,488	2,327,400	3,930,459	1,603,059	4,029,867
Total Revenues	20,023,716	22,260,894	2,237,178	17,571,701	23,419,660	5,847,959	25,403,534
Expenses							
Salaries and benefits	3,497,655	3,545,489	47,834	3,497,655	3,517,204	19,549	3,768,714
Office expense	64,000	139,839	75,839	64,000	299,158	235,158	317,020
Professional services	322,500	645,150	322,650	322,500	1,186,183	863,683	1,152,000
Insurance	210,000	175,199	(34,801)	210,000	161,036	(48,964)	184,690
Capital outlay	3,677,400	4,176,370	498,970	3,794,770	2,211,290	(1,583,479)	5,076,000
Acquisition of water rights	117,370	29,064	(88,306)	7,000	960	(6,040)	250,000
Repair and maintenance	639,250	500,930	(138,320)	639,250	828,741	189,491	939,500
Utilities	1,410,000	1,384,785	366,570	1,410,000	1,321,463	(88,537)	1,639,990
Operational expenses	3,727,206	1,287,018	(2,440,188)	3,727,206	1,102,101	(2,814,533)	2,196,203
Bond payments	8,688,335	8,687,845	138,156	8,688,335	8,683,180	(5,155)	10,342,888
Miscellaneous	—	—	—	—	680,897	794,827	149,770
Total Expenses	22,353,716	20,571,689	(1,251,596)	22,360,716	19,992,213	(2,444,000)	26,016,775
Excess Revenues Over (Under) Expenditures	(2,330,000)	1,689,205	3,488,774	(4,789,015)	3,427,447	8,291,959	(613,241)
Other Financing Sources And (Uses)							
Bond issuance	—	—	—	—	—	—	—
Change in net position (budgetary)	\$ (2,330,000)		\$ 3,488,774	\$ (4,789,015)		\$ 8,291,959	\$ (613,241)
Depreciation, depletion and amortization	(3,071,782)				(3,021,001)		
Capital outlay	4,205,434				2,212,250		
Bond principal	1,110,000				1,150,000		
Change in net assets	3,932,857				3,768,696		
Net Position, Beginning Of Year - Restated	62,019,374				65,952,231		
Net Position, End Of Year	<u>\$ 65,952,231</u>				<u>\$ 69,720,927</u>		

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**OUTSTANDING REVENUE BONDS
Year Ended December 31, 2014**

	<u>Amount</u>
Senior Bonds	
Water and Wastewater Revenue Refunding Bonds, Series 2006	\$ 19,410,000
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2007	15,435,000
Subordinate Bonds	
Taxable Water and Wastewater Revenue Direct Pay Build America Bonds, Series 2009A	91,545,000
Tax-Exempt Water and Wastewater Revenue Bonds, Series 2012B	<u>5,525,000</u>
Total	<u><u>\$ 131,915,000</u></u>