
ARAPAHOE COUNTY
WATER AND WASTEWATER AUTHORITY
A Component Unit Of Arapahoe County
FINANCIAL STATEMENTS
DECEMBER 31, 2020

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Independent Auditors' Report

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

Report On The Financial Statements

We have audited the accompanying financial statements of the Arapahoe County Water and Wastewater Authority (ACWWA), a component unit of Arapahoe County, Colorado, as of and for the years ended December 31, 2020 and 2019 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, 2020 and 2019 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 ix be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

RubinBrown LLP

April 28, 2021

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, 2020 and 2019. Please read it in conjunction with ACWWA's financial statements, which begin on page 4.

Financial Highlights

- ACWWA's assets exceeded its liabilities at the close of the 2020 fiscal year by \$ 10,147,000 (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 2020, ACWWA's water and sewer rates increased from 2% - 3%, as did the monthly water and sewer service fees. The water system investment fee did not increase.
- Operating revenues of \$22,262,000 reflect an increase of \$1,365,000 or 7% from 2019.
- Operating expenses of \$14,501,000 decreased \$321,000, or 2% from 2019.
- Non-operating revenues decreased \$3,403,000, or 84% over 2019. The decrease is result of less or no revenues received in 2020 for interest subsidy, in-kind contributions and settlement revenue. In addition, investment income declined \$543,000.
- Non-operating expenses decreased \$3,467,000 or 16%, from prior year. The Authority refunded the Series 2009A Bonds in 2019, incurring \$393,000. The saving from bond issuance cost and the refunding resulted in the significant savings reflected in 2020 in comparison to prior year.
- Tap and extra-territorial fees of \$5,257,000 reflect a decrease of \$1,867,000 or 26% from 2019. ACWWA sold 184 and 200 tap equivalents in 2020 and 2019, respectively. This decrease in the number of tap equivalents sold and the amount of fees collected was the direct result of an anticipated reduction in new construction in its service area.
- Capital assets, net of depreciation and depletion, increased \$13,932,000 or 7% from 2019.
- At December 31, 2020 and 2019, ACWWA's debt service coverage ratio was 2.20 and 1.98, respectively. Bond covenants require a coverage ratio of 1.25 or greater.

Overview of the Financial Statements

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

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

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

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

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

Financial Summary and Analysis

Statement of Net Position

	December 31,		
	2020	2019	2018
Current assets	\$ 34,476,490	\$ 36,110,515	\$ 34,083,561
Restricted assets	6,550,094	11,513,268	21,555,022
Capital assets, net	207,205,627	193,273,858	179,666,241
Deferred outflows of resources	1,630,807	1,753,147	1,883,318
Total assets	249,863,018	242,650,788	237,188,142
Current liabilities	6,135,309	7,125,097	9,155,112
Long-term obligations	112,297,695	114,242,666	117,335,377
Total liabilities	118,433,004	121,367,763	126,490,489
Net position:			
Net investment in capital assets	94,299,624	79,178,430	65,349,801
Debt reserve	552,500	552,500	7,674,873
Reserved for capital projects	553,453	553,453	3,477,654
Unrestricted	36,024,437	40,998,642	34,195,325
Total net position	131,430,014	121,283,025	110,697,653
Total liabilities and net position	\$ 249,863,018	\$ 242,650,788	\$ 237,188,142

Net Position

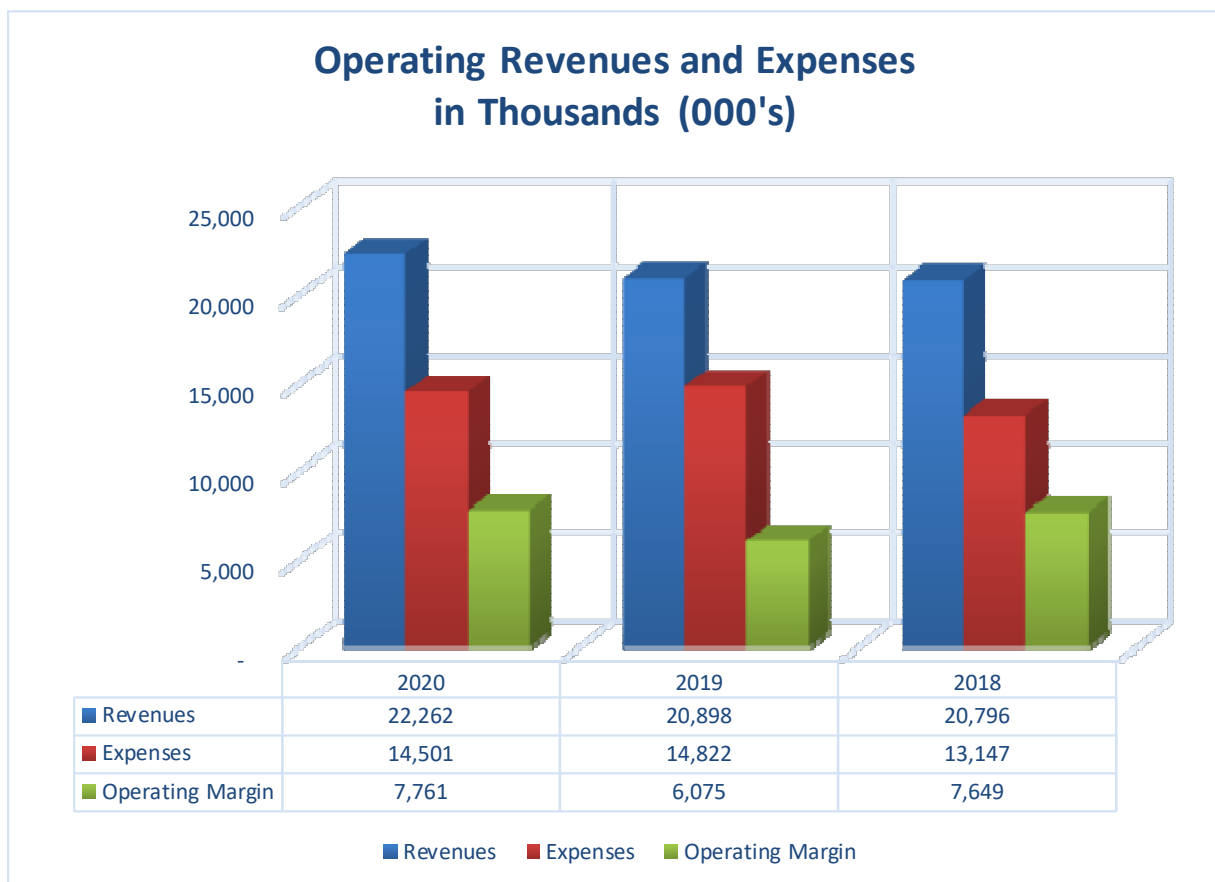
ACWWA's net position increased \$10,147,000 in 2020. Current assets at December 31, 2020 decreased \$1,634,000 from December 31, 2019, primarily due to the decrease in pooled investments associated with capital spend. Receivables decreased slightly year over year. Restricted assets decreased \$4,963,000, as restricted funds were expended on designated capital projects.

Net capital assets increased \$13,932,000 as a result of investment in capital projects and equipment, net of depreciation and depletion. Total liabilities decrease of \$2,935,000 was the result of the \$4,100,000 decrease in long-term debt associated with revenue bonds payable and offset by the additional \$2,229,000 long-term debt from CWCB for the construction of the Chamber's Reservoir Liner. In addition, payables experienced a \$990,000 decrease for the year. Detailed information about ACWWA's long-term debt and other liabilities can be found in Note 5 to the financial statements.

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

repay the debt related to these assets. Such debt repayment must be funded through future operations.

Certain of ACWWA's assets represent resources that are restricted as to how they must be used. Restricted cash consists of debt service reserves and reserves for capital asset replacement at the Lone Tree Creek Water Reuse Facility (LTCWRF) and at the Joint Water Purification Plant (JWPP), as well as capital project funds for an expansion of East Cherry Creek Valley Water and Sanitation District's (ECCV) Northern Treatment Plant (NTP) and the conversion of the JWPP to a reverse osmosis/microfiltration plant. Restricted cash at December 31, 2020 decreased \$4,963,000 over December 31, 2019 from capital project spend incurred during the year.



Change in Net Position

	December 31,		
	2020	2019	2018
Revenues			
Operating Revenue			
Water charges	\$ 14,680,735	13,168,781	12,961,677
Sewer charges	6,137,308	6,039,682	5,810,633
Fees for services	874,012	1,276,567	1,378,371
Water plant revenue	570,353	79,796	299,286
Other revenue	-	332,786	346,446
Total operating revenues	22,262,408	20,897,612	20,796,413
Non-Operating Revenues			
Gain on sale of assets	—	—	49,772
Net investment income	258,034	800,739	717,795
In-kind contributions	—	605,300	—
Settlement revenue	390,000	850,000	—
Interest subsidy	—	1,795,107	1,817,124
Capital contributions			
Tap and extraterritorial fees	5,256,894	7,123,625	10,609,229
Total revenues	28,167,336	32,072,383	33,990,333
Expenses			
Operating Expenses			
Salaries and benefits	4,203,848	4,094,909	3,833,313
Office expense	282,458	251,613	205,229
Professional services	592,773	897,033	1,178,153
Insurance	172,153	154,712	154,140
Operational	4,044,753	2,520,022	2,259,269
Contractual services	149,919	225,250	251,619
Repairs and maintenance	1,112,733	2,819,013	1,077,415
Utilities	1,061,457	1,149,678	1,240,170
Depreciation and depletion	2,869,707	2,700,347	2,938,962
Other supplies and expense	11,345	9,629	8,997
Total operating expenses	14,501,146	14,822,206	13,147,267
Non-Operating Expense			
Bond issue costs	—	393,135	—
Interest and fiscal charges	3,519,201	6,271,670	6,727,905
Total expenses	18,020,347	21,487,011	19,875,172
Change In Net Position	10,146,989	10,585,372	14,115,161
Total Net Position - Beginning Of Year	121,283,025	110,697,653	96,582,492
Total Net Position - End Of Year	\$ 131,430,014	\$ 121,283,025	\$ 110,697,653

Revenue and Expenditures

Operating revenue in 2020 increased \$1,365,000 or 7%, from 2019. Revenue from water charges increased 11% from 2019, and sewer revenue increased 2%. Fees for service decreased 32% due to a decrease in the number of taps sold year over year. Water plant revenue increased from 2019 by \$490,000 due to the revenue contribution from Cottonwood Water and Sanitation District for their proportionate share of the JWPP operating costs. Currently, the Authority is contracted with Jacobs Engineering to run the plant following its reconversion to a reverse osmosis (RO) plant.

Operating expenses decreased a total of \$321,000, or 2% from 2019, primarily due to the \$1,706,000 decrease in repairs and maintenance (R&M) costs related to the lift station failure in 2019. Offsetting the repairs and maintenance reduction is the increased operating costs of the JWPP totaling \$1,525,000. \$570,000 of the (RO) plant operating costs represent the portion contributed by Cottonwood Water and Sanitation District. Additional (RO) plant operating costs of \$557,000 were incurred due to a full 12 months of contracted costs versus 5 months in 2019.

Salaries and benefits increased 2.7% due to an increase in benefits costs in addition to the annual merit increase. Office expense increased \$31,000, and professional services decreased \$304,000 compared to 2019, as legal litigation fees and utilization of consulting services declined from prior year.

Operational expenses increased \$1,525,000 over 2019. The increase was largely due to the additional costs incurred for the (RO) plant operating costs of \$1,073,000 and ACWWA Flow operating costs of \$438,000. Of the (RO) plant operating costs, \$557,000 paid to Jacobs Engineering to operate the plant for all of 2020 in comparison to only a portion of 2019. An additional \$570,000 represents the shared costs contributed by Cottonwood Water and Sanitation District for their pro-rata share.

Repairs and maintenance costs decreased \$1,706,000 from prior year because of the Valley Country Club lift station failure of 2019. Utilities expense decreased \$88,000 primarily because the JWPP utilities expenses are included in the Jacobs Engineering contracted fees. Depreciation and depletion expense decreased \$169,000.

Non-operating revenue decreased \$3,403,000 because of cash and in-kind settlements received from contractors involved in the faulty design and construction of Chambers Reservoir received in 2019 in comparison to \$390,000 in 2020. In addition, interest subsidy of \$1,795,000 was received in 2019 but not in 2020 and there was a significant reduction in investment income of \$543,000.

Tap and extraterritorial fees decreased \$1,867,000 in 2020 as construction in the service area has experienced a steady decline.

Non-operating expenses decreased \$3,467,000 from lower interest expense following the Series 2009A bond refunding in 2019.

In comparison to budget, the decrease in net position of \$45,697,000 was favorable towards budget by \$9,733,000. In addition to a favorable revenue variance of \$4,052,000, capital outlay was \$8,354,000 below budget, including capital projects budget of \$5,249,000 that is being carried forward to 2021.

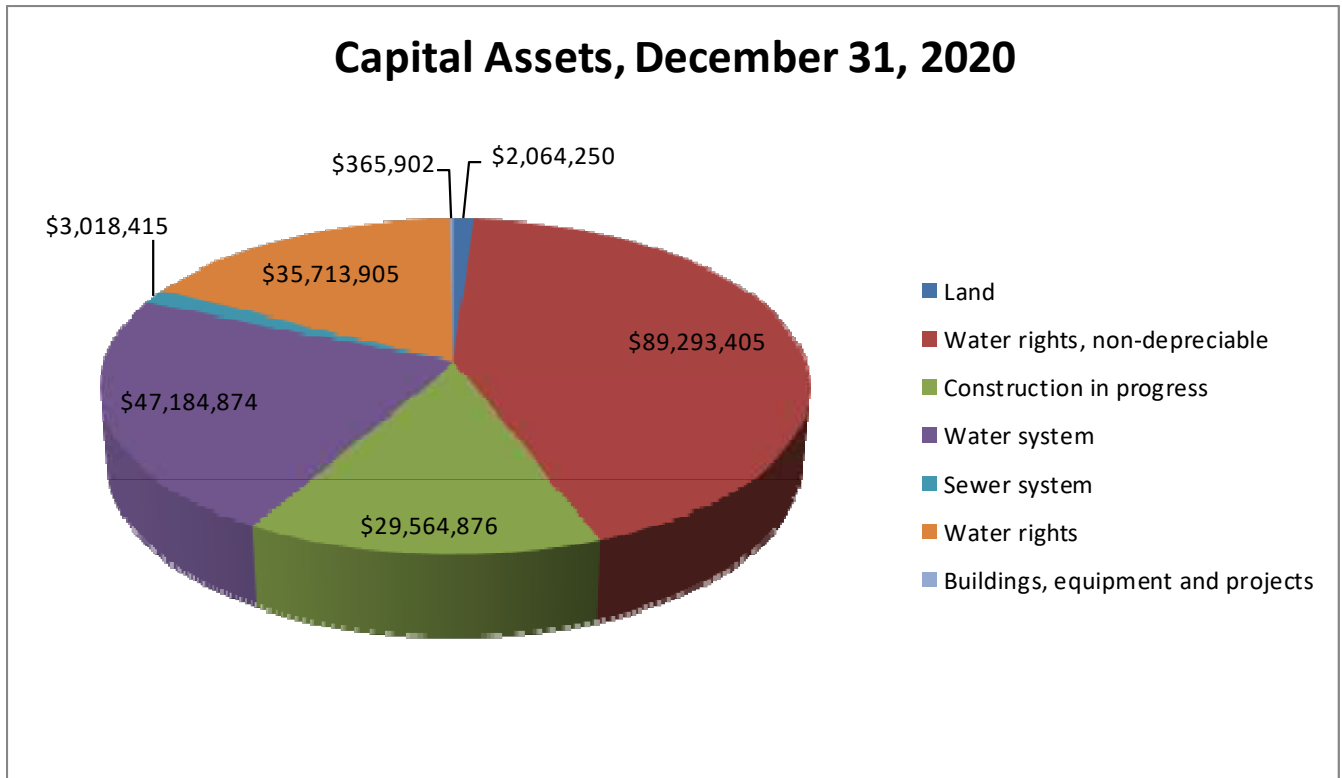
Capital Assets

Net capital assets increased \$13,932,000 in 2019 as ACWWA continued to make investments in water and wastewater infrastructure. Project expenditures included \$5,054,000 for the new booster pump station and expansion of ECCV's northern treatment plant, where water from the ACWWA Flow project is treated. Other significant capital additions included \$6,120,000 for Phase II of the Chambers Reservoir Project and \$1,918,000 for the Chambers Reservoir Relining. \$482,000 to complete Phase 2C of the ACWWA Flow water main that connects ACWWA's service area to ECCV, which is necessary to receive water from the ACWWA Flow project. The completed connection, together with the work at the northern RO plant, will enable ACWWA to receive its full complement of 5.25 million gallons per day from its renewable northern water supply.

Other capital expenditures in 2020 included \$903,000 for adjudication of water rights, \$399,000 for the design of a third clarifier at the LTCWRF, \$245,000 Waterbury Lift Station improvements, \$172,000 Master Plan Update. In addition to the aforementioned costs, construction in progress also includes carryover costs from 2019 of 9,531,000 for the ECCV NTP expansion, and \$2,613,000 for improvements to Chambers Reservoir.

Net capital assets at December 31, 2020 are categorized as follows:

	Capital Assets		
	December 31,		
	2020	2019	2018
Land	\$ 2,064,250	\$ 2,064,250	2,063,196
Water rights, non-depreciable	89,293,405	89,293,405	89,293,405
Construction in progress	29,564,876	18,865,884	7,639,645
Water system	47,184,874	43,226,197	36,987,758
Sewer system	3,018,415	3,598,165	4,263,630
Water rights	35,713,905	35,865,171	39,001,240
Buildings, equipment and projects	365,902	360,787	417,367
Total capital assets, net	<u>\$ 207,205,627</u>	<u>\$ 193,273,859</u>	<u>\$ 179,666,241</u>



Long Term Debt

As of December 31, 2020, ACWWA had \$98,615,000 in outstanding revenue bonds payable and a CWCB loan of \$2,229,000 debt, an overall decrease of \$1,076,000 from prior year. The reduction in outstanding debt in 2020 was the result of scheduled debt principal repayments offset by the addition of the CWCB loan. Additional detail about ACWWA's long-term debt is presented in Note 5 of the financial statements.

Long-term Planning

For long-term planning, ACWWA refers to the 2015 cost-of service study and financial model prepared by Carollo Engineering, as well as the Master Plan dated 2011. The Master Plan includes plans for ACWWA's long-term water supply, as well as the non-potable, wastewater, and distribution and collections systems. ACWWA is currently in the process of updating the Master Plan, and has completed the first step, the Raw Water Supply Master Plan. A new cost-of-service study is expected to be commissioned in spring 2022.

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 2020, water and sewer rates and service fees increased 3% and 2%, respectively. The monthly water investment fee did not increase.

During prior years, ACWWA has experienced strong tap sales due to rapid growth in its service area. However, as expected, 2020 tap sales continued the steady decline experienced in 2019 from 2018. In 2021, it is anticipated tap sales will continue to decline as the ACWWA service area becomes built out. Management recognizes that tap sales are unpredictable and are highly dependent on economic factors such as interest rates and costs of building inputs, as well as demand for new commercial and residential developments. ACWWA has been able to add to its operating and capital reserves the past three years and plans to utilize these funds for future capital needs.

In 2021, ACWWA will continue to focus on capital improvement and infrastructure needs, maintenance of the water and wastewater systems, improving water quality, and cost containment to ensure system stability, meet growth needs, and maintain affordable rates for customers.

Requests for Information

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

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

STATEMENT OF NET POSITION

Assets And Deferred Outflows Of Resources

	December 31,	
	2020	2019
Current Assets		
Cash and cash equivalents	\$ 6,717,914	\$ 4,817,109
Receivables	2,464,133	2,267,889
Prepaid expenses and other	101,731	265,312
Pooled investments	25,192,712	28,760,205
Total Current Assets	34,476,490	36,110,515
Restricted Assets		
Noncurrent cash and cash equivalents	4,865,456	4,885,220
Noncurrent pooled investments	1,684,638	6,628,048
Total Restricted Assets	6,550,094	11,513,268
Capital Assets, Net	207,205,627	193,273,858
Total Assets	248,232,211	240,897,641
Deferred Outflows Of Resources		
Deferred charges on refunding	1,630,807	1,753,147
Total Assets And Deferred Outflows Of Resources	\$ 249,863,018	\$ 242,650,788

Liabilities And Net Position

Current Liabilities		
Accounts payable and accrued expenses	\$ 1,564,922	\$ 2,469,681
Accrued payroll	68,766	197,900
Deferred revenue	38,587	202,563
Meter deposits	60,000	62,000
Escrowed development funds	203,353	193,747
Accrued interest payable	355,531	368,477
Compensated absences payable, current portion	384,150	325,729
Revenue bonds payable, current portion	3,460,000	3,305,000
Total Current Liabilities	6,135,309	7,125,097
Long-Term Liabilities		
Escrowed capital project funds	1,220,885	1,015,976
Compensated absences payable, long-term portion	—	58,615
Revenue bonds payable, long-term portion	108,847,983	113,168,075
Note payable, long-term portion	2,228,827	—
Total Long-Term Liabilities	112,297,695	114,242,666
Total Liabilities	118,433,004	121,367,763
Net Position		
Net investment in capital assets	94,299,624	78,626,430
Restricted for capital projects	552,500	552,500
Restricted for debt reserve	553,453	553,453
Unrestricted	36,024,437	41,550,642
Total Net Position	131,430,014	121,283,025
Total Liabilities And Net Position	\$ 249,863,018	\$ 242,650,788

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended December 31,	
	2020	2019
Operating Revenue		
Water revenue	\$ 14,680,735	\$ 13,168,781
Sewer revenue	6,137,308	6,039,682
Fees for services	874,012	1,276,567
Water plant revenue	570,353	79,796
Other revenue	—	332,786
Total Operating Revenues	22,262,408	20,897,612
Operating Expenses		
Salaries and benefits	4,203,848	4,094,909
Office expense	282,458	251,613
Professional services	592,773	897,033
Insurance	172,153	154,712
Operational	4,044,753	2,520,022
Contractual services	149,919	225,250
Repairs and maintenance	1,112,733	2,819,013
Utilities	1,061,457	1,149,678
Depreciation and depletion	2,869,707	2,700,347
Other supplies and expense	11,345	9,629
Total Operating Expenses	14,501,146	14,822,206
Operating Income	7,761,262	6,075,406
Nonoperating Revenues		
Net investment income	258,034	800,739
In-kind contributions	—	605,300
Settlement revenue	390,000	850,000
Interest subsidy	—	1,795,107
Total Nonoperating Revenues	648,034	4,051,146
Nonoperating Expenses		
Bond issuance costs	—	393,135
Interest and fiscal charges	3,519,201	6,664,805
Total Nonoperating Expenses	3,519,201	6,664,805
Income Before Contributions	4,890,095	3,461,747
Capital Contributions		
Tap and extraterritorial fees	5,256,894	7,123,625
Change In Net Position	10,146,989	10,585,372
Total Net Position - Beginning Of Year	121,283,025	110,697,653
Total Net Position - End Of Year	\$ 131,430,014	\$ 121,283,025

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2020	2019
Cash Flows From Operating Activities		
Receipts from customers	\$ 21,902,188	\$ 20,920,117
Payments to suppliers	(8,170,769)	(8,438,861)
Payments to employees and related expenses	(4,333,176)	(3,989,959)
Net Cash Provided By Operating Activities	9,398,243	8,491,297
Cash Flows From Capital And Related Financing Activities		
Net tap and extraterritorial fees	5,256,894	7,123,625
Principal payments on bonds	(3,305,000)	(86,315,000)
Loan proceeds	2,228,827	83,218,135
Interest paid on revenue bonds	(4,197,399)	(6,591,024)
Subsidy received on bond interest	—	1,795,107
Payments for capital acquisitions	(16,829,576)	(18,692,924)
Settlement payment	390,000	850,000
Proceeds from sale of capital assets	28,100	2,990,259
Net Cash Used In Capital And Related Financing Activities	(16,428,154)	(15,621,822)
Cash Flows From Investing Activities		
Purchases of short-term pooled investments	(4,670,375)	(34,212,149)
Sales of short-term pooled investments	13,181,278	32,679,960
Interest received	258,034	800,739
Payments to escrowed development funds	142,015	(1,263,136)
Net Cash Provided By (Used In) Investing Activities	8,910,952	(1,994,586)
Net Increase (Decrease) In Cash And Cash Equivalents	1,881,041	(9,125,111)
Cash And Cash Equivalents - Beginning Of Year	9,702,329	18,827,440
Cash And Cash Equivalents - End Of Year	\$ 11,583,370	\$ 9,702,329
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating income:	\$ 7,761,262	\$ 6,075,406
Provided by operating activities:		
Depreciation and depletion	2,869,707	2,700,347
Changes in asset and liabilities:		
Accounts receivable	(196,244)	22,505
Prepaid expenses	163,581	6,239
Accounts payable and accrued expenses	(1,034,087)	(523,763)
Deferred revenue	(163,976)	202,563
Meter deposits	(2,000)	8,000
Net Cash Provided By Operating Activities	\$ 9,398,243	\$ 8,491,297

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS December 31, 2020 And 2019

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, 2020, two of the five County Commissioners served on ACWWA's Board of Directors. ACWWA does not have taxing powers.

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

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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

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

ACWWA has implemented the provisions of GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, and the Joint Water Purification Plant (JWPP) is included in the financial statements for ACWWA. See Note 7 for further discussion. ACWWA is considered a blended component unit of 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. Contributed assets from developers are recorded as capital contributions when received.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements *(Continued)*

Operating Revenues And Expenses

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

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

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

Water Rights

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

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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements *(Continued)*

Compensated Absences

ACWWA's employees are entitled to certain compensated absences, in the form of vacation and sick leave benefits, and are accrued based on their length of employment. Compensated absences are accrued when incurred in the financial statements. At December 31, 2020, accrued vacation benefits are capped at 200 hours per employee. Sick leave benefits are accrued using the termination payment method. When terminations are made, employees are allowed up to 50% of their allowable 480 hours of accrued benefit. ACWWA has accrued \$384,150 and \$384,344 as of December 31, 2020 and 2019, respectively, for future payment of this earned leave.

Reimbursement Agreements

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

3. Cash And Investments

Cash and cash equivalents as of December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Statement Of Net Position		
Cash and cash equivalents	\$ 6,717,914	\$ 4,817,109
Cash and cash equivalents - restricted	4,865,456	4,885,220
Total Cash And Cash Equivalents	\$ 11,583,370	\$ 9,702,329

The bank balance of cash and cash equivalents as of December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Deposits with financial institutions	\$ 11,583,370	\$ 9,702,329

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2020 and 2019, ACWWA had bank deposits of \$12,121,103 and \$9,926,922, respectively, collateralized with securities held by the financial institution's agent, but not in ACWWA's name.

Investments

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

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

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

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

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

- 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 \$26,338,023 at December 31, 2020 is valued using the NAV per share (or its equivalents) of the investments. ACWWA had \$34,852,256 invested in COLOTRUST at December 31, 2019. 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 \$539,237 at December 31, 2020 is valued using amortized cost. ACWWA had \$535,997 invested in CSAFE at December 31, 2019.

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

Type Of Security	Fair Value	S&P Rating	Maturity 12 Months Or Less
COLOTRUST (external investment pool)	\$ 26,338,023	AAAm	\$ 26,338,023
CSAFE (external investment pool)	539,327	AAAm	539,327
	<u>\$ 26,877,350</u>		<u>\$ 26,877,350</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, 2020 and 2019 follows:

	Balance At December 31, 2019	Increases	Decreases	Balance At December 31, 2020
Capital Assets, Not Being Depreciated				
Land	\$ 2,064,250	\$ —	\$ —	\$ 2,064,250
Water rights	89,293,405	—	—	89,293,405
Construction in progress	18,865,883	16,568,310	5,869,317	29,564,876
Total Capital Assets, Not Being Depreciated	110,223,538	16,568,310	5,869,317	120,922,531
Capital Assets, Being Depreciated				
Water system	64,393,356	5,984,810	17,600	70,360,566
Sewer system	16,495,831	61,961	22,083	16,535,709
Water rights	37,816,585	—	—	37,816,585
Buildings, equipment and projects	3,924,376	55,712	—	3,980,088
Total Capital Assets, Being Depreciated	122,630,148	6,102,483	39,683	128,692,948
Less Accumulated Depreciation For:				
Water system	21,167,159	2,026,133	17,600	23,175,692
Sewer system	12,897,666	641,711	22,083	13,517,294
Water right depletion	1,951,414	151,266	—	2,102,680
Buildings, equipment and projects	3,563,589	50,597	—	3,614,186
Total Accumulated Depreciation	39,579,828	2,869,707	39,683	42,409,852
Total Capital Assets, Being Depreciated, Net	83,050,320	3,232,776	—	86,283,096
Capital Assets, Net	\$ 193,273,858	\$ 19,801,086	\$ 5,869,317	\$ 207,205,627

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (Continued)

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

Depreciation and depletion expense for the years ended December 31, 2020 and 2019 was charged to the following:

	2020	2019
Water	\$ 2,177,399	\$ 1,861,719
Sewer	641,711	782,049
Buildings, equipment and projects	50,597	56,579
	\$ 2,869,707	\$ 2,700,347

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, 2020 and 2019:

	Balance At December 31, 2019	Increases	Decreases	Balance At December 31, 2020	Amounts Due Within One Year
Series 2012					
Revenue bonds	\$ 3,385,000	\$ —	\$ 1,105,000	\$ 2,280,000	\$ 1,130,000
Series 2016					
Revenue bonds	14,510,000	—	435,000	14,075,000	450,000
Bond premium	1,745,592	—	125,433	1,620,159	—
Series 2017					
Revenue bonds	12,540,000	—	130,000	12,410,000	130,000
Bond premium	1,050,736	—	75,502	975,234	—
Series 2019					
Revenue bonds	71,485,000	—	1,635,000	69,850,000	1,750,000
Bond premium	11,684,247	—	586,657	11,097,590	—
CWCB note payable	—	2,228,827	—	2,228,827	—
Total Bonds Payable	116,400,575	2,228,827	4,092,592	114,536,810	3,460,000
Compensated absences	384,344	328,849	329,043	384,150	384,150
Total Long-Term Obligations	\$ 116,784,919	\$ 2,557,676	\$ 4,421,635	\$ 114,920,960	\$ 3,844,150

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements *(Continued)*

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

Series 2009A Revenue Bonds

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

Series 2012 Revenue Refunding Loan

On October 18, 2012, ACWWA refunded the Series 2009B Revenue Bonds and entered into a loan agreement with Colorado State Bank and Trust dated October 18, 2012 in the amount of \$5,525,000. Principal and interest payments are due June 1 and December 1 in varying amounts through December 1, 2022, with a fixed interest rate of 2.16%. In accordance with the Trust Indenture, as of December 31, 2020 and 2019, \$553,453 was held in reserve for both years.

Series 2016 Revenue Refunding Bonds

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements *(Continued)*

Series 2017 Revenue Refunding Bonds

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

Series 2019 Revenue Refunding Bonds

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

Pledged Revenue And Debt Coverage Requirements

Over the years, ACWWA has issued revenue bonds to fund capital projects and infrastructure of its water and sewer system, which has pledged "net revenue" (all income and revenues directly or indirectly derived by ACWWA less operation and maintenance expenses) toward the repayment of the revenue bonds noted above. Revenues are pledged until the bonds are paid off in full or refunded in full. Pledged revenues recognized for the years ended December 31, 2020 and 2019 were \$16,520,922 and \$19,950,524, respectively. Debt service payments for the years ended December 31, 2020 and 2019 were \$7,502,399 and \$10,083,849, respectively.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements *(Continued)*

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

	Principal	Interest	Total
2021	\$ 3,460,000	\$ 4,042,048	\$ 7,502,048
2022	4,155,000	3,911,440	8,066,440
2023	3,755,000	3,752,700	7,507,700
2024	3,930,000	3,583,300	7,513,300
2025	4,085,000	3,423,950	7,508,950
2026 - 2030	23,370,000	14,177,900	37,547,900
2031 - 2035	28,630,000	8,903,900	37,533,900
2036 - 2039	27,230,000	2,782,400	30,012,400
Total Payments	\$ 98,615,000	\$ 44,577,638	\$ 143,192,638

Colorado Water Conservation Board Note Payable

In August 2020, ACWWA entered in to an agreement with the Colorado Water Conservation Board for a loan in the amount of \$2,525,000 to be used for the Chambers Reservoir Line Rehabilitation project. The loan agreement calls for an interest rate of 1.9% payable over a period of 20 years. A formal amortization schedule will be developed, and the note will begin payments upon project completion, which is expected to occur in 2021. ACWWA has drawn \$2,228,827 of the loan proceeds, which is included in long-term notes payable at December 31, 2020.

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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements *(Continued)*

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, 2020 and 2019, ACWWA had net investment in capital assets calculated as follows:

	2020	2019
Net Investment In Capital Assets		
Capital assets, net	\$ 207,205,627	\$ 193,273,858
Deferred charges on refunding	1,630,807	1,753,147
Bond premium	(13,692,983)	(14,480,575)
Capital-related debt	(100,843,827)	(101,920,000)
	<hr/>	<hr/>
Net Investment In Capital Assets	\$ 94,299,624	\$ 78,626,430

7. Intergovernmental Agreements

Cherry Creek Project Water Authority

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

Town Of Castle Rock

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements *(Continued)*

Cottonwood Water And Sanitation District Lease

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

CWSD - Sewer Service Agreement

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

ACWWA Flow Project

In 2009, in order to reduce its dependence upon nonrenewable water supplies such as Denver basin groundwater wells, ACWWA and PID (see Note 1) entered into an agreement with two water districts, East Cherry Creek Valley Water and Sanitation District (ECCV) and United Water and Sanitation District (United), whereby ACWWA and PID commenced acquiring, from United and ECCV, and developing water rights, easements and infrastructure, including interests in water treatment plants, recharge facilities, pipelines, pump stations, diversion facilities, storage and other water-related infrastructure with the intent of eventually providing 4,400 acre-feet of average annual yield renewable water to ACWWA's service area and customers. The water rights are acquired through purchases within the South Platte River Basin. This water is delivered to the Beebe Draw, a shallow underground aquifer system that was once a historic stream channel of the South Platte River. It is stored in the Beebe Draw until it is pumped out and delivered to the ECCV reverse osmosis (RO) water treatment plant, the first phase of which was completed and operating in 2012, where it is treated and delivered to ACWWA. ACWWA received 1,335 and 1,357 acre feet from the ACWWA flow project in 2020 and 2019, respectively.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

One of the ACWWA flow storage projects, Chambers Reservoir, was completed in 2014. During a drawdown of the reservoir, a slope failure occurred in the southwest corner of the reservoir, and the reservoir was drained. In 2019, ACWWA began the work necessary to bring the reservoir back on-line. This included scraping the existing clay liner of the reservoir, importing additional fill material, reshaping the slopes and installing a synthetic liner. The earthwork and synthetic liner installation were completed in 2020, and filling commenced in December 2020. The filling process will continue through 2021. Significant infrastructure was constructed in 2019 and 2020, including the necessary storage tanks and pump stations to deliver ACWWA its full capacity of 5.25 mgd from the project. Much work remains to adjudicate the remaining water rights that will allow ACWWA to receive the full 4,400 acre-feet of water per year. In May 2015, the Board executed an addendum to the IGA between United and ACWWA for the extension of the completion of all ACWWA flow-related facilities until December 31, 2019. In December 2019, the Board executed the Second Addendum to the IGA between United and ACWWA, which extended the completion of the Project until December 31, 2024. As of December 31, 2020, ACWWA has spent approximately \$184,000,000 on the ACWWA Flow Project, with a current estimate of approximately \$26,000,000 of spending needed over several years to complete the project.

Inverness Water And Sanitation District

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements *(Continued)*

JWPP

In February 2002, ACWWA entered into an agreement with PID (see Note 1) with respect to the construction and operation of public improvements. In June 2003, ACWWA entered into an agreement with CWSD concerning the construction of water treatment facilities (now known as JWPP). The 2003 agreement, among other things, assigns responsibility to ACWWA for the overall management and operations of JWPP. Under the terms of the agreement, ACWWA is to be the manager and operator of JWPP. In exchange for operating the plant, pursuant to a lease dated April 2002, PID has leased and will transfer its assets in JWPP to ACWWA for a nominal amount at the final payment of the last PID bonds issued pursuant to the 2001 bond authorization. In June 2010, JWPP was placed into service and began operations. On December 6, 2010, ACWWA received a Notice of Violation/Cease and Desist Order as a result of an alleged permit violation from the Colorado Department of Public Health and Environment, Division of Administration, Water Quality Control Division related to excess discharge of selenium in the waste product of JWPP which allegedly violated a federal Environmental Protection Agency standard. JWPP changed from a RO-based system to microfiltration in 2012 and operated as a microfiltration plant until December 2018. At that time, the plant was shut down so work could begin on converting the JWPP to a blended RO/microfiltration process, which will utilize a biological treatment process to enable the brine stream from the RO process to be acceptably discharged into Windmill Creek. In August 2018, ACWWA and CWSD contracted Jacobs Engineering to run and manage the project at a cost of approximately \$9.6 million, with ACWWA contributing \$3.8 million and CWSD contributing the remaining \$5.8 million over the term of the agreement. The agreement was amended in 2019 and Jacobs continues to operate the JWPP; however, the reconversion project has not been completed.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

In December 2014, the two parties entered into an agreement for the operation and maintenance of, and improvement to, JWPP by ACWWA as operator for PID, ACWWA and CWSD. The agreement shall be for the term of the useful life of JWPP and its process equipment existing now or as expanded, upgraded, improved or rebuilt by either party in the future. The parties agree that the useful life of the JWPP is estimated at 50 years, beginning September 1, 2010. The agreement shall continue in effect as long as JWPP is operating, unless amended or terminated by the parties. For purposes of determining the percentage of ownership in JWPP, the interests of ACWWA and PID (see Note 1) shall be combined into a single percentage that shall be considered, for purposes of this agreement only, to be owned by ACWWA. The JWPP land and building, other than the process equipment, is owned by CWSD and PID as tenants in common, with 36.67% ownership by CWSD and 63.33% ownership by PID and ACWWA. The process equipment is owned 77.78% by PID and ACWWA and 22.22% by CWSD. The percentage of capacity used for calculation of the payment of fixed costs by each party shall be 63.33% by ACWWA and 36.67% by CWSD. Each year, ACWWA will perform a true-up of total costs and total volumes for a calendar year by April 1 of the succeeding year, based upon actual costs and invoices received. ACWWA, on behalf of JWPP, will maintain both a separate JWPP general operating fund, along with a separate JWPP reserve fund. The minimum reserve fund of \$100,000 is being funded in annual increments of \$20,000 beginning in January 2014. Both CWSD and ACWWA will contribute to the reserve fund with each party funding its portion of the initial reserve amount by paying its respective portion of the \$20,000 by January 31 of each year. After the reserve fund reaches \$100,000, the parties shall contribute sufficient dollars to maintain the reserve fund at its minimum balance. As of December 31, 2020, the reserve was fully funded. The operations, assets, liabilities and equity of JWPP are included in ACWWA's financial statements as a blended component unit in accordance with the provision of GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*.

Stonegate Village Metropolitan District

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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

City Of Longmont

In December 2016, ACWWA entered into a water supply agreement with the City of Longmont (Longmont), ECCV and United. This agreement requires annual renewal by all parties, but generally states that from July 1 through August 31, ECCV and ACWWA shall deliver fully consumable water from the ECCV/ACWWA Water Rights and/or the United/ACWWA Water Rights for the purpose of meeting Longmont's Bijou Ditch Loss Obligation. In exchange, from October 1 through March 31, 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. The agreement is subject to annual renewal and has currently been extended through March 31, 2022.

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 City.

Other Contracts

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

8. Commitments And Contingencies

Construction Commitments

ACWWA has entered into various contracts and agreements with contractors and partner agencies for the improvement and upgrading of facilities. Total commitments with such contractors for 2020 and 2019 totaled approximately \$2,600,000 and \$6,800,000, respectively.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements *(Continued)*

9. Defined Contribution Retirement Plans

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

ACWWA's mandatory contributions during both 2020 and 2019 was 6.2% of employee compensation. Discretionary employer contributions are decided on an annual basis at the time of budget approval for the following budget year. The entire discretionary contribution was 3% of employee compensation during 2019 and 2018, with an available match up to an additional 5%. Under the Plan document and the Internal Revenue Code, the entire discretionary contribution is considered an employer contribution. Total Plan contributions for the years ending December 31, 2020 and 2019 were \$373,499 and \$369,301, respectively. Total payroll was \$3,013,917 and \$3,077,544 for the years ended December 31, 2020 and 2019, respectively. Total employer contributions represented 12% and 12.2% of total compensation for the years ended December 31, 2020 and 2019, respectively. An employee is not fully vested until the completion of four complete years of service. Vesting is 0% for less than one year, 25% for one to two years, 50% for two to three years, 75% for three to four years and 100% for over four years.

10. Related Party Transactions

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements *(Continued)*

11. Conflict Of Interest

State law requires that members of the Board of Directors verbally disclose potential conflicts of interest prior to discussing topics that may involve those conflicts of interest. The Directors have disclosed their potential conflicts in writing to the Secretary of State and the Secretary of ACWWA. On behalf of the Board, these potential conflicts of interest as of December 31, 2020 are disclosed as follows:

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

12. Risk Management

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

ACWWA is also a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2020 and 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

13. Tax, Spending And Debt Limitations

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

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

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

14. Subsequent Event

In February 2021, ACWWA sold its interest in CCPWA for \$4,500,000 to Castle Rock.

Supplementary Information

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS) For The Year Ended December 31, 2020

	Original And Final Budget	Actual	Variance With Budget Positive (Negative)
Revenues			
Water revenue	\$ 13,394,936	\$ 14,680,735	\$ 1,285,799
Sewer revenue	6,324,161	6,137,308	(186,853)
RO plant revenue	—	570,353	570,353
Other user fees	203,670	—	(203,670)
Interest	475,000	258,034	(216,966)
Fees for service	824,763	874,012	49,249
Tap and territorial fees	5,121,569	5,256,894	135,325
Loan proceeds	—	2,228,827	2,228,827
Settlement revenue	—	390,000	390,000
Total Revenues	26,344,099	30,396,163	4,052,064
Expenditures			
Salaries and benefits	4,524,487	4,203,848	320,639
Office expense	319,529	282,458	37,071
Professional services	868,960	592,773	276,187
Contractual services	138,522	149,919	(11,397)
Insurance	214,342	172,153	42,189
Capital outlay	25,183,297	16,829,576	8,353,721
Repair and maintenance	1,200,070	1,112,733	87,337
Utilities	1,168,256	1,061,457	106,799
Operational expenses	4,161,912	4,044,753	117,159
Other supplies and expense	414,900	11,345	403,555
Bond payments	7,502,399	7,502,399	—
Total Expenditures	45,696,674	35,963,414	9,733,260
Change In Net Position (Budgetary Basis)	\$ (19,352,575)	\$ (5,567,251)	\$ 13,785,324

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**RECONCILIATION OF BUDGETARY BASIS
TO STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For The Year Ended December 31, 2020**

Change In Net Position (Budgetary Basis)	\$ (5,567,251)
Depreciation, depletion and amortization	(2,191,509)
Capital outlay	16,829,576
Bond proceeds	(2,228,827)
Bond principal payments	<u>3,305,000</u>
Change In Net Position	10,146,989
Net Position, Beginning Of Year	<u>121,283,025</u>
Net Position, End Of Year	<u><u>\$ 131,430,014</u></u>

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY December 31, 2020

December 31,	\$5,525,000 Fixed Rate Water And Wastewater Revenue Refunding Loan Series 2012			\$16,475,000 Variable Rate Water And Wastewater Revenue Refunding Bonds, Series 2016			\$12,720,000 Variable Rate Water And Wastewater Revenue Bonds, Series 2017,			\$71,485,000 Variable Rate Taxable Water And Wastewater Revenue Refunding Bonds, Series 2019		
	Principal	Interest		Principal	Interest		Principal	Interest		Principal	Interest	
2021	\$ 1,130,000	\$ 49,248	\$	450,000	\$ 553,850	\$	130,000	\$ 453,250	\$	1,750,000	\$ 2,985,700	\$
2022	1,150,000	24,840		465,000	540,350		705,000	448,050		1,835,000	2,898,200	
2023	—	—		975,000	526,400		860,000	419,850		1,920,000	2,806,450	
2024	—	—		1,015,000	487,400		900,000	385,450		2,015,000	2,710,450	
2025	—	—		1,055,000	446,800		915,000	367,450		2,115,000	2,609,700	
2026	—	—		1,100,000	404,600		950,000	330,850		2,215,000	2,503,950	
2027	—	—		1,140,000	360,600		1,000,000	292,850		2,325,000	2,393,200	
2028	—	—		1,190,000	315,000		1,035,000	252,850		2,440,000	2,276,950	
2029	—	—		1,235,000	267,400		1,085,000	211,450		2,555,000	2,154,950	
2030	—	—		1,285,000	218,000		1,135,000	168,050		2,680,000	2,027,200	
2031	—	—		1,335,000	166,600		1,180,000	122,650		2,785,000	1,920,000	
2032	—	—		1,385,000	113,200		1,235,000	75,450		2,895,000	1,808,600	
2033	—	—		1,445,000	57,800		1,280,000	38,400		3,000,000	1,692,800	
2034	—	—		—	—		—	—		5,930,000	1,572,800	
2035	—	—		—	—		—	—		6,160,000	1,335,600	
2036	—	—		—	—		—	—		6,395,000	1,089,200	
2037	—	—		—	—		—	—		6,640,000	833,400	
2038	—	—		—	—		—	—		6,895,000	567,800	
2039	—	—		—	—		—	—		7,300,000	292,000	
Total	\$ 2,280,000	\$ 74,088	\$	14,075,000	\$ 4,458,000	\$	12,410,000	\$ 3,566,600	\$	69,850,000	\$ 36,478,950	\$
										98,615,000	\$ 44,577,638	\$
												143,192,638

See the independent auditors' report.

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

HISTORICAL DEBT SERVICE COVERAGE¹ For The Year Ended December 31, 2020

	2015	2016	2017	2018	2019	2020
Operating Revenues²	\$ 17,390,731	\$ 19,595,682	\$ 20,221,834	\$ 20,796,413	\$ 20,897,612	\$ 22,262,408
Nonoperating Revenues³	4,978,877	10,543,855	12,713,788	13,193,920	11,174,771	5,904,928
Gross Revenues	22,369,608	30,139,537	32,935,622	33,990,333	32,072,383	28,167,336
Less Operation And Maintenance Expenses (net of depreciation)²	(9,099,080)	(9,527,933)	(9,601,069)	(10,208,305)	(12,121,859)	(11,631,439)
Net Revenue	\$ 13,270,528	\$ 20,611,604	\$ 23,334,553	\$ 23,782,028	\$ 19,950,524	\$ 16,535,897
Historical Annual Debt Service⁴	\$ 10,342,888	\$ 10,216,177	\$ 9,186,724	\$ 10,120,571	\$ 10,083,849	\$ 7,502,399
Historical Coverage Factor	1.28	2.02	2.54	2.35	1.98	2.20

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

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**WATER ENTERPRISE OPERATIONAL DATA
For The Year Ended December 31, 2020**

**Residential Water And Irrigation Volume Charges
For The Year Ended December 31, 2020**

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

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

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

WATER ENTERPRISE OPERATIONAL DATA (CONTINUED) For The Year Ended December 31, 2020

Nonresidential Meter Size Water And Irrigation Charges For The Year Ended December 31, 2020

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

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

Nonresidential Water And Irrigation Volume Charges For The Year Ended December 31, 2020

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

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

WATER ENTERPRISE OPERATIONAL DATA *(Continued)* For The Year Ended December 31, 2020

Historic And Current Tap Fee Amounts

A history of tap fee amounts collected since 2016 is set forth in the following table:

	Water And Irrigation			Sewer		
	Amount	\$ Increase	% Increase	Amount	\$ Increase	% Increase
2016	25,690	742	2.9%	7,360	184	2.9%
2017	26,204	223	2.9%	7,507	1,048	14.2%
2018	26,990	786	2.9%	7,657	150	2.0%
2019	27,800	810	2.9%	7,810	153	2.0%
2020	28,634	834	2.9%	7,966	156	2.0%

History Of Water, Sewer And Irrigation Tap Fee Collections

A history of taps issued and the fees collected from taps since 2016 is presented in the following table:

Year	Water And Irrigation		Sewer		Total Tap Fee
	Number ¹	Revenue	Number	Revenue	Revenue
2016	224	5,857,228	371	2,786,406	8,643,634
2017	309	8,086,164	350	2,627,450	10,713,614
2018	288	7,543,439	408	3,065,790	10,609,229
2019	191	5,303,629	233	1,819,996	7,123,625
2020	134	3,844,912	153	1,221,694	5,066,606

1. Represents a tap equivalent.

Current Water And Irrigation Tap Equivalents As Of December 31, 2020

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

Customer Category	Type Of Tap		Total	Percentage Of Total
	Water	Irrigation		
Residential	3,083	1,202	4,285	43.8%
Nonresidential	4,336	1,161	5,497	56.2%
Total	7,419	2,363	9,782	100%

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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

	2016	2017	2018	2019	2020
Operating Revenues					
Water revenue	\$ 12,039,034	\$ 12,434,848	\$ 12,961,677	\$ 13,168,781	\$ 14,680,735
Sewer revenue	5,561,283	5,533,558	5,810,633	6,039,682	6,137,308
Fees for services	1,491,828	1,615,746	1,378,371	1,276,567	874,012
Miscellaneous	503,537	637,682	645,732	412,582	570,353
Total Operating Revenues	19,595,682	20,221,834	20,796,413	20,897,612	22,262,408
Operating Expenses					
Salaries, payroll taxes and benefits	3,704,529	3,719,661	3,833,313	4,094,909	4,203,848
Office expense	219,849	245,532	205,229	251,613	282,458
Professional services	1,163,704	1,045,983	1,178,153	897,033	592,773
Insurance expense	138,619	136,371	154,140	154,712	172,153
Operational expense	1,743,198	1,831,500	2,259,269	2,520,022	4,044,753
Contractual services	190,451	198,146	251,619	225,250	149,919
Repairs and maintenance	1,153,403	1,110,951	1,077,415	2,819,013	1,112,733
Utilities	1,193,027	1,299,021	1,240,170	1,149,678	1,061,457
Depreciation and depletion	2,940,160	2,689,953	2,938,962	2,700,347	2,869,707
Other supplies and expense	21,153	13,903	8,997	9,629	11,345
Total Operating Expenses	12,468,093	12,291,021	13,147,267	14,822,206	14,501,146
Operating Income	7,127,589	7,930,813	7,649,146	6,075,406	7,761,262
Nonoperating Revenues					
Gain on sale of asset	—	—	49,772	—	—
Interest subsidy	1,857,417	1,836,707	1,817,124	1,795,107	—
In-kind contributions	—	—	—	605,300	—
Settlement revenue	—	—	—	850,000	390,000
Interest	42,804	163,467	717,795	800,739	258,034
Total Nonoperating Revenues	1,900,221	2,000,174	2,584,691	4,051,146	648,034
Nonoperating Expenses					
Bond issue costs	—	—	—	393,135	—
Interest and fiscal charges	7,336,501	6,854,383	6,727,905	6,271,670	3,519,201
Total Nonoperating Expenses	7,336,501	6,854,383	6,727,905	6,664,805	3,519,201
Income Before Contributions	1,691,309	3,076,604	3,505,932	3,461,747	4,890,095
Capital Contributions					
Tap and extraterritorial fees	8,643,633	10,713,614	10,609,229	7,123,625	5,256,894
Change In Net Position	10,334,942	13,790,218	14,115,161	10,585,372	10,146,989
Net Position - Beginning Of Year	72,457,332	82,792,274	96,582,492	110,697,653	121,283,025
Net Position - End Of Year	\$ 82,792,274	\$ 96,582,492	\$ 110,697,653	\$ 121,283,025	\$ 131,430,014

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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

For The Years Ended December 31, 2020 And 2019

	2019			2020			2021		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues									
Water revenue	\$ 12,662,662	\$ 13,168,781	\$ 506,119	\$ 13,394,936	\$ 14,680,735	\$ 1,285,799	\$ 13,787,748	\$ 13,787,748	\$ 1,285,799
Sewer revenue	5,844,156	6,039,682	195,526	6,324,161	6,137,308	(186,853)	6,541,835	6,541,835	(186,853)
Water plant revenue	—	79,796	79,796	—	570,353	570,353	—	—	570,353
Fees for service	854,539	332,786	(521,753)	824,763	—	(824,763)	799,813	799,813	(824,763)
Interest subsidy	1,792,240	1,795,107	2,867	—	—	—	—	—	—
Interest	475,000	800,739	325,739	475,000	258,034	(216,966)	300,000	300,000	(216,966)
Other user fees	258,764	1,276,567	1,017,803	203,670	874,012	670,342	210,321	210,321	670,342
Tap and territorial fees	5,888,374	7,123,625	1,235,251	5,121,569	5,256,894	135,325	5,046,834	5,046,834	135,325
In-kind contributions	—	605,300	605,300	—	—	—	—	—	—
Settlement revenue	—	850,000	850,000	—	—	—	—	—	—
Loan proceeds	—	—	—	—	—	—	—	—	—
Total Revenues	27,775,735	32,072,383	4,296,648	26,344,099	30,396,163	4,052,064	26,686,551	26,686,551	4,052,064
Expenses									
Salaries and benefits	4,083,411	4,094,909	11,498	4,524,487	4,203,848	(320,639)	4,536,667	4,536,667	(320,639)
Office expense	313,449	251,613	(61,836)	319,529	282,458	(37,071)	458,501	458,501	(37,071)
Professional services	1,505,666	1,122,283	(472,026)	1,007,482	742,692	(264,790)	1,002,425	1,002,425	(264,790)
Insurance	199,779	154,712	(45,067)	214,342	172,153	(42,189)	223,914	223,914	(42,189)
Capital outlay	21,138,654	18,576,411	(2,562,243)	25,183,297	16,829,576	(8,353,721)	11,228,000	11,228,000	(8,353,721)
Acquisition of water rights	1,000,000	720,759	(279,241)	—	—	—	—	—	—
Repair and maintenance	1,404,199	2,819,013	1,414,814	1,200,070	1,112,733	(87,337)	1,193,522	1,193,522	(87,337)
Utilities	1,209,183	1,149,678	(59,505)	1,168,256	1,061,457	(106,799)	1,224,194	1,224,194	(106,799)
Operational expenses	3,213,992	2,520,022	(693,970)	4,161,912	4,044,753	(117,159)	4,522,464	4,522,464	(117,159)
Bond payments	10,083,849	10,083,849	—	7,502,399	7,502,399	—	7,655,334	7,655,334	—
Miscellaneous	14,900	9,629	(5,271)	414,900	11,345	(403,555)	413,200	413,200	(403,555)
Total Expenses	44,167,082	41,502,878	(2,752,847)	45,696,674	35,963,414	(9,733,260)	32,458,221	32,458,221	(9,733,260)
Excess Revenues Over (Under)									
Expenditures	(16,391,347)	(9,430,495)	7,049,495	(19,352,575)	(5,567,251)	13,785,324	(5,771,670)	(5,771,670)	13,785,324
Change In Net Position (Budgetary)	\$ (16,391,347)		\$ 7,049,495	\$ (19,352,575)		\$ 13,785,324	\$ (5,771,670)		\$ 13,785,324
Reconciliation To GAAP Basis									
Depreciation, depletion and amortization		(2,771,303)			(2,191,509)				
Capital outlay		19,297,170			16,829,576				
Loan proceeds		—			(2,228,827)				
Bond principal		3,490,000			3,305,000				
Change In Net Assets		10,585,372			10,146,989				
Net Position, Beginning Of Year		110,697,653			121,283,025				
Net Position, End Of Year		\$ 121,283,025			\$ 131,430,014				

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**OUTSTANDING REVENUE BONDS
For The Year Ended December 31, 2020**

	<u>Amount</u>
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2012	\$ 2,280,000
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2016	14,075,000
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2017	12,410,000
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2019	<u>69,850,000</u>
Total	<u><u>\$ 98,615,000</u></u>