
ARAPAHOE COUNTY
WATER AND WASTEWATER AUTHORITY
A Component Unit Of Arapahoe County
FINANCIAL STATEMENTS
DECEMBER 31, 2015

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Independent Auditors' Report

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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, 2015 and 2014 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, 2015 and 2014 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.

RubinBrown LLP

April 21, 2016

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, 2015 and 2014. 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 2015 fiscal year by \$ 2,736,404 (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 2015, a majority of ACWWA's water and sewer rates and fees increased 3%. The water investment fee did not increase.
- Operating revenues of \$17,390,724 reflect a decrease of \$219,545, or 1.25%, from 2014.
- Operating expenses of \$12,028,413 increased \$24,951, or 0.21%, from 2014.
- Non-operating revenues increased \$4,886, or 0.26%, over 2014. The Build America Bonds interest subsidy of \$1,872,502 increased \$3,714 from 2014.
- Non-operating expenses decreased \$42,718, or 0.56%, from prior year.
- Tap and extra-territorial fees of \$3,095,059 reflect a decrease of \$835,400 from 2014. ACWWA sold 99 and 147 tap equivalents 2015 and 2014, respectively, from new construction in its service area.
- Capital assets, net of depreciation and depletion decreased \$123,411, or 0.07% from 2014.
- At December 31, 2015 and 2014, ACWWA's debt service coverage ratio was 1.28 and 1.65, respectively. Bond covenants require a coverage ratio of 1.25 or higher.

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 activities: providing water and sewer utility services.

The Statement of Net Position presents information on all of 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 noncapital financing, 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,		
	2015	2014	2013
Current assets	\$ 24,815,969	\$ 25,674,541	\$ 22,071,246
Restricted assets	10,177,287	9,725,655	9,329,279
Other assets	126,489	126,027	119,123
Capital assets, net	168,434,978	168,558,389	169,252,819
Deferred outflows of resources	1,782,947	1,931,526	2,063,596
Total assets	<u>205,337,670</u>	<u>206,016,138</u>	<u>202,836,063</u>
Current liabilities	5,815,680	6,314,753	4,301,014
Long-term obligations	126,938,632	129,854,431	132,463,695
Deferred inflows of resources	126,027	126,027	119,323
Total liabilities	<u>132,880,339</u>	<u>136,295,211</u>	<u>136,884,032</u>
Net position:			
Net investment in capital assets	44,467,434	41,862,334	41,521,087
Debt reserve	7,675,170	7,672,717	7,668,989
Reserved for capital projects	2,502,117	2,052,938	1,660,290
Unrestricted	17,812,610	18,132,938	15,101,865
Total net position	<u>\$ 72,457,331</u>	<u>\$ 69,720,927</u>	<u>\$ 65,952,231</u>

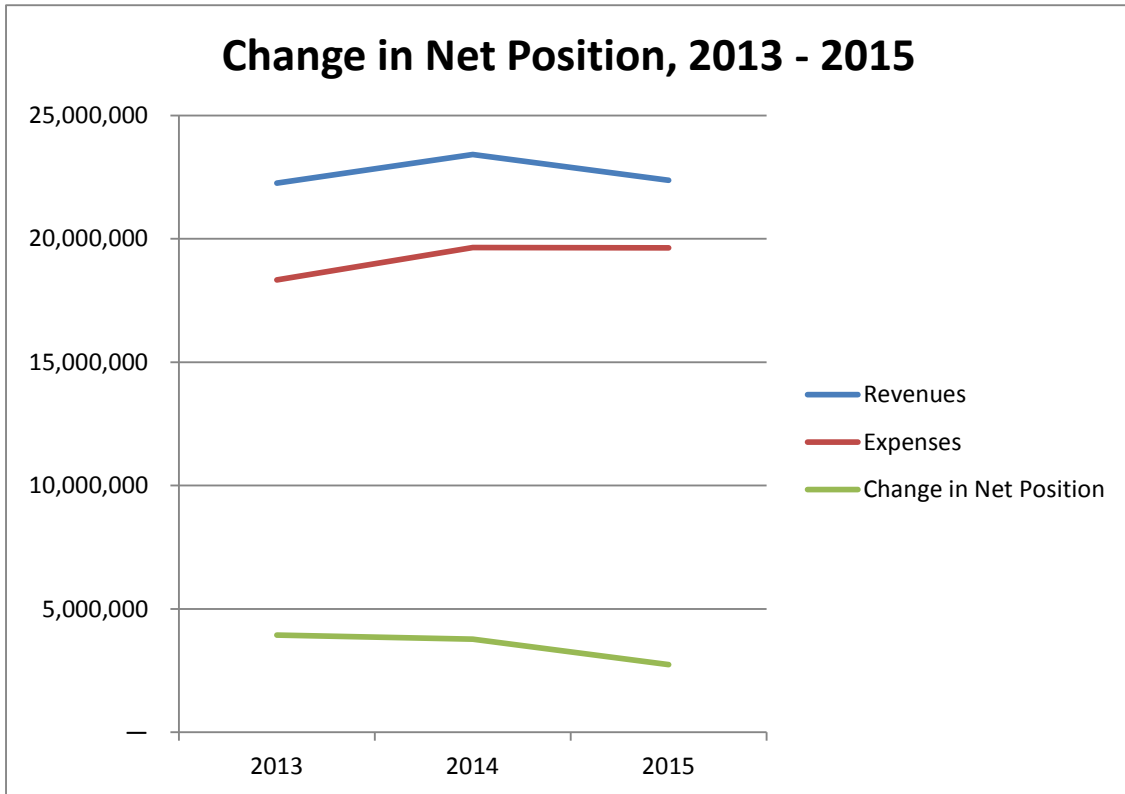
Net Position

ACWWA's net position increased \$2,736,404 in 2015. Current assets at December 31, 2015 decreased \$858,572 from December 31, 2014, primarily because of a decrease in unrestricted cash resulting from higher debt service payments. Net capital assets decreased \$123,411 as a result of depreciation and depletion. Total liabilities decreased \$3,414,872 from 2014, largely due to a decrease in long-term

debt. 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 Lonetree Creek Water Reuse Facility and the Joint Water Purification Plant. Restricted cash at December 31, 2015 increased \$451,632 over December 31, 2014, primarily as a result of required contributions to the Lonetree Creek Water Reuse Facility Reserve Fund.



Change in Net Position

	2013	2014	2015
Revenues			
Operating Revenue			
Water charges	10,206,846	\$ 10,533,451	\$ 10,850,926
Sewer charges	4,959,230	5,062,930	5,024,264
Fees for services	838,286	1,368,741	923,853
Water plant revenue	270,078	221,869	268,559
Other revenue	787,603	423,278	323,122
Total operating revenues	17,062,043	17,610,269	17,390,724
Nonoperating Revenues			
Net investment income	18,689	10,144	11,316
Interest subsidy	1,854,684	1,868,788	1,872,502
Capital contributions			
Tap and extraterritorial fees	3,325,478	3,930,459	3,095,059
Total revenues	22,260,894	23,419,660	22,369,601
Expenses			
Operating expenses			
Salaries and benefits	3,545,489	3,517,204	3,538,390
Office expense	139,839	299,158	373,365
Professional services	645,150	1,186,183	1,472,229
Insurance	175,199	161,036	166,304
Operational	656,983	912,673	922,604
Contractual services	112,549	189,428	127,245
Repairs and maintenance	500,930	828,741	765,945
Utilities	1,384,785	1,321,463	1,233,797
Depreciation and depletion	2,933,136	2,906,679	2,929,333
Bad debt expense	3,563	75,502	235
Other supplies and expense	513,923	605,395	498,966
Total operating expenses	10,611,546	12,003,462	12,028,413
Nonoperating expense			
Interest and fiscal charges	7,716,491	7,647,502	7,604,784
Total expenses	18,328,037	19,650,964	19,633,197
Change In Net Position	3,932,857	3,768,696	2,736,404
Total Net Position - Beginning Of Year	62,019,374	65,952,231	69,720,927
Total Net Position - End Of Year	\$65,952,231	\$ 69,720,927	\$ 72,457,331

Operating revenue in 2015 decreased \$219,545 from 2014 largely because of a decrease in the fees for service related to new taps. Sewer revenue decreased by \$38,666 because of the settlement with Inverness Water and Sanitation District

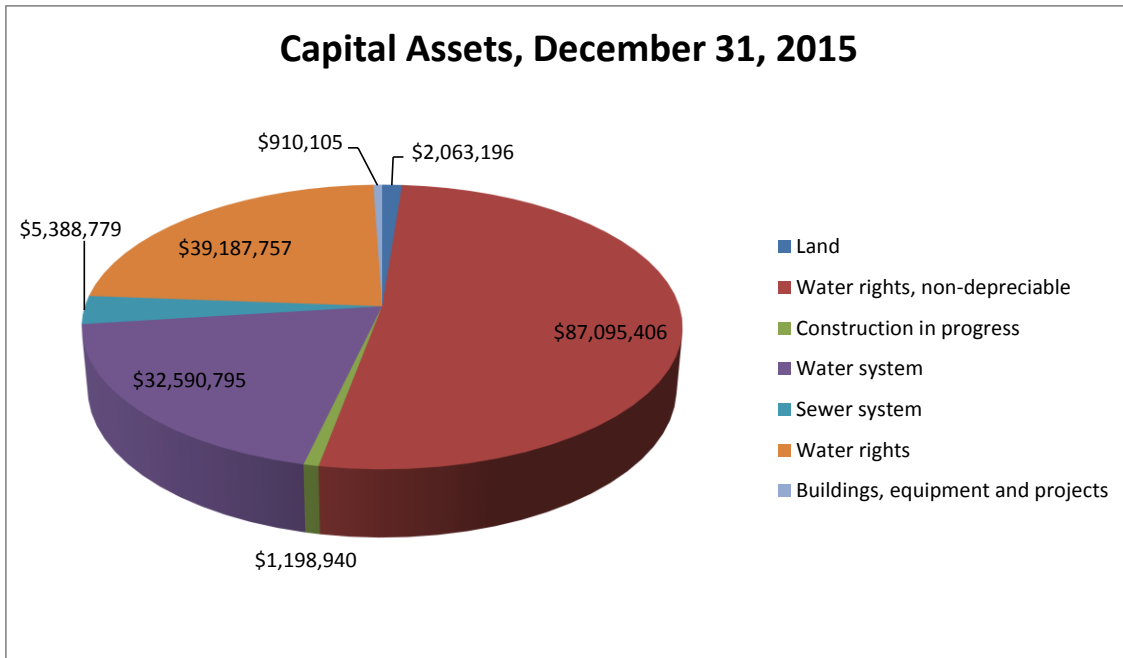
(IWSD) that resulted in a rate reduction for IWSD. Operating expenses increased a total of \$24,951, or 0.21%, from 2014. Professional and legal fees increased \$286,047 from prior year, due to a number of matters being litigated, the engagement of Carollo Engineers to conduct a cost-of-service study, and to expenses related to evaluating the leak at Chambers Reservoir.

The change in net position on a budgetary basis of \$153,395 exceeded budget by \$766,636. Revenue was below budget by \$3,033,933 largely because of lower-than-anticipated tap sales and a wetter-than-normal spring that resulted in less irrigation water being used compared to projections. Expenses were \$3,800,569 lower than budget primarily because of capital outlay expenditures that were \$2,270,078 below budget, lower than expected utilities expense (\$406,193), water treatment costs that were less than anticipated (\$278,454), and salaries and benefits expense that was \$230,324 under budget.

Capital Assets

Net capital assets decreased \$123,411 in 2015 as a result of depreciation and depletion. The value of ACWWA's non-depreciable water rights increased as a result of the continued adjudication of the renewable water rights. Construction in progress at December 31, 2015 included the pipeline connection under Arapahoe Road, an additional well that is being drilled in the Elkhorn subdivision, a filter replacement at the Lonetree Creek Water Reuse Facility, and SCADA upgrades to both the water and wastewater systems.

	Capital Assets		
	2015	2014	2013
Land	\$ 2,063,196	\$ 2,063,196	\$ 2,063,196
Water rights, non-depreciable	87,095,406	86,273,596	84,700,306
Construction in progress	1,198,940	385,732	1,880,745
Water system	32,590,795	33,958,644	34,472,223
Sewer system	5,388,779	5,690,032	6,140,693
Water rights	39,187,757	39,113,280	39,196,205
Buildings, equipment and projects	910,105	1,073,909	799,451
Total capital assets, net	<u>\$ 168,434,978</u>	<u>\$ 168,558,389</u>	<u>\$ 169,252,819</u>



Long Term Debt

As of December 31, 2015, ACWWA had \$129,060,000 in outstanding debt, a decrease of \$2,855,000 from prior year. The reduction in outstanding debt in 2015 resulted from scheduled debt principal repayments. More detail about ACWWA's long-term debt is presented in Note 5 of the financial statements.

Long-term Planning

During 2015, ACWWA engaged Carollo Engineers to conduct a cost-of service study, in order to equitably determine the actual costs to provide service to customers, as well as to provide the data to ensure that ACWWA generates adequate rate revenue to meet annual revenue requirements, cover debt service, and maintain sufficient reserves. Deliverables included a cost-of-service analysis, a financial model and plan, and the 2016 rate design. In conjunction with the cost-of-service study, ACWWA updated its 20-year capital improvement plan.

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 2015, water and sewer rates increased 3%, except for the water investment fee, which did not increase.

In 2016, ACWWA will continue to focus on capital improvement needs, maintenance of the water and wastewater systems, 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 December 31, 2015 And 2014

Assets And Deferred Outflows Of Resources

	2015	2014
Current Assets		
Cash and cash equivalents	\$ 23,040,771	\$ 23,926,288
Receivables	1,761,944	1,570,178
Prepaid expenses and other	13,254	178,075
Total Current Assets	24,815,969	25,674,541
Restricted Assets		
Noncurrent cash and cash equivalents	10,177,287	9,725,655
Capital Assets, Net	168,434,978	168,558,389
Other Assets		
Noncurrent receivables	126,489	126,027
Total Assets	203,554,723	204,084,612
Deferred Outflows Of Resources		
Deferred charges on refunding	1,782,947	1,931,526
Total Assets And Deferred Outflows Of Resources	\$ 205,337,670	\$ 206,016,138

Liabilities, Deferred Inflows Of Resources And Net Position

Current Liabilities		
Accounts payable and accrued expenses	\$ 1,039,735	\$ 1,624,536
Accrued payroll	100,239	79,328
Meter deposits	52,000	48,000
Escrowed development funds	830,711	940,670
Accrued interest payable	615,385	623,991
Compensated absences payable, current portion	232,610	143,228
Revenue bonds payable, current portion	2,945,000	2,855,000
Total Current Liabilities	5,815,680	6,314,753
Long-Term Liabilities		
Escrowed capital project funds	455,222	354,294
Compensated absences payable, long-term portion	125,419	175,056
Revenue bonds payable, long-term portion	126,357,991	129,325,081
Total Long-Term Liabilities	126,938,632	129,854,431
Total Liabilities	132,754,312	136,169,184
Deferred Inflows Of Resources		
Deferred revenue	126,027	126,027
Net Position		
Net investment in capital assets	44,467,434	41,862,334
Reserved for capital projects	2,502,117	2,052,938
Debt reserve	7,675,170	7,672,717
Unrestricted	17,812,610	18,132,938
Total Net Position	72,457,331	69,720,927
Total Liabilities, Deferred Inflows Of Resources And Net Position	\$ 205,337,670	\$ 206,016,138

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For The Years Ended December 31, 2015 And 2014**

	2015	2014
Operating Revenue		
Water revenue	\$ 10,850,926	\$ 10,533,451
Sewer revenue	5,024,264	5,062,930
Fees for services	923,853	1,368,741
Water plant revenue	268,559	221,869
Other revenue	323,122	423,278
Total Operating Revenues	17,390,724	17,610,269
Operating Expenses		
Salaries and benefits	3,538,390	3,517,204
Office expense	373,365	299,158
Professional services	1,472,229	1,186,183
Insurance	166,304	161,036
Operational	922,604	912,673
Contractual services	127,245	189,428
Repairs and maintenance	765,945	828,741
Utilities	1,233,797	1,321,463
Depreciation and depletion	2,929,333	2,906,679
Bad debt expense	235	75,502
Other supplies and expense	498,966	605,395
Total Operating Expenses	12,028,413	12,003,462
Operating Income	5,362,311	5,606,807
Nonoperating Revenues		
Net investment income	11,316	10,144
Interest subsidy	1,872,502	1,868,788
Total Nonoperating Revenues	1,883,818	1,878,932
Nonoperating Expenses		
Interest and fiscal charges	7,604,784	7,647,502
Income Before Contributions	(358,655)	(161,763)
Capital Contributions		
Tap and extraterritorial fees	3,095,059	3,930,459
Change In Net Position	2,736,404	3,768,696
Total Net Position - Beginning Of Year	69,720,927	65,952,231
Total Net Position - End Of Year	\$ 72,457,331	\$ 69,720,927

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

STATEMENT OF CASH FLOWS For The Years Ended December 31, 2015 And 2014

	2015	2014
Cash Flows From Operating Activities		
Receipts from customers	\$ 17,198,496	\$ 18,231,063
Payments to suppliers	(5,976,670)	(5,019,141)
Payments to employees and related expenses	(3,477,734)	(3,680,012)
Net Cash Provided By Operating Activities	7,744,092	9,531,910
Cash Flows From Capital And Related Financing Activities		
Net tap and extra-territorial fees	3,095,059	3,930,459
Principal payments on bonds	(2,855,000)	(1,150,000)
Interest paid on revenue bonds	(7,486,901)	(7,537,385)
Subsidy received on bond interest	1,872,502	1,868,788
Payments for capital acquisitions	(2,805,922)	(2,212,249)
Net Cash Used In Capital And Related Financing Activities	(8,180,262)	(5,100,387)
Cash Flows From Investing Activities		
Interest received	11,316	10,144
Change in escrowed funds	(9,031)	175,878
Net Cash Provided By Investing Activities	2,285	186,022
Net Increase (Decrease) In Cash And Cash Equivalents	(433,885)	4,617,545
Cash And Cash Equivalents - Beginning Of Year	33,651,943	29,034,398
Cash And Cash Equivalents - End Of Year	\$ 33,218,058	\$ 33,651,943
Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities		
Operating income	\$ 5,362,311	\$ 5,606,807
Provided by operating activities		
Depreciation and amortization	2,929,333	2,906,679
(Increase) decrease in		
Accounts receivable	(192,228)	620,795
Prepaid expenses	164,821	(2,921)
Increase (decrease) in		
Accounts payable and accrued expenses	(524,145)	408,550
Deposits	4,000	(8,000)
Net Cash Provided By Operating Activities	\$ 7,744,092	\$ 9,531,910

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS December 31, 2015 And 2014

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, 2015, 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 the 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 the 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 is included in the financial statements for ACWWA. See Note 7 for further discussion. 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, 2015, 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 \$358,029 and \$318,284 as of December 31, 2015 and 2014, 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 2014 amounts have been reclassified where appropriate to conform to the 2015 financial statement presentation.

3. Cash And Investments

Cash and investments as of December 31, 2015 and 2014 are classified in the accompanying financial statements as follows:

	<u>2015</u>	<u>2014</u>
Statement Of Net Position		
Cash and cash equivalents	\$ 23,040,771	\$ 23,926,288
Cash and cash equivalents - restricted	10,177,287	9,725,655
Total Cash And Cash Equivalents	\$ 33,218,058	\$ 33,651,943

Cash and investments as of December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Deposits with financial institutions	\$ 33,218,058	\$ 33,651,943

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, 2015, ACWWA had bank deposits of \$33,388,092 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.

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, 2015 and 2014 follows:

	Balance At December 31, 2014	Increases	Decreases	Balance At December 31, 2015
Capital Assets, Not Being Depreciated				
Land	\$ 2,063,196	\$ —	\$ —	\$ 2,063,196
Water rights	86,273,596	821,810	—	87,095,406
Construction in progress	385,732	2,181,249	1,368,041	1,198,940
Total Capital Assets, Not Being Depreciated	88,722,524	3,003,059	1,368,041	90,357,542
Capital Assets, Being Depreciated				
Water system	45,851,308	623,624	—	46,474,932
Sewer system	15,263,549	305,465	—	15,569,014
Water rights	40,581,725	164,040	—	40,745,765
Buildings, equipment and projects	3,784,279	77,775	—	3,862,054
Total Capital Assets, Being Depreciated	105,480,861	1,170,904	—	106,651,765
Less Accumulated Depreciation For				
Water system	11,892,664	1,991,472	—	13,884,136
Sewer system	9,573,518	606,719	—	10,180,237
Water right depletion	1,468,445	89,563	—	1,558,008
Buildings, equipment and projects	2,710,369	241,579	—	2,951,948
Total Accumulated Depreciation	25,644,996	2,929,333	—	28,574,329
Total Capital Assets, Being Depreciated, Net	79,835,865	(1,758,429)	—	78,077,436
Capital Assets, Net	\$ 168,558,389	\$ 1,244,630	\$ 1,368,041	\$ 168,434,978

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (Continued)

	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	15,120,057	143,492	—	15,263,549
Water rights	40,580,765	960	—	40,581,725
Buildings, equipment and projects	3,254,316	529,963	—	3,784,279
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 rights 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

Depreciation and depletion expense for the years ended December 31, 2015 and 2014 was charged to the following:

	2015	2014
Water	\$ 2,081,035	\$ 2,057,021
Sewer	606,719	594,153
Buildings, equipment and projects	241,579	255,505
	\$ 2,929,333	\$ 2,906,679

**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, 2015 and 2014:

	Balance At December 31, 2014	Increases	Decreases	Balance At December 31, 2015	Amounts Due Within One Year
Series 2006					
Revenue bonds	\$ 19,410,000	\$ —	\$ 675,000	\$ 18,735,000	\$ 705,000
Bond premium	265,081	—	22,090	242,991	—
Series 2007					
Revenue bonds	15,435,000	—	530,000	14,905,000	545,000
Series 2009A					
Revenue bonds	91,545,000	—	1,650,000	89,895,000	1,695,000
Series 2012					
Revenue bonds	5,525,000	—	—	5,525,000	—
Total Bonds Payable	132,180,081	—	2,877,090	129,302,991	2,945,000
Compensated absences	318,284	272,880	233,135	358,029	232,610
Total Long-Term Obligations	\$ 132,498,365	\$ 272,880	\$ 3,110,225	\$ 129,661,020	\$ 3,177,610

	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

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 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 \$1,872,502 and \$1,868,788 during 2015 and 2014, respectively. In accordance with the Trust Indenture, as of December 31, 2015 and 2014, \$7,121,717 and \$7,119,388, 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, 2015 and 2014, \$553,453 and \$553,329, 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.

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.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,945,000	\$ 7,384,625	\$ 10,329,625
2017	3,050,000	7,250,790	10,300,790
2018	4,225,000	7,104,467	11,329,467
2019	4,360,000	6,937,452	11,297,452
2020	4,510,000	6,757,766	11,267,766
2021 - 2025	21,425,000	30,795,605	52,220,605
2026 - 2030	23,550,000	25,072,330	48,622,330
2031 - 2035	29,320,000	17,637,706	46,957,706
2036 - 2039	35,675,000	6,784,876	42,459,876
Total Payments	\$ 129,060,000	\$ 115,725,617	\$ 244,785,617

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, 2015 and 2014, ACWWA had net investment in capital assets calculated as follows:

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (Continued)

	<u>2015</u>	<u>2014</u>
Net Investment In Capital Assets		
Capital assets, net	\$ 168,434,978	\$ 168,558,389
Debt reserves	3,552,500	3,552,500
Cost of refunding	1,782,947	1,931,526
Bond premium	(242,991)	(265,081)
Capital-related debt	(129,060,000)	(131,915,000)
	<hr/>	<hr/>
Net Investment In Capital Assets	\$ 44,467,434	\$ 41,862,334

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. ACWWA has not utilized any water from Castle Rock to date pursuant to this agreement.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

Cottonwood Water And Sanitation District Lease

In November 2012, ACWWA entered into a lease agreement with 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, 2015. This lease was amended in 2015 to extend the term of the agreement through October 22, 2017. 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.

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.

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 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 water treatment plant, the first phase of which was completed and operating in 2012, where it is treated and delivered to ACWWA. ACWWA received 1,345 and 913 acre feet from the ACWWA flow project in 2015 and 2014, 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. In the process of filling the reservoir, a leak was detected. ACWWA is working with consultants to determine the most appropriate remedy. 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. In May 2015, the Board 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. As of December 31, 2015, ACWWA has spent approximately \$157,000,000 on the ACWWA Flow Project with a current estimate of approximately \$53,000,000 of spending needed over several years to complete the project.

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 provided 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*)

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, 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, and the penalty was remitted in 2015. JWPP changed from a reverse osmosis-based system 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*)

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. The operations of JWPP and operating and reserve funds are included in ACWWA financial statements.

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 2015, ACWWA entered into a water supply agreement with the City of Longmont (Longmont), ECCV and United, whereby, from July 1, 2016 through August 31, 2016, 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, 2016 through March 31, 2017, 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 Arapahoe 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 for the improvement and upgrading of facilities. Total commitments with such contractors for 2015 and 2014 totaled approximately \$731,000 and \$0, respectively.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

Contingencies

ACWWA is presently engaged in litigation 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. A tolling agreement was entered into in December 2015 to extend the statute of limitations.

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.

ACWWA's mandatory contributions during 2015 and 2014 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 2015 and 2014. 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, 2015 and 2014 were \$531,103 and \$562,001, respectively. Total payroll was \$2,422,559 and \$2,514,162 for the years ended December 31, 2015 and 2014, respectively. Total employer contributions represent 22.4% and 22.4% of total compensation for the years ended December 31, 2015 and 2014, 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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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, 2015 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 has 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 the owner of a consulting company located in ACWWA's service area.
- A board member is a member of the Arapahoe County Board of County Commissioners, the Centennial Airport Authority Board and of the Southeast Metro Stormwater Authority Board. The board member has received campaign contributions from two other ACWWA Board Members and from an employee of United.
- A board member has made campaign contributions to various Arapahoe County Commissioners, some of whom have served or also serve on ACWWA's Board.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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.

ACWWA is also a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2015 and 2014. 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.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

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

A notice of claim pursuant to C.R.S. §24-10-109 was received by ACWWA in March 2015 related to the termination of a former employee. In January 2016, this issue was settled between the parties.

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, 2015**

	Original Budget	Final Budget	Actual	Variance With Budget Positive (Negative)
Revenues				
Water revenue	\$ 12,317,476	\$ 12,317,476	\$ 10,850,926	\$ (1,466,550)
Sewer revenue	5,891,198	5,891,198	5,024,264	(866,934)
Water plant revenue	290,500	290,500	268,559	(21,941)
Other user fees	969,961	969,961	923,853	(46,108)
Interest subsidy	1,839,572	1,839,572	1,872,502	32,930
Interest	18,000	18,000	11,316	(6,684)
Fees for service	46,960	46,960	323,122	276,162
Tap and territorial fees	4,029,867	4,029,867	3,095,059	(934,808)
Total Revenues	25,403,534	25,403,534	22,369,601	(3,033,933)
Expenditures				
Salaries and benefits	3,768,714	3,768,714	3,538,390	(230,324)
Office expense	317,020	317,020	373,365	56,345
Professional services	1,152,000	1,152,000	1,472,229	320,229
Insurance	184,690	184,690	166,304	(18,386)
Capital outlay	5,076,000	5,076,000	2,805,922	(2,270,078)
Acquisition of water rights	250,000	250,000	—	(250,000)
Repair and maintenance	939,500	939,500	765,945	(173,555)
Utilities	1,639,990	1,639,990	1,233,797	(406,193)
Operational expenses	2,345,973	2,345,973	1,549,050	(796,923)
Bond payments	10,342,888	10,342,888	10,311,204	(31,684)
Total Expenditures	26,016,775	26,016,775	22,216,206	(3,800,569)
Change In Net Position (Budgetary Basis)	\$ (613,241)	\$ (613,241)	\$ 153,395	\$ 766,636

**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, 2015**

Change In Net Position (Budgetary Basis)	\$ 153,395
Depreciation, depletion and amortization	(3,077,913)
Capital outlay	2,805,922
Bond payments	<u>2,855,000</u>
 Change in net position	 2,736,404
 Net Position, Beginning Of Year	 <u>69,720,927</u>
 Net Position, End Of Year	 <u><u>\$ 72,457,331</u></u>

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2015

December 31,	\$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		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	\$ 705,000	\$ 846,439	\$ 545,000	\$ 714,838	\$ 1,695,000	\$ 5,703,021	\$ —	\$ 120,327	\$ 2,945,000	\$ 7,384,625	\$ 10,329,625
2017	740,000	811,189	570,000	691,675	1,740,000	5,627,599	—	120,327	3,050,000	7,250,790	10,300,790
2018	775,000	774,189	600,000	663,175	1,790,000	5,546,776	1,055,000	120,327	4,220,000	7,104,467	11,324,467
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	6,757,766	11,272,766
2021	875,000	677,389	680,000	579,300	1,980,000	5,262,831	1,135,000	49,910	4,670,000	6,569,430	11,239,430
2022	915,000	637,389	710,000	548,700	2,050,000	5,155,020	1,145,000	25,281	4,820,000	6,366,390	11,186,390
2023	950,000	598,770	750,000	515,863	2,120,000	5,040,322	—	—	3,820,000	6,154,955	9,974,955
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	5,516,477	9,836,477
2027	1,125,000	424,564	900,000	363,250	2,480,000	4,488,879	—	—	4,505,000	5,276,693	9,781,693
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	\$ 18,735,000	\$ 9,172,824	\$ 14,905,000	\$ 7,821,151	\$ 89,895,000	\$ 98,124,040	\$ 5,525,000	\$ 607,602	\$ 129,060,000	\$ 115,725,617	\$ 244,785,617

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

HISTORICAL DEBT SERVICE COVERAGE¹ For The Year Ended December 31, 2015

	Year Ended December 31,					
	2010	2011	2012	2013	2014	2015
Operating Revenues⁴	\$ 15,294,613	\$ 17,327,857	\$ 17,050,193	\$ 17,062,043	\$ 17,610,269	\$ 17,390,724
Nonoperating revenues ²	3,246,766	5,562,730	3,041,343	5,198,851	5,809,391	4,978,877
Gross Revenues	18,541,379	22,890,587	20,091,536	22,260,894	23,419,660	22,369,608
Less Operation And Maintenance						
Expenses (net of depreciation) ⁴	(7,741,919)	(9,273,490)	(7,002,855)	(7,678,410)	(9,096,783)	(9,099,080)
Net Revenue	10,799,460	13,617,097	13,088,681	14,582,484	14,322,877	13,270,528
Historical Annual Debt Service³	\$ 8,260,039	\$ 9,246,310	\$ 8,931,042	\$ 8,687,845	\$ 8,683,180	\$ 10,342,888
Historical Coverage Factor	1.31	1.47	1.47	1.68	1.65	1.28

1. This table reflects actual, audited revenues, expenditures and debt service coverage.
2. Consists of one-time tap fees, BAB 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
For The Year Ended December 31, 2015**

**Residential Water And Irrigation Volume Charges
For The Year Ended December 31, 2015**

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	\$ 3.58
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
For The Year Ended December 31, 2015**

**Nonresidential Meter Size Water And Irrigation Charges
For The Year Ended December 31, 2015**

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

<u>Meter Size</u>	<u>Monthly Service Fee</u>
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
For The Year Ended December 31, 2015**

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
For The Year Ended December 31, 2015**

Historic And Current Tap Fee Amounts

A history of tap fee amounts collected since 2011 is set forth in the following table:

	Water And Irrigation			Sewer		
	Amount	\$ Increase	% Increase	Amount	\$ Increase	% Increase
2011	\$ 22,228	\$ 1,028	4.6%	\$ 5,678	\$ 263	4.6%
2012	23,306	1,078	4.8%	5,950	272	4.6%
2013	24,000	694	3.0%	6,128	178	2.9%
2014	24,725	725	3.0%	6,312	184	2.9%
2015	25,467	742	3.0%	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 2011 is presented in the following table:

Year	Water And Irrigation		Sewer		Total Tap Fee
	Number ¹	Revenue	Number	Revenue	Revenue
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
2015	91	2,491,417	97	603,642	3,095,059

1. Represents a tap equivalent.

**Current Water And Irrigation Tap Equivalents
As Of December 31, 2015**

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	2,520	1,160	3,642	48.1%
Nonresidential	2,822	1,076	3,882	51.2%
Total	5,342	2,236	7,578	100%

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

COMPARISON STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For The Years Ended December 31, 2015

	2011	2012	2013	2014	2015
Operating Revenues					
Water revenue	\$ 10,637,445	\$ 10,964,732	\$ 10,206,846	\$ 10,533,451	\$ 10,850,926
Sewer revenue	4,895,956	4,826,201	4,959,230	5,062,930	5,024,264
Fees for services	684,718	493,616	838,286	1,368,741	923,853
Miscellaneous	1,109,738	765,644	1,057,681	645,147	591,681
Total Operating Revenues	17,327,857	17,050,193	17,062,043	17,610,269	17,390,724
Operating Expenses					
Salaries, payroll taxes and benefits	3,651,391	3,197,904	3,545,489	3,517,204	3,538,390
Office expense	440,575	104,075	139,839	299,158	373,365
Professional services	646,657	899,578	645,150	1,186,183	1,472,229
Insurance expense	183,881	177,755	175,199	161,036	166,304
Operational expense	130,706	124,672	773,095	1,102,101	1,049,849
Repairs and maintenance	677,583	417,434	500,930	828,741	765,945
Utilities	1,887,352	1,405,976	1,384,785	1,321,463	1,233,797
Depreciation and amortization	2,553,548	3,045,818	2,933,136	2,906,679	2,929,333
Miscellaneous	1,655,345	675,461	513,923	680,897	499,201
Total Operating Expenses	11,827,038	10,048,673	10,611,546	12,003,462	12,028,413
Operating Income	5,500,819	7,001,520	6,450,497	5,606,807	5,362,311
Nonoperating Revenues					
Interest subsidy	2,014,866	2,014,866	1,854,684	1,868,788	1,872,502
Interest	78,550	43,518	18,689	10,144	11,316
Total Nonoperating Revenues	2,093,416	2,058,384	1,873,373	1,878,932	1,883,818
Nonoperating Expenses					
Loss on disposal of capital assets	86,548	—	—	—	—
Interest and fiscal charges	7,871,310	7,866,042	7,716,491	7,647,502	7,604,784
Total Nonoperating Expenses	7,957,858	7,866,042	7,716,491	7,647,502	7,604,784
Income (Loss) Before Capital Contributions And Transfers	(363,623)	1,193,862	607,379	(161,763)	(358,655)
Tap fees and contributions	969,314	982,959	3,325,478	3,930,459	3,095,059
Water capacity exchange	2,500,000	—	—	—	—
Total Capital Contributions	3,469,314	982,959	3,325,478	3,930,459	3,095,059
Change In Net Position	3,105,691	2,176,821	3,932,857	3,768,696	2,736,404
Net Position, Beginning Of Year	56,736,862	59,842,553	62,019,374	65,952,231	69,720,927
Net Position, End Of Year	\$ 59,842,553	\$ 62,019,374	\$ 65,952,231	\$ 69,720,928	\$ 72,457,331

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**BUDGET TO ACTUAL (NON-GAAP) COMPARISON
OF RESULTS OF OPERATIONS**

December 31, 2015

	2014			2015			2016
	Budget	Actual	Variance	Budget	Actual	Variance	Budget
Operating Revenue							
Water revenue	\$ 7,732,597	\$ 10,533,451	\$ 2,800,854	\$ 12,317,476	\$ 10,850,926	\$ (1,466,550)	\$ 10,828,337
Sewer revenue	5,091,057	5,062,930	(28,127)	5,891,198	5,024,264	(866,934)	5,401,273
Water plant revenue	279,415	221,869	(57,546)	290,500	268,559	(21,941)	441,063
Fees for service	54,422	1,368,741	1,314,319	969,961	923,853	(46,108)	743,285
Interest subsidy	1,839,572	1,868,788	29,216	1,839,572	1,872,502	32,930	1,867,780
Interest	18,000	10,144	(7,856)	18,000	11,316	(6,684)	30,000
Other user fees	229,238	423,278	194,040	46,960	323,122	276,162	232,299
Tap and territorial fees	2,327,400	3,930,459	1,603,059	4,029,867	3,095,059	(934,808)	6,530,205
Total Operating Revenue	17,571,701	23,419,660	5,847,959	25,403,534	22,369,601	(3,033,933)	26,074,242
Expenses							
Salaries and benefits	3,497,655	3,517,204	19,549	3,768,714	3,538,390	(230,324)	3,831,950
Office expense	64,000	299,158	235,158	317,020	373,365	56,345	320,600
Professional services	322,500	1,186,183	863,683	1,152,000	1,472,229	320,229	1,344,000
Insurance	210,000	161,036	(48,964)	184,690	166,304	(18,386)	175,732
Capital outlay	3,794,770	2,211,290	(1,583,479)	5,076,000	2,805,922	(2,270,078)	7,935,000
Acquisition of water rights	7,000	960	(6,040)	250,000	—	(250,000)	—
Repair and maintenance	639,250	828,741	189,491	939,500	765,945	(173,555)	1,037,617
Utilities	1,410,000	1,321,463	(88,537)	1,639,990	1,233,797	(406,193)	1,276,122
Operational expenses	3,727,206	1,102,101	(2,814,533)	1,703,005	1,049,849	(653,156)	1,882,932
Bond payments	8,688,335	8,683,180	(5,155)	10,342,888	10,311,204	(31,684)	10,329,624
Miscellaneous	—	680,897	794,827	642,968	499,201	(143,767)	881,845
Total Expenses	22,360,716	19,992,213	(2,444,000)	26,016,775	22,216,206	(3,800,569)	29,015,422
Excess Revenues Over (Under)							
Expenditures	(4,789,015)	3,427,447	8,291,959	(613,241)	153,395	766,636	(2,941,180)
Change in net position (budgetary)	\$ (4,789,015)		\$ 8,291,959	\$ (613,241)		\$ 766,636	\$ (2,941,180)
Depreciation, depletion and amortization		(3,021,000)			(3,077,913)		
Capital outlay		2,212,250			2,805,923		
Bond principal		1,150,000			2,855,000		
Change in net assets		9,293,697			2,736,404		
Net Position, Beginning Of Year - Restated		65,952,231			75,245,928		
Net Position, End Of Year		\$ 75,245,928			\$ 77,982,332		

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**OUTSTANDING REVENUE BONDS
For The Year Ended December 31, 2015**

	<u>Amount</u>
Senior Bonds	
Water and Wastewater Revenue Refunding Bonds, Series 2006	\$ 18,735,000
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2007	14,905,000
Subordinate Bonds	
Taxable Water and Wastewater Revenue Direct Pay Build America Bonds, Series 2009A	89,895,000
Tax-Exempt Water and Wastewater Revenue Bonds, Series 2012B	<u>5,525,000</u>
Total	<u>\$ 129,060,000</u>