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**ARAPAHOE COUNTY**  
**WATER AND WASTEWATER AUTHORITY**  
***A Component Unit Of Arapahoe County***  
**FINANCIAL STATEMENTS**  
***DECEMBER 31, 2017***

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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, 2017 and 2016 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, 2017 and 2016 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 viii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

Board of Directors  
Arapahoe County Water and  
Wastewater Authority

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

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

*RubinBrown LLP*

April 4, 2018

## 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, 2017 and 2016. 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 2017 fiscal year by \$ 13,790,000 (change in net position).
- The water and wastewater operations of ACWWA are business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. In 2017, a majority of ACWWA's water and sewer rates and fees increased from 2% - 3%. The water investment fee did not increase.
- Operating revenues of \$20,222,000 reflect an increase of \$626,000 or 3.2%, from 2016.
- Operating expenses of \$12,291,000 decreased \$177,000, or 1.4%, from 2016.
- Non-operating revenues increased \$2,170,000, or 20.6%, over 2016. The Build America Bonds interest subsidy of \$1,837,000 decreased \$21,000 from 2016 because of a decrease in scheduled interest payments on those bonds.
- Non-operating expenses decreased \$659,000, or 3.3%, from prior year because of a decrease in interest expense resulting from refunding the Series 2006 and Series 2007 bonds. Investment income of \$163,000 reflects an increase of 282% over 2016 income because a majority of investable funds were moved to pooled investments with a higher rate of return.
- Tap and extra-territorial fees of \$10,713,600 reflect an increase of \$2,070,000, or 23.9% from 2016. ACWWA sold 318 and 262 tap equivalents in 2017 and 2016, respectively, from new construction in its service area.
- Capital assets, net of depreciation and depletion increased \$3,172,000 or 1.9% from 2016.
- At December 31, 2017 and 2016, ACWWA's debt service coverage ratio was 2.54 and 2.02, respectively. Bond covenants require a coverage ratio of 1.25 or greater.

### Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to ACWWA's basic financial statements, which are comprised of the Statements of Net Position, the Statements of Revenue, Expenses, and Changes in Net Position, the Statements of Cash Flows, and the Notes to the Financial Statements. ACWWA's financial statements are presented as a special-purpose government engaged only in business-type activities: providing water and sewer utility services.

The Statement of Net Position presents information about ACWWA's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with

the difference between them reported as net position. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of ACWWA is improving or deteriorating. Non-financial factors should also be considered to assess the overall position of ACWWA.

The Statement of Revenues, Expenses, and Changes in Net Position report the changes that have occurred during the year to ACWWA's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only affect cash flows in subsequent years.

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

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

## Financial Summary and Analysis

### Statement of Net Position

	December 31,		
	2017	2016	2015
Current assets	\$ 38,884,134	\$ 33,065,506	\$ 24,815,969
Restricted assets	11,113,091	10,654,426	10,177,287
Other assets	—	126,489	126,489
Capital assets, net	173,339,030	170,166,693	168,434,978
Deferred outflows of resources	2,009,575	1,815,252	1,782,947
<b>Total assets</b>	<b>225,345,830</b>	<b>215,828,366</b>	<b>205,337,670</b>
 Current liabilities	 7,867,711	 8,868,701	 5,815,680
Long-term obligations	120,895,627	124,041,365	126,938,632
Deferred inflows of resources	—	126,027	126,027
<b>Total liabilities</b>	<b>128,763,338</b>	<b>133,036,093</b>	<b>132,880,339</b>
 Net position:			
Net investment in capital assets	55,652,913	49,107,561	44,467,434
Debt reserve	7,674,873	7,674,873	7,675,170
Reserved for capital projects	3,438,218	2,979,553	2,502,117
Unrestricted	29,816,488	23,030,287	17,812,610
<b>Total net position</b>	<b>\$ 96,582,492</b>	<b>\$ 82,792,274</b>	<b>\$ 72,457,331</b>

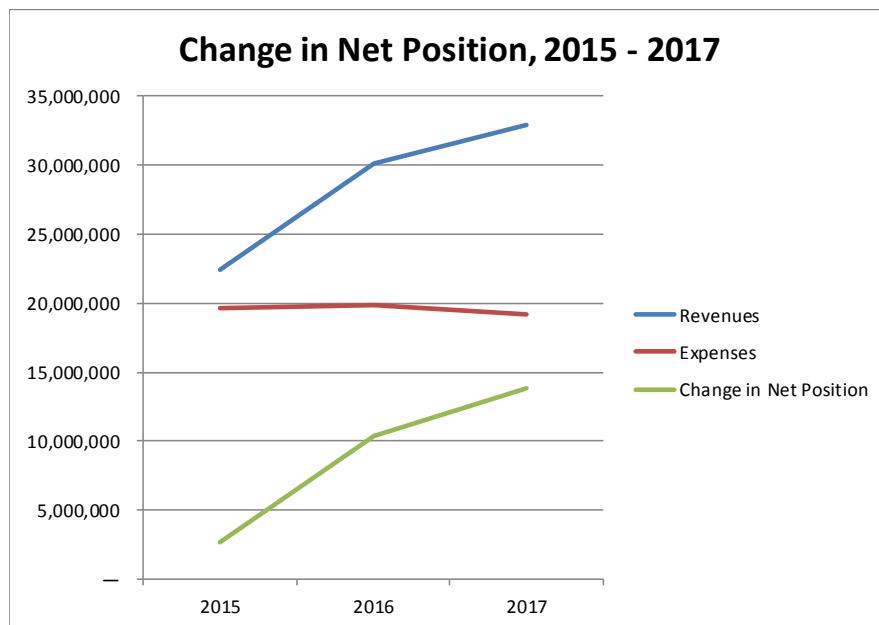
### Net Position

ACWWA's net position increased \$13,790,000 in 2017. Current assets at December 31, 2017 increased \$5,800,000 from December 31, 2016, primarily due

to a \$6,500,000 increase in cash and investments, offset by a \$558,000 decrease in receivables. The increase in cash is attributable to strong 2017 revenues, particularly tap sales, and effective management of expenses. The 2016 receivables balance included \$564,000 from water partner agencies that was paid in January 2017; there were no comparable amounts owed to ACCWA in 2017. Net capital assets increased \$3,200,000 as a result of investment in capital projects and equipment, net of depreciation and depletion. Total liabilities decreased \$4,100,000 from 2016 from payments on long-term debt, in addition to the refunding of the Series 2007 bonds. Detailed information about ACWWA's long-term debt and other liabilities can be found in Note 5 to the financial statements.

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

Certain of ACWWA's assets represent resources that are restricted as to how they must be used. Restricted cash consists of debt service reserves and reserves for capital asset replacement at the Lone Tree Creek Water Reuse Facility (LTCWRF) and the Joint Water Purification Plant (JWPP). Restricted cash at December 31, 2017 increased \$459,000 over December 31, 2016, primarily as a result of required contributions to the LTCWRF Reserve Fund.



<b>Change in Net Position</b>			
	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>			
Operating Revenue			
Water charges	\$ 12,434,848	12,039,034	10,850,926
Sewer charges	5,533,558	5,561,283	5,024,264
Fees for services	1,615,746	1,491,828	923,853
Water plant revenue	279,402	285,007	268,559
Other revenue	358,280	218,530	323,122
Total operating revenues	<u>20,221,834</u>	<u>19,595,682</u>	<u>17,390,724</u>
Nonoperating Revenues			
Net investment income	163,467	42,804	11,316
Interest subsidy	1,836,707	1,857,417	1,872,502
Capital contributions			
Tap and extraterritorial fees	10,713,614	8,643,634	3,095,059
Total revenues	<u>32,935,622</u>	<u>30,139,537</u>	<u>22,369,601</u>
<b>Expenses</b>			
Operating expenses			
Salaries and benefits	3,719,661	3,704,529	3,538,390
Office expense	245,532	219,849	373,365
Professional services	1,045,983	1,163,704	1,472,229
Insurance	136,371	138,619	166,304
Operational	1,831,500	1,743,198	922,604
Contractual services	198,146	190,451	127,245
Repairs and maintenance	1,110,951	1,153,403	765,945
Utilities	1,299,021	1,193,027	1,233,797
Depreciation and depletion	2,689,953	2,940,160	2,929,333
Bad debt expense	—	—	235
Other supplies and expense	13,903	21,153	498,966
Total operating expenses	<u>12,291,021</u>	<u>12,468,093</u>	<u>12,028,413</u>
Nonoperating expense			
Interest and fiscal charges	6,854,383	7,336,501	7,604,784
Total expenses	<u>19,145,404</u>	<u>19,804,594</u>	<u>19,633,197</u>
Change In Net Position	13,790,218	10,334,943	2,736,403
Total Net Position - Beginning Of Year	82,792,274	72,457,331	69,720,928
Total Net Position - End Of Year	<u>\$ 96,582,492</u>	<u>\$ 82,792,274</u>	<u>\$ 72,457,331</u>

## **Revenue and Expenditures**

Operating revenue in 2017 increased \$626,000, or 3.2%, from 2016, driven by a \$396,000 increase in water revenue, a \$124,000 increase in fees for service, and \$140,000 increase in other revenue. The increase in water charges and fees for service is primarily due to rate and account growth.

Operating expenses decreased a total of \$177,000, or 1.4%, from 2016. Salaries and benefits were essentially unchanged from 2016, as annual salary increases were offset by savings in benefits expense. Office expense increased \$26,000. Professional services decreased \$118,000 compared to 2016, as legal litigation fees and utilization of consulting services declined from prior year. Operational expenses increased \$88,000 over 2016, reflecting an increase in water treatment costs offset by decreases in lab costs.

Repairs and maintenance costs decreased \$42,000 from prior year, as ACWWA's service area experienced minimal line breaks in 2017 compared to several costly breaks in 2016. During 2017, ACWWA invested \$100,000 in a third year of enhanced water main cleaning (also known as ice pigging), as part of on-going efforts to improve water quality. Utilities expense increased \$106,000 or 8.9%, primarily because work on the ACWWA Flow connecting main in the spring months resulted in the need to pump more groundwater to serve customers.

Depreciation expense decreased \$250,000 from 2016, as Chambers Reservoir and the pump station at the site were changed to a non-depreciating status. These assets were previously being depreciated, although they were not yet in service. The reservoir was filled in 2015 and a problem with the liner was discovered. The Authority is currently pursuing options to improve the design of the reservoir, and the assets will be placed in service once they are operating as intended.

The Authority's depletion calculation changed from prior year, as the estimated useful life of groundwater rights was determined to be too conservative. In consultation with the Authority's outside engineer, the expected life of the groundwater was increased to 250 years from 100 years, and the depletion method was changed to straight-line from a percent utilization method. The impact of these changes was an increase in depletion expense from \$86,000 in 2016 to \$156,000 in 2017.

The change in net position on a budgetary basis of \$8,600,000 exceeds budget by \$11,100,000. In addition to the favorable revenue variance, capital outlay was \$4,100,000 below budget, including capital projects budget of \$3,100,000 that is being carried forward to 2018. Bond payments were slightly lower than budget because of the Series 2007 refunding.

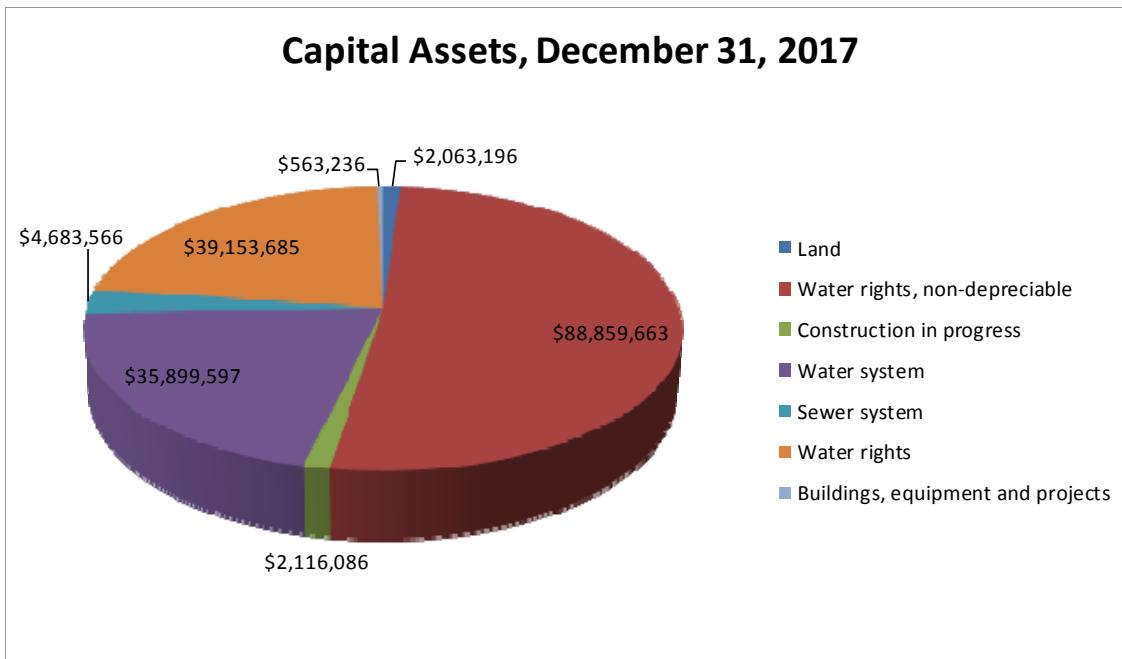
## Capital Assets

Net capital assets increased \$3,200,000 in 2017 as ACWWA continued to make investments in water and wastewater infrastructure. Project expenditures included \$2,400,000 for the new deep injection well at East Cherry Creek Valley Water and Sanitation District's (ECCV) reverse osmosis plant, where ACWWA's northern water is treated. Other significant capital additions were \$472,000 expended to complete the new well in the Elkhorn subdivision, \$684,000 for the Arapahoe Road flow meter and vault, and \$436,000 towards the final phase of the Arapahoe Road connection to ECCV's distribution. The completed connection, together with the work at the northern RO plant, will enable ACWWA to receive its full complement of 5.25 million gallons per day from its renewable northern water supply.

Other capital expenditures in 2018 included \$150,000 to reline the emergency holding pond at the Lonetree Creek Water Reuse Facility, and \$188,000 towards the design of improvements to Chambers Reservoir. The value of ACWWA's water rights increased \$845,000 million as a result of the continued adjudication of the renewable water rights. Construction in progress at December 31, 2017 included \$942,000 for the second Elkhorn well and \$757,000 related to infrastructure for the ACWWA Flow project.

### Capital Assets December 31,

	2017	2016	2015
Land	\$ 2,063,196	2,063,196	2,063,196
Water rights, non-depreciable	88,859,663	87,958,518	87,095,406
Construction in progress	2,116,086	2,008,035	1,198,940
Water system	35,899,597	33,135,096	32,590,795
Sewer system	4,683,566	5,021,891	5,388,779
Water rights	39,153,685	39,309,442	39,187,757
Buildings, equipment and projects	563,236	670,515	910,105
Total capital assets, net	\$ 173,339,029	\$ 170,166,693	\$ 168,434,978



## Long Term Debt

In August 2017, ACWWA issued \$12,720,000 with a premium of \$1,208,032, in revenue bonds to refund \$14,360,000 of the Series 2007 Water and Wastewater Refunding Revenue Bonds. The Series 2017 Water and Wastewater Bonds Revenue Refunding Bonds bear variable interest rates of 2-4% with an average coupon rate of 3.61% and an average life of 10.986 years. The refunding resulted in a present value savings of \$2,346,000. The Series 2017 Bonds received an AA- rating from Standard & Poor's (S&P),

As of December 31, 2017, ACWWA had \$120,050,000 in outstanding debt, a decrease of \$4,255,000 from prior year. The reduction in outstanding debt in 2017 resulted from scheduled debt principal repayments, as well as the refunding. More detail about ACWWA's long-term debt is presented in Note 5 of the financial statements.

## Long-term Planning

For long-term planning, ACWWA refers to the 2015 cost-of service study and financial model prepared by Carollo Engineering, as well as the Master Plan dated 2011. The Master Plan includes plans for ACWWA's long-term water supply, as well as the non-potable, wastewater, and distribution and collections systems. In 2017, ACWWA began the process to update the Master Plan, beginning with the Raw Water Supply Master 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 2017, water and sewer rates increased 2% and 2%, respectively, except for the water investment fee, which did not increase.

In 2016 and 2017, ACWWA experienced strong tap sales due to rapid growth in its service area. However, management recognizes that tap sales are unpredictable, and are highly dependent on economic factors such as interest rates and costs of building inputs, as well as demand for new commercial and residential developments. ACWWA has been able to add to its operating and capital reserves the past two years, and plans to utilize these funds for future capital needs.

In 2018, ACWWA will continue to focus on capital improvement and infrastructure 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, 2017 And 2016

### Assets And Deferred Outflows Of Resources

	2017	2016
<b>Current Assets</b>		
Cash and cash equivalents	\$ 10,800,944	\$ 30,639,053
Receivables	1,658,705	2,216,728
Prepaid expenses and other	49,641	209,725
Pooled investments	26,374,844	—
<b>Total Current Assets</b>	<b>38,884,134</b>	33,065,506
<b>Restricted Assets</b>		
Noncurrent cash and cash equivalents	11,113,091	10,654,426
<b>Capital Assets, Net</b>	<b>173,339,030</b>	170,166,693
<b>Other Assets</b>		
Noncurrent receivables	—	126,489
<b>Total Assets</b>	<b>223,336,255</b>	214,013,114
<b>Deferred Outflows Of Resources</b>		
Deferred charges on refunding	2,009,575	1,815,252
<b>Total Assets And Deferred Outflows Of Resources</b>	<b>\$ 225,345,830</b>	\$ 215,828,366

### Liabilities, Deferred Inflows Of Resources And Net Position

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,532,724	\$ 2,363,760
Accrued payroll	118,911	142,405
Deferred revenue	71,084	—
Meter deposits	76,000	66,000
Escrowed development funds	1,961,492	2,325,171
Accrued interest payable	586,170	587,075
Compensated absences payable, current portion	226,330	199,290
Revenue bonds payable, current portion	3,295,000	3,185,000
<b>Total Current Liabilities</b>	<b>7,867,711</b>	8,868,701
<b>Long-Term Liabilities</b>		
Escrowed capital project funds	828,182	642,766
Compensated absences payable, long-term portion	114,252	156,714
Revenue bonds payable, long-term portion	119,953,193	123,241,884
<b>Total Long-Term Liabilities</b>	<b>120,895,627</b>	124,041,364
<b>Total Liabilities</b>	<b>128,763,338</b>	132,910,065
<b>Deferred Inflows Of Resources</b>		
Deferred revenue	—	126,027
<b>Net Position</b>		
Net investment in capital assets	55,652,913	49,107,561
Restricted for capital projects	3,438,218	2,979,553
Restricted for debt reserve	7,674,873	7,674,873
Unrestricted	29,816,488	23,030,287
<b>Total Net Position</b>	<b>96,582,492</b>	82,792,274
<b>Total Liabilities, Deferred Inflows Of Resources And Net Position</b>	<b>\$ 225,345,830</b>	\$ 215,828,366

**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION**  
**For The Years Ended December 31, 2017 And 2016**

	<b>2017</b>	<b>2016</b>
<b>Operating Revenue</b>		
Water revenue	\$ 12,434,848	\$ 12,039,034
Sewer revenue	5,533,558	5,561,283
Fees for services	1,615,746	1,491,828
Water plant revenue	279,402	285,007
Other revenue	358,280	218,530
<b>Total Operating Revenues</b>	<b>20,221,834</b>	19,595,682
<b>Operating Expenses</b>		
Salaries and benefits	3,719,661	3,704,529
Office expense	245,532	219,849
Professional services	1,045,983	1,163,704
Insurance	136,371	138,619
Operational	1,831,500	1,743,198
Contractual services	198,146	190,451
Repairs and maintenance	1,110,951	1,153,403
Utilities	1,299,021	1,193,027
Depreciation and depletion	2,689,953	2,940,160
Other supplies and expense	13,903	21,153
<b>Total Operating Expenses</b>	<b>12,291,021</b>	12,468,093
<b>Operating Income</b>	<b>7,930,813</b>	7,127,589
<b>Nonoperating Revenues</b>		
Net investment income	163,467	42,804
Interest subsidy	1,836,707	1,857,417
<b>Total Nonoperating Revenues</b>	<b>2,000,174</b>	1,900,221
<b>Nonoperating Expenses</b>		
Interest and fiscal charges	6,854,383	7,336,501
<b>Income Before Contributions</b>	<b>3,076,604</b>	1,691,309
<b>Capital Contributions</b>		
Taxes and extraterritorial fees	10,713,614	8,643,634
<b>Change In Net Position</b>	<b>13,790,218</b>	10,334,943
<b>Total Net Position - Beginning Of Year</b>	<b>82,792,274</b>	72,457,331
<b>Total Net Position - End Of Year</b>	<b>\$ 96,582,492</b>	\$ 82,792,274

**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

**STATEMENT OF CASH FLOWS  
For The Years Ended December 31, 2017 And 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 20,906,346	\$ 19,140,898
Payments to suppliers	(6,542,359)	(4,681,850)
Payments to employees and related expenses	(3,758,577)	(3,664,388)
<b>Net Cash Provided By Operating Activities</b>	<b>10,605,410</b>	<b>10,794,659</b>
<b>Cash Flows From Capital And Related Financing Activities</b>		
Net tap and extraterritorial fees	10,713,614	8,643,634
Principal payments on bonds	(16,975,000)	(21,230,000)
Bond proceeds	13,758,521	18,542,261
Interest paid on revenue bonds	(7,066,766)	(7,602,821)
Subsidy received on bond interest	1,836,707	1,857,417
Payments for capital acquisitions	(5,862,290)	(4,671,875)
Proceeds from sale of capital assets	—	17,338
<b>Net Cash Used In Capital And Related Financing Activities</b>	<b>(3,595,214)</b>	<b>(4,444,046)</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of short-term pooled investments	(26,374,844)	—
Interest received	163,467	42,804
Net receipts from (payments to) escrowed development funds	(178,263)	1,682,004
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(26,389,640)</b>	<b>1,724,808</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(19,379,444)</b>	<b>8,075,421</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>41,293,479</b>	<b>33,218,058</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 21,914,035</b>	<b>\$ 41,293,479</b>
<b>Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities</b>		
Operating income:	\$ 7,930,813	\$ 7,127,589
Provided by operating activities:		
Depreciation and depletion	2,689,953	2,940,160
(Increase) decrease in:		
Accounts receivable	684,512	(454,784)
Prepaid expenses	160,084	(196,471)
Increase (decrease) in:		
Accounts payable and accrued expenses	(869,952)	1,364,166
Meter deposits	10,000	14,000
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 10,605,410</b>	<b>\$ 10,794,659</b>

# **ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**

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## **NOTES TO FINANCIAL STATEMENTS December 31, 2017 And 2016**

### **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, 2017, 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 PID. PID is a component unit of the County.

## **ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**

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### **Notes To Financial Statements (*Continued*)**

ACWWA follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting of ACWWA.

GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, the appointment of a voting majority of the organization's governing body, the ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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### **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.

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

#### **Budgets**

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

#### **Cash Equivalents**

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

#### **Investments**

Investments are carried at fair value.

#### **Capital Assets**

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

## ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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### Notes To Financial Statements (*Continued*)

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

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

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

### Tap Fees And Contributed Lines

Tap fees are recorded as 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. 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 adjudication and development of those rights. Certain water rights to renewable water resources have a perpetual life and are not amortized. Nontributary water rights are being amortized over 250 years. All other costs, including costs incurred for the protection of water rights, are expensed.

## **ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**

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### Notes To Financial Statements (*Continued*)

#### **Amortization**

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

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

#### **Compensated Absences**

ACWWA's employees are entitled to certain compensated absences, in the form of vacation and sick leave benefits, and are accrued based on their length of employment. Compensated absences are accrued when incurred in the financial statements. At December 31, 2017, 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 \$340,582 and \$356,004 as of December 31, 2017 and 2016, 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.

## **ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**

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### **Notes To Financial Statements (*Continued*)**

### **3. Cash And Investments**

Cash and investments as of December 31, 2017 and 2016 consist of the following:

	<b>2017</b>	<b>2016</b>
Deposits with financial institutions	<b>\$ 21,914,035</b>	<b>\$ 41,293,479</b>

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, 2017, ACWWA had bank deposits of \$21,771,577 collateralized with securities held by the financial institution's agent, but not in ACWWA's name.

#### **Investments**

ACWWA's investment policy limits its concentration of investments to those noted below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, ACWWA is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

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

## ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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### Notes To Financial Statements (*Continued*)

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

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

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

ACWWA's Colorado Government Liquid Asset Trust (COLOTRUST) external investment pool of \$19,618,466 at December 31, 2017 is valued using the NAV per share (or its equivalents) of the investments. ACWWA did not have any investments in COLOTRUST at December 31, 2016. The investments do not have any unfunded commitments, redemption restriction or redemption notice periods. ACWWA's investment in the Colorado Surplus Asset Fund Trust (CSAFE) external investment pool of \$6,756,378 at December 31, 2017 is valued using amortized cost. ACWWA did not have any investments in CSAFE at December 31, 2016.

**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

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Notes To Financial Statements (*Continued*)

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

<b>Type Of Security</b>	<b>Fair Value</b>	<b>S&amp;P Rating</b>	<b>Maturity 12 Months Or Less</b>
COLOTRUST (external investment pool)	\$ 19,618,466	AAA m	\$ 19,618,466
CSAFE (external investment pool)	6,756,378	AAA m	6,756,378
	<hr/> <u>\$ 26,374,844</u>		<hr/> <u>\$ 26,374,844</u>

**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

**4. Capital Assets**

An analysis of the changes in capital assets for the years ended December 31, 2017 and 2016 follows:

	Balance At December 31, 2016	Increases	Decreases	Balance At December 31, 2017
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 2,063,196	\$ —	\$ —	\$ 2,063,196
Water rights	87,958,518	901,146	—	88,859,664
Construction in progress	2,008,035	5,537,956	5,429,905	2,116,086
<b>Total Capital Assets, Not Being Depreciated</b>	<b>92,029,749</b>	<b>6,439,102</b>	<b>5,429,905</b>	<b>93,038,946</b>
<b>Capital Assets, Being Depreciated</b>				
Water system	48,989,104	4,500,805	—	53,489,909
Sewer system	15,830,714	304,813	—	16,135,527
Water rights	40,952,015	—	—	40,952,015
Buildings, equipment and projects	3,862,054	47,475	—	3,909,529
<b>Total Capital Assets, Being Depreciated</b>	<b>109,633,887</b>	<b>4,853,093</b>	<b>—</b>	<b>114,486,980</b>
<b>Less Accumulated Depreciation For</b>				
Water system	15,854,007	1,736,305	—	17,590,312
Sewer system	10,808,825	643,136	—	11,451,961
Water right depletion	1,642,573	155,757	—	1,798,330
Buildings, equipment and projects	3,191,538	154,755	—	3,346,293
<b>Total Accumulated Depreciation</b>	<b>31,496,943</b>	<b>2,689,953</b>	<b>—</b>	<b>34,186,896</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>78,136,944</b>	<b>2,163,140</b>	<b>—</b>	<b>80,300,084</b>
<b>Capital Assets, Net</b>	<b>\$ 170,166,693</b>	<b>\$ 8,602,242</b>	<b>\$ 5,429,905</b>	<b>\$ 173,339,030</b>

**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

	Balance At December 31, 2015		Increases	Decreases	Balance At December 31, 2016
<b>Capital Assets, Not Being Depreciated</b>					
Land	\$ 2,063,196	\$ —	\$ —	\$ —	\$ 2,063,196
Water rights	87,095,406	863,112	—	—	87,958,518
Construction in progress	1,198,940	4,741,825	3,932,730	—	2,008,035
<b>Total Capital Assets, Not Being Depreciated</b>	<b>90,357,542</b>	<b>5,604,937</b>	<b>3,932,730</b>	<b>—</b>	<b>92,029,749</b>
<b>Capital Assets, Being Depreciated</b>					
Water system	46,474,932	2,531,718	17,546	—	48,989,104
Sewer system	15,569,014	261,700	—	—	15,830,714
Water rights	40,745,765	206,250	—	—	40,952,015
Buildings, equipment and projects	3,862,054	—	—	—	3,862,054
<b>Total Capital Assets, Being Depreciated</b>	<b>106,651,765</b>	<b>2,999,668</b>	<b>17,546</b>	<b>—</b>	<b>109,633,887</b>
<b>Less Accumulated Depreciation For</b>					
Water system	13,884,136	1,987,417	17,546	—	15,854,007
Sewer system	10,180,237	628,588	—	—	10,808,825
Water rights depletion	1,558,008	84,565	—	—	1,642,573
Buildings, equipment and projects	2,951,948	239,590	—	—	3,191,538
<b>Total Accumulated Depreciation</b>	<b>28,574,329</b>	<b>2,940,160</b>	<b>17,546</b>	<b>—</b>	<b>31,496,943</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>78,077,436</b>	<b>59,508</b>	<b>—</b>	<b>—</b>	<b>78,136,944</b>
<b>Capital Assets, Net</b>	<b>\$ 168,434,978</b>	<b>\$ 5,664,445</b>	<b>\$ 3,932,730</b>	<b>\$ 170,166,693</b>	

Depreciation and depletion expense for the years ended December 31, 2017 and 2016 was charged to the following:

	2017	2016
Water	\$ 1,892,062	\$ 2,071,982
Sewer	643,136	628,588
Buildings, equipment and projects	154,755	239,590
	<b>\$ 2,689,953</b>	<b>\$ 2,940,160</b>

**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, 2017 and 2016:

	Balance At December 31, 2016			Balance At December 31, 2017			Amounts Due Within One Year
		Increases	Decreases				
Series 2007							
Revenue bonds	\$ 14,360,000	\$ —	\$ 14,360,000	\$ —	\$ —	\$ —	—
Series 2009A							
Revenue bonds	88,200,000	—	1,740,000	86,460,000	1,790,000		
Series 2012							
Revenue bonds	5,525,000	—	—	5,525,000	1,055,000		
Series 2016							
Revenue bonds	16,220,000	—	875,000	15,345,000	415,000		
Bond premium	2,121,884	—	125,432	1,996,452	—		
Series 2017							
Revenue bonds	—	12,720,000	—	12,720,000	35,000		
Bond premium	—	1,208,032	6,292	1,201,740	—		
<b>Total Bonds Payable</b>	<b>126,426,884</b>	<b>13,928,032</b>	<b>17,106,724</b>	<b>123,248,192</b>	<b>3,295,000</b>		
Compensated absences	356,004	345,374	360,796	340,582	226,330		
<b>Total Long-Term Obligations</b>	<b>\$ 126,782,888</b>	<b>\$ 14,273,406</b>	<b>\$ 17,467,520</b>	<b>\$ 123,588,774</b>	<b>\$ 3,521,330</b>		

	Balance At December 31, 2015			Balance At December 31, 2016			Amounts Due Within One Year
		Increases	Decreases				
Series 2006							
Revenue bonds	\$ 18,735,000	\$ —	\$ 18,735,000	\$ —	\$ —	\$ —	—
Bond premium	242,991	—	242,991	—	—	—	—
Series 2007							
Revenue bonds	14,905,000	—	545,000	14,360,000	570,000		
Series 2009A							
Revenue bonds	89,895,000	—	1,695,000	88,200,000	1,740,000		
Series 2012							
Revenue bonds	5,525,000	—	—	5,525,000	—		
Series 2016							
Revenue bonds	—	16,475,000	255,000	16,220,000	875,000		
Bond premium	—	2,132,337	10,453	2,121,884	—		
<b>Total Bonds Payable</b>	<b>129,302,991</b>	<b>18,607,337</b>	<b>21,483,444</b>	<b>126,426,884</b>	<b>3,185,000</b>		
Compensated absences	358,029	228,377	230,402	356,004	199,290		
<b>Total Long-Term Obligations</b>	<b>\$ 129,661,020</b>	<b>\$ 18,835,714</b>	<b>\$ 21,713,846</b>	<b>\$ 126,782,888</b>	<b>\$ 3,384,290</b>		

## **ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**

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### **Notes To Financial Statements (*Continued*)**

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. These bonds were refunded and defeased during 2016.

#### **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. These bonds were refunded and defeased during 2017.

#### **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 \$1,836,707 and \$1,857,417 during 2017 and 2016, respectively. In accordance with the Trust Indenture, as of December 31, 2017 and 2016, \$7,121,420 and \$7,121,420, respectively, were held in reserve.

## **ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**

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### **Notes To Financial Statements (*Continued*)**

#### **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, 2017 and 2016, \$553,453 and \$553,453, respectively, were held in reserve.

#### **Series 2016 Revenue Refunding Bonds**

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

#### **Series 2017 Revenue Refunding Bonds**

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

#### **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

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### Notes To Financial Statements (*Continued*)

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 3,295,000	\$ 6,821,558	\$ 10,116,558
2019	3,490,000	6,594,838	10,084,838
2020	3,590,000	6,460,977	10,050,977
2021	3,695,000	6,319,841	10,014,841
2022	4,365,000	6,168,701	10,533,701
2023 - 2027	21,375,000	27,900,730	49,275,730
2028 - 2032	26,155,000	21,816,625	47,971,625
2033 - 2037	32,020,000	13,853,569	45,873,569
<u>2038 - 2039</u>	<u>22,065,000</u>	<u>2,463,584</u>	<u>24,528,584</u>
<b>Total Payments</b>	<b>\$ 120,050,000</b>	<b>\$ 98,400,423</b>	<b>\$ 218,450,423</b>

## 6. Net Position

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. As of December 31, 2017 and 2016, ACWWA had net investment in capital assets calculated as follows:

	<b>2017</b>	<b>2016</b>
<b>Net Investment In Capital Assets</b>		
Capital assets, net	\$ 173,339,030	\$ 170,166,693
Debt reserves	3,552,500	3,552,500
Cost of refunding	2,009,575	1,815,252
Bond premium	(3,198,192)	(2,121,884)
Capital-related debt	(120,050,000)	(124,305,000)
<b>Net Investment In Capital Assets</b>	<b>\$ 55,652,913</b>	<b>\$ 49,107,561</b>

## **ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**

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### **Notes To Financial Statements (*Continued*)**

## **7. Intergovernmental Agreements**

### **Cherry Creek Project Water Authority**

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

### **Cottonwood Water And Sanitation District Lease**

In November 2012, ACWWA entered into a lease agreement with the Cottonwood Water and Sanitation District (CWSD) with respect to the Chambers Pipeline. ACWWA leased the pipeline from CWSD for transportation of raw water supplies for \$10 per year from October 22, 2012 through October 22, 2017. This lease was amended in 2017 to extend the term of the agreement through October 22, 2018. 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.

### **CWSD - Sewer Service Agreement**

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

## ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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### 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 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 943 and 1,268 acre feet from the ACWWA flow project in 2017 and 2016, respectively.

One of the ACWWA flow storage projects, Chambers Reservoir, was completed in 2014. In the process of filling the reservoir, a leak was detected, and ACWWA has not yet utilized the reservoir. ACWWA is working with consultants to determine the most appropriate remedy. At this time, all facilities have been constructed to utilize ACWWA's current capacity in the ECCV water treatment plant and ECCV pump stations, which is 2.25 million gallons per day (mgd). When built out to capacity, currently estimated to be completed December 31, 2019, it is expected 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, 2017, ACWWA has spent approximately \$164,000,000 on the ACWWA Flow Project with a current estimate of approximately \$46,000,000 of spending needed over several years to complete the project.

## **ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**

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### **Notes To Financial Statements (*Continued*)**

#### **Inverness Water And Sanitation District**

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

#### **JWPP**

In February 2002, ACWWA entered into an agreement with PID (see Note 1) with respect to the construction and operation of public improvements. In June 2003, ACWWA entered into an agreement with CWSD concerning the construction of water treatment facilities (now known as JWPP). The 2003 agreement, among other things, assigns responsibility to ACWWA for the overall management and operations of JWPP. Under the terms of the agreement, ACWWA is to be the manager and operator of JWPP. In exchange for operating the plant, pursuant to a lease dated April 2002, PID has leased and will transfer its assets in JWPP to ACWWA for a nominal amount at the final payment of the last PID bonds issued pursuant to the 2001 bond authorization. In June 2010, JWPP was placed into service and began operations. On December 6, 2010, ACWWA received a Notice of Violation/Cease and Desist Order as a result of an alleged permit violation from the Colorado Department of Public Health and Environment, Division of Administration, Water Quality Control Division related to excess discharge of selenium in the waste product of JWPP which allegedly violated a federal Environmental Protection Agency standard. JWPP changed from a 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**

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### **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**

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### **Notes To Financial Statements (*Continued*)**

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

#### **City Of Longmont**

In December 2016, ACWWA entered into a water supply agreement with the City of Longmont (Longmont), ECCV and United, whereby, from July 1, 2017 through August 31, 2017, 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, 2017 through March 31, 2018, Longmont shall release an amount equal to the number of acre-feet delivered by ECCV and ACWWA of fully consumable water owned by Longmont to ECCV and ACWWA for the purpose of meeting the ECCV/ACWWA Winter Return Flow Obligation.

#### **City Of Aurora**

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

#### **Other Contracts**

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

## **8. Commitments And Contingencies**

### **Construction Commitments**

ACWWA has entered into various contracts and agreements with contractors for the improvement and upgrading of facilities. Total commitments with such contractors for 2017 and 2016 totaled approximately \$599,650 and \$968,202, respectively.

## **ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**

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### **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 between ACWWA and United was entered into in December 2017 to extend the statute of limitations, and a Construction Defect Action Reform Act notice was provided to other affected parties.

#### **9. Pension And Benefit Plans**

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

ACWWA's mandatory contributions during 2017 and 2016 were 8.4% and 10.4%, respectively, of employee compensation. Discretionary employer contributions are decided on an annual basis at the time of budget approval for the following budget year. The entire discretionary contribution was 3% of employee compensation during 2017 and 2016, with an available match up to an additional 5%. Under the Plan document and the Internal Revenue Code, the entire discretionary contribution is considered an employer contribution. Total Plan contributions for the years ending December 31, 2017 and 2016 were \$382,522 and \$425,305, respectively. Total payroll was \$2,735,518 and \$2,600,265 for the years ended December 31, 2017 and 2016, respectively. Total employer contributions represent 14.0% and 16.4% of total compensation for the years ended December 31, 2017 and 2016, 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**

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### 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, 2017 are disclosed as follows:

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

## **ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**

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### **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, 2017 and 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

## **13. Tax, Spending And Debt Limitations**

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

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

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

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**Supplementary Information**

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**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For The Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance With Budget Positive (Negative)
<b>Revenues</b>				
Water revenue	\$ 11,821,115	\$ 11,821,115	\$ 12,434,848	\$ 613,733
Sewer revenue	5,401,709	5,401,709	5,533,558	131,849
Water plant revenue	692,084	692,084	279,402	(412,682)
Other user fees	194,606	194,606	358,280	163,674
Interest subsidy	1,835,723	1,835,723	1,836,707	984
Interest	52,000	52,000	163,467	111,467
Fees for service	877,508	877,508	1,615,746	738,238
Tap and territorial fees	8,426,598	8,426,598	10,713,614	2,287,016
<b>Total Revenues</b>	<b>29,301,343</b>	<b>29,301,343</b>	<b>32,935,622</b>	<b>3,634,279</b>
<b>Expenditures</b>				
Salaries and benefits	3,901,825	3,901,825	3,719,661	182,164
Office expense	271,795	271,795	245,532	26,263
Professional services	1,289,494	1,289,494	1,045,983	243,511
Contractual services	261,453	261,453	198,146	63,307
Insurance	204,837	204,837	136,371	68,466
Capital outlay	8,638,000	8,638,000	4,667,402	3,970,598
Acquisition of water rights	1,000,000	1,000,000	901,145	98,855
Repair and maintenance	1,639,993	1,639,993	1,110,951	529,042
Utilities	1,373,558	1,373,558	1,299,021	74,537
Operational expenses	3,022,363	3,022,363	1,831,500	1,190,863
Other supplies and expense	14,900	14,900	13,903	997
Bond payments	10,229,901	10,229,901	9,186,724	1,043,177
<b>Total Expenditures</b>	<b>31,848,119</b>	<b>31,848,119</b>	<b>24,356,339</b>	<b>7,491,780</b>
<b>Change In Net Position (Budgetary Basis)</b>	<b>\$ (2,546,776)</b>	<b>\$ (2,546,776)</b>	<b>\$ 8,579,283</b>	<b>\$ 11,126,059</b>

**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

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**RECONCILIATION OF BUDGETARY BASIS  
TO STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
For The Year Ended December 31, 2017**

<b>Change In Net Position (Budgetary Basis)</b>	\$ 8,579,283
Depreciation, depletion and amortization	(2,972,612)
Capital outlay	4,667,402
Acquisition of water rights	901,145
Bond payments	<u>2,615,000</u>
 <b>Change In Net Position</b>	 13,790,218
 <b>Net Position, Beginning Of Year</b>	 <u>82,792,274</u>
 <b>Net Position, End Of Year</b>	 <u>\$ 96,582,492</u>

**ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2017**

December 31,	\$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			\$16,475,000 Variable Rate Water And Wastewater Revenue Refunding Bonds, Series 2016 Dated October 4, 2016 Variable Interest Rate Due June 1 And December 1 Principal Due December 1			\$12,720,000 Variable Rate Water And Wastewater Revenue Bonds, Series 2017 Dated September 7, 2017 Variable Interest Rate Principal And Interest Due December 1			Total Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total		
2018	\$ 1,790,000	\$ 5,546,776	\$ 1,055,000	\$ 120,327	\$ 415,000	\$ 587,800	\$ 35,000	\$ 566,655	\$ 3,295,000	\$ 6,821,558	\$ 10,116,558				
2019	1,845,000	5,459,155	1,080,000	97,433	420,000	579,500	145,000	458,750	3,490,000	6,594,838	10,084,838				
2020	1,915,000	5,364,230	1,110,000	73,997	435,000	566,900	130,000	455,850	3,590,000	6,460,977	10,050,977				
2021	1,980,000	5,262,831	1,135,000	49,910	450,000	553,850	130,000	453,250	3,695,000	6,319,841	10,014,841				
2022	2,050,000	5,155,020	1,145,000	25,281	465,000	540,350	705,000	448,050	4,365,000	6,168,701	10,533,701				
2023	2,120,000	5,040,322	—	—	975,000	526,400	860,000	419,850	3,955,000	5,986,572	9,941,572				
2024	2,200,000	4,918,528	—	—	1,015,000	487,400	900,000	385,450	4,115,000	5,791,378	9,906,378				
2025	2,285,000	4,788,838	—	—	1,055,000	446,800	915,000	367,450	4,255,000	5,603,088	9,858,088				
2026	2,380,000	4,641,913	—	—	1,100,000	404,600	950,000	330,850	4,430,000	5,377,363	9,807,363				
2027	2,480,000	4,488,879	—	—	1,140,000	360,600	1,000,000	292,850	4,620,000	5,142,329	9,762,329				
2028	2,585,000	4,329,415	—	—	1,190,000	315,000	1,035,000	252,850	4,810,000	4,897,265	9,707,265				
2029	2,690,000	4,163,199	—	—	1,235,000	267,400	1,085,000	211,450	5,010,000	4,642,049	9,652,049				
2030	2,805,000	3,990,232	—	—	1,285,000	218,000	1,135,000	168,050	5,225,000	4,376,282	9,601,282				
2031	2,925,000	3,807,066	—	—	1,335,000	166,600	1,180,000	122,650	5,440,000	4,096,316	9,536,316				
2032	3,050,000	3,616,063	—	—	1,385,000	113,200	1,235,000	75,450	5,670,000	3,804,713	9,474,713				
2033	3,175,000	3,416,898	—	—	1,445,000	57,800	1,280,000	38,400	5,900,000	3,513,098	9,413,098				
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				
<b>Total</b>	<b>\$ 86,460,000</b>	<b>\$ 86,793,420</b>	<b>\$ 5,525,000</b>	<b>\$ 366,948</b>	<b>\$ 15,345,000</b>	<b>\$ 6,192,200</b>	<b>\$ 12,720,000</b>	<b>\$ 5,047,855</b>	<b>\$ 120,050,000</b>	<b>\$ 98,400,423</b>	<b>\$ 218,450,423</b>				

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

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**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

**HISTORICAL DEBT SERVICE COVERAGE<sup>1</sup>  
For The Year Ended December 31, 2017**

	Year Ended December 31,					
	2012	2013	2014	2015	2016	2017
<b>Operating Revenues<sup>4</sup></b>	\$ 17,050,193	\$ 17,062,043	\$ 17,610,269	\$ 17,390,731	\$ 19,595,682	\$ 20,221,834
<b>Nonoperating Revenues<sup>2</sup></b>	3,041,343	5,198,851	5,809,391	4,978,877	10,543,855	12,713,788
<b>Gross Revenues</b>	20,091,536	22,260,894	23,419,660	22,369,608	30,139,537	32,935,622
<b>Less Operation And Maintenance Expenses (net of depreciation)<sup>4</sup></b>	(7,002,855)	(7,678,410)	(9,096,783)	(9,099,080)	(9,527,933)	(9,601,068)
<b>Net Revenue</b>	\$ 13,088,681	\$ 14,582,484	\$ 14,322,877	\$ 13,270,528	\$ 20,611,604	\$ 23,334,554
<b>Historical Annual Debt Service<sup>3</sup></b>	\$ 8,931,042	\$ 10,342,888	\$ 8,683,180	\$ 10,342,888	\$ 10,216,177	\$ 9,186,724
<b>Historical Coverage Factor</b>	1.47	1.41	1.65	1.28	2.02	2.54

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**

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## **WATER ENTERPRISE OPERATIONAL DATA For The Year Ended December 31, 2017**

### **Residential Water And Irrigation Volume Charges For The Year Ended December 31, 2017**

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:

<b><u>Usage Gallon/Month</u></b>	<b><u>From</u></b>	<b><u>To</u></b>	<b><u>Rate</u></b>
Block 1	—	4,000	\$ 3.76
Block 2	4,001	10,000	4.70
Block 3	10,001	30,000	5.88
Block 4	30,001	Above 30,001	7.35

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, 2017

### Nonresidential Meter Size Water And Irrigation Charges For The Year Ended December 31, 2017

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"	\$ 43.12
1"	86.21
1½"	172.42
2"	344.85
3"	775.95
4"	1,638.10
6"	3,103.76

### Nonresidential Water And Irrigation Volume Charges For The Year Ended December 31, 2017

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

Metered Usage	¾"	1"	1½"	2"	3"	4"	6"
Block 1 from	—	—	—	—	—	—	—
Block 1 to	40,000	40,000	40,000	90,000	252,000	288,000	1,620,000
Block 2 from	40,001	40,001	40,001	90,001	252,001	288,001	1,620,001
Block 2 to	100,000	100,000	100,000	225,000	672,000	768,000	2,700,000
Block 3 from	100,001	100,001	100,001	225,001	672,001	768,001	2,700,001
Block 3 to	300,000	300,000	300,000	600,000	1,320,000	1,344,000	3,960,000
Block 4	>300,001	>300,001	>300,001	>600,001	>1,320,001	>1,344,001	>3,960,001
Volume Rate							
Block 1	\$ 4.32	\$ 4.32	\$ 4.32	\$ 4.32	\$ 4.32	\$ 4.32	\$ 4.32
Block 2	5.41	5.41	5.41	5.41	5.41	5.41	5.41
Block 3	6.76	6.76	6.76	6.76	6.76	6.76	6.76
Block 4	8.47	8.47	8.47	8.47	8.47	8.47	8.47

# ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

## WATER ENTERPRISE OPERATIONAL DATA For The Year Ended December 31, 2017

### Historic And Current Tap Fee Amounts

A history of tap fee amounts collected since 2013 is set forth in the following table:

	Water And Irrigation				Sewer			
	Amount	\$ Increase	% Increase		Amount	\$ Increase	% Increase	
2013	\$ 24,000	\$ 694	3.0%		\$ 5,950	\$ 272	4.6%	
2014	24,725	725	3.0%		6,128	178	2.9%	
2015	25,467	742	3.0%		6,312	184	2.9%	
2016	25,690	223	0.9%		7,360	1,048	14.2%	
2017	26,204	514	2.0%		7,507	147	2.0%	

### History Of Water, Sewer And Irrigation Tap Fee Collections

A history of taps issued and the fees collected from taps since 2013 is presented in the following table:

Year	Water And Irrigation		Sewer		Total Tap Fee	
	Number <sup>1</sup>	Revenue	Number	Revenue	Revenue	
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	
2016	228	5,857,228	379	2,786,406	8,643,634	
2017	309	8,086,164	350	2,627,450	10,713,614	

<sup>1</sup>. Represents a tap equivalent.

### Current Water And Irrigation Tap Equivalents As Of December 31, 2017

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	2,740	1,200	3,642	46.7%
Nonresidential	4,044	1,123	3,882	49.8%
<b>Total</b>	<b>5,519</b>	<b>2,279</b>	<b>7,798</b>	<b>100%</b>

**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

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

	2013	2014	2015	2016	2017
<b>Operating Revenues</b>					
Water revenue	\$ 10,206,846	\$ 10,533,451	\$ 10,850,926	\$ 12,039,034	\$ 12,434,848
Sewer revenue	4,959,230	5,062,930	5,024,264	5,561,283	5,533,558
Fees for services	838,286	1,368,741	923,853	1,491,828	1,615,746
Miscellaneous	1,057,681	645,147	591,681	503,537	637,682
<b>Total Operating Revenues</b>	<b>17,062,043</b>	<b>17,610,269</b>	<b>17,390,724</b>	<b>19,595,682</b>	<b>20,221,834</b>
<b>Operating Expenses</b>					
Salaries, payroll taxes and benefits	3,545,489	3,517,204	3,538,390	3,704,529	3,719,661
Office expense	139,839	299,158	373,365	219,849	245,532
Professional services	645,150	1,186,183	1,472,229	1,163,704	1,045,983
Insurance expense	175,199	161,036	166,304	138,619	136,371
Operational expense	773,095	1,102,101	922,604	1,743,198	1,831,500
Contractual services	—	—	127,245	190,451	198,146
Repairs and maintenance	500,930	828,741	765,945	1,153,403	1,110,951
Utilities	1,384,785	1,321,463	1,233,797	1,193,027	1,299,021
Depreciation and depletion	2,933,136	2,906,679	2,929,333	2,940,160	2,689,953
Other supplies and expense	513,923	680,897	499,201	21,153	13,903
<b>Total Operating Expenses</b>	<b>10,611,546</b>	<b>12,003,462</b>	<b>12,028,412</b>	<b>12,468,093</b>	<b>12,291,021</b>
<b>Operating Income</b>	<b>6,450,497</b>	<b>5,606,807</b>	<b>5,362,312</b>	<b>7,127,589</b>	<b>7,930,813</b>
<b>Nonoperating Revenues</b>					
Interest subsidy	1,854,684	1,868,788	1,872,502	1,857,417	1,836,707
Interest	18,689	10,144	11,316	42,804	163,467
<b>Total Nonoperating Revenues</b>	<b>1,873,373</b>	<b>1,878,932</b>	<b>1,883,818</b>	<b>1,900,221</b>	<b>2,000,174</b>
<b>Nonoperating Expenses</b>					
Interest and fiscal charges	7,716,491	7,647,502	7,604,784	7,336,501	6,854,383
<b>Income (Loss) Before Contributions</b>	<b>607,379</b>	<b>(161,763)</b>	<b>(358,654)</b>	<b>1,691,309</b>	<b>3,076,604</b>
<b>Capital Contributions</b>					
Tap and extraterritorial fees	3,325,478	3,930,459	3,095,059	8,643,634	10,713,614
<b>Change In Net Position</b>	<b>3,932,857</b>	<b>3,768,696</b>	<b>2,736,405</b>	<b>10,334,943</b>	<b>13,790,218</b>
<b>Net Position Beginning Of Year, Restated<sup>1</sup></b>	<b>62,019,374</b>	<b>65,952,231</b>	<b>69,720,927</b>	<b>72,457,331</b>	<b>82,792,274</b>
<b>Net Position End Of Year, Restated<sup>1</sup></b>	<b>\$ 65,952,231</b>	<b>\$ 69,720,927</b>	<b>\$ 72,457,332</b>	<b>\$ 82,792,274</b>	<b>\$ 96,582,492</b>

1. Net position for the year ended December 31, 2013 and the beginning balance for the year ended December 31, 2014 was restated as a result of a change in reporting entity related to the operating and maintenance agreement with JWPP.

# ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

## BUDGET TO ACTUAL (NON-GAAP) COMPARISON OF RESULTS OF OPERATIONS For The Years Ended December 31, 2017 And 2016

	2016			2017			2018
	Budget	Actual	Variance	Budget	Actual	Variance	Budget
<b>Revenues</b>							
Water revenue	\$ 10,828,342	\$ 12,039,034	\$ 1,210,692	\$ 11,821,115	\$ 12,434,848	\$ 613,733	\$ 12,201,609
Sewer revenue	5,401,270	5,561,283	160,013	5,401,709	5,533,558	131,849	5,616,281
Water plant revenue	441,060	285,007	(156,053)	692,084	279,402	(412,682)	323,755
Fees for service	232,296	218,530	(13,766)	194,606	358,280	163,674	849,008
Interest subsidy	1,867,780	1,857,417	(10,363)	1,835,723	1,836,707	984	1,807,417
Interest	30,000	42,804	12,804	52,000	163,467	111,467	295,000
Other user fees	743,268	1,491,828	748,560	877,508	1,615,746	738,238	199,124
Tap and territorial fees	6,530,208	8,643,634	2,113,426	8,426,598	10,713,614	2,287,016	8,156,242
<b>Total Revenues</b>	<b>26,074,224</b>	<b>30,139,537</b>	<b>4,065,313</b>	<b>29,301,343</b>	<b>32,935,622</b>	<b>3,634,279</b>	<b>29,448,436</b>
<b>Expenses</b>							
Salaries and benefits	3,831,948	3,704,529	(127,419)	3,901,825	3,719,661	(182,164)	3,920,975
Office expense	320,624	219,849	(100,775)	271,795	245,532	(26,263)	289,694
Professional services	1,093,992	1,163,704	69,712	1,550,947	1,045,983	(504,964)	1,312,356
Insurance	175,728	138,619	(37,109)	204,837	136,371	(68,466)	193,400
Capital outlay	6,634,988	3,584,997	(3,049,991)	8,638,000	4,667,402	(3,970,598)	15,650,660
Acquisition of water rights	1,300,000	1,069,362	(230,638)	1,000,000	901,145	(98,855)	1,000,000
Repair and maintenance	1,287,592	1,153,403	(134,189)	1,639,993	1,110,951	(529,042)	1,496,054
Utilities	1,276,140	1,193,027	(83,113)	1,373,558	1,299,021	(74,537)	1,332,089
Operational expenses	2,449,236	1,933,649	(515,587)	3,022,363	2,029,646	(992,717)	2,430,468
Bond payments	10,329,620	10,392,313	62,693	10,229,901	9,186,724	(1,043,177)	10,116,558
Miscellaneous	315,572	21,153	(294,419)	14,900	13,903	(997)	439,900
<b>Total Expenses</b>	<b>29,015,440</b>	<b>24,574,605</b>	<b>(4,440,835)</b>	<b>31,848,119</b>	<b>24,356,339</b>	<b>(7,491,780)</b>	<b>38,182,154</b>
<b>Excess Revenues Over (Under) Expenditures</b>							
<b>Expenditures</b>	<b>(2,941,216)</b>	<b>5,564,932</b>	<b>8,506,148</b>	<b>(2,546,776)</b>	<b>8,579,283</b>	<b>11,126,059</b>	<b>(8,733,718)</b>
<b>Change In Net Position (Budgetary)</b>	<b>\$ (613,241)</b>		<b>\$ 8,506,148</b>	<b>\$ (2,546,776)</b>		<b>\$ 11,126,059</b>	<b>\$ (8,733,718)</b>
<b>Reconciliation To GAAP Basis</b>							
Depreciation, depletion and amortization	(3,084,348)					(2,972,612)	
Capital outlay	4,654,359					5,568,547	
Bond principal	3,200,000					2,615,000	
<b>Change In Net Assets</b>	<b>10,334,943</b>					<b>13,790,218</b>	
<b>Net Position, Beginning Of Year</b>	<b>72,457,331</b>					<b>82,792,274</b>	
<b>Net Position, End Of Year</b>	<b><u>\$ 82,792,274</u></b>					<b><u>\$ 96,582,492</u></b>	

**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

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**OUTSTANDING REVENUE BONDS  
For The Year Ended December 31, 2017**

	<u>Amount</u>
Taxable Water and Wastewater Revenue Direct Pay Build America Bonds, Series 2009A	\$ 86,460,000
Tax-Exempt Water and Wastewater Revenue Bonds, Series 2012	5,525,000
Tax-Exempt Water and Wastewater Revenue Bonds, Series 2016	15,345,000
Tax-Exempt Water and Wastewater Revenue Bonds, Series 2017	<u>12,720,000</u>
<b>Total</b>	<b><u>\$ 120,050,000</u></b>