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***ARAPAHOE COUNTY***  
***WATER AND WASTEWATER AUTHORITY***  
***A Component Unit Of Arapahoe County***  
***FINANCIAL STATEMENTS***  
***DECEMBER 31, 2021***

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## **Independent Auditors' Report**

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

### ***Opinion***

We have audited the financial statements of Arapahoe County Water & Wastewater Authority (ACWWA), a component unit of Arapahoe County, Colorado, which comprise the statement of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ACWWA as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis For Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of ACWWA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities Of Management For The Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ACWWA's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities For The Audit Of The Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ACWWA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ACWWA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

## ***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.

### *Supplementary 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, shown on pages 28 to 37, 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 accompanying 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 8, 2022

## 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, 2021 and 2020. 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 2021 fiscal year by \$ 13,704,000 (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 2021, 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 \$22,694,000 reflect an increase of \$432,000 or 2% from 2020.
- Operating expenses of \$14,958,000 increased \$456,000, or 3.15% from 2020 mostly due to salaries and benefits and other operational costs.
- Non-operating revenues decreased \$396,000, or 61% over 2020. The decrease is result of less settlement revenue and investment income.
- Non-operating expenses increased \$116,000 or 3.3%, from prior year.
- Tap and extra-territorial fees of \$9,351,000 reflect an increase of \$4,094,000 or 77% from 2020. ACWWA sold 229 Water and Irrigation Taps and 304 Wastewater Taps.
- Capital assets, net of depreciation and depletion, decreased \$1,414,000 or 1% from 2020.
- At December 31, 2021 and 2020, ACWWA's debt service coverage ratio was 2.67 and 2.16, 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,	
	2021	2020
Current assets	\$ 46,670,246	\$ 34,476,490
Restricted assets	6,235,775	6,550,094
Capital assets, net	205,791,290	207,205,627
Deferred outflows of resources	1,504,551	1,630,807
Total assets	<u>260,201,862</u>	<u>249,863,018</u>
Current liabilities	\$ 7,309,074	\$ 6,135,309
Long-term obligations	107,758,688	112,297,695
Total liabilities	<u>115,067,762</u>	<u>118,433,004</u>
Net position:		
Net investment in capital assets	96,735,448	94,299,624
Debt reserve	552,500	552,500
Reserved for capital projects	553,453	553,453
Unrestricted	47,292,699	36,024,437
Total net position	<u>145,134,100</u>	<u>131,430,014</u>
Total liabilities and net position	<u>\$ 260,201,862</u>	<u>\$ 249,863,018</u>

### Net Position

ACWWA's net position increased \$13,704,000 in 2021. Current assets at December 31, 2021 increased \$12,194,000 from December 31, 2020, primarily due to the decrease in pooled investments associated with capital spend. Receivables decreased slightly year over year. Restricted assets decreased \$314,000, as restricted funds were expended on designated capital projects.

Net capital assets decreased \$1,414,000 as a result current year disposals of assets no longer in service, annual depreciation/depletion expense and less overall spend on capital projects and equipment. Total liabilities decreased of \$3,365,000 resulting primarily from the decrease in long-term debt associated with annual debt payment of revenue bonds payable. Detailed information about ACWWA's long-term debt and other liabilities can be found in Note 5 to the financial statements.

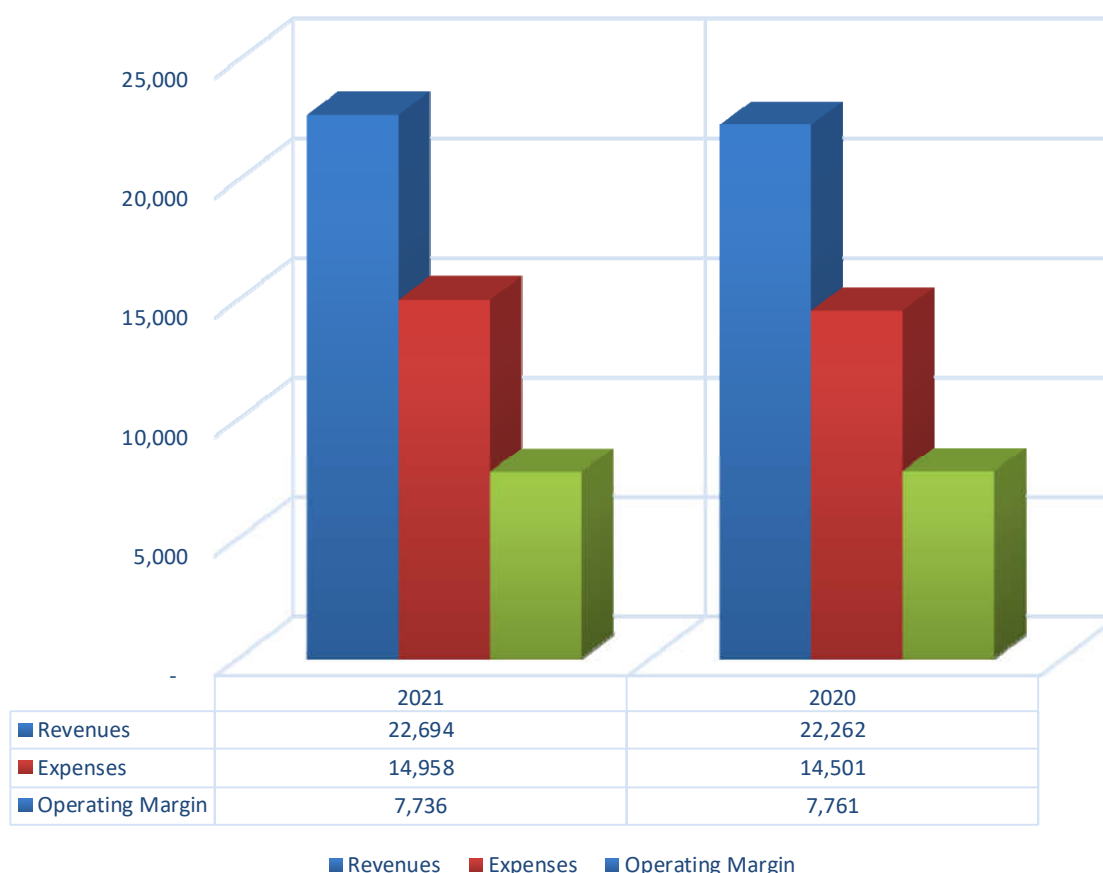
ACWWA's assets are primarily dedicated to providing water and wastewater services to its customers, and to the acquisition of water rights and related water and sewer system infrastructure. The acquisition of water rights ensures that the ACWWA will be able to provide reliable, high-quality water to 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, 2021 increased \$43,000 over December 31, 2020 due to the increase in imprest construction account balances less costs of the aforementioned projects above.

## Operating Revenues and Expenses in Thousands (000's)



<b>Change in Net Position</b>		
	<b>2021</b>	<b>2020</b>
<b>Revenues</b>		
Operating Revenue		
Water charges	\$ 14,740,124	\$ 14,680,735
Sewer charges	6,335,590	6,137,308
Fees for services	1,020,962	874,012
Water plant revenue	597,335	570,353
Total operating revenues	<u>22,694,011</u>	<u>22,262,408</u>
Nonoperating Revenues		
Net investment income	19,921	258,034
Settlement revenue	232,089	390,000
Capital contributions		
Tap and extraterritorial fees	<u>9,350,933</u>	<u>5,256,894</u>
Total revenues	<u>32,296,954</u>	<u>28,167,336</u>
<b>Expenses</b>		
Operating expenses		
Salaries and benefits	4,412,670	4,203,848
Office expense	246,778	282,458
Professional services	565,253	592,773
Insurance	200,810	172,153
Operational	4,172,092	4,044,753
Contractual services	163,445	149,919
Repairs and maintenance	1,197,238	1,112,733
Utilities	1,159,732	1,061,457
Depreciation and depletion	2,793,052	2,869,707
Other supplies and expense	<u>46,902</u>	<u>11,345</u>
Total operating expenses	<u>14,957,972</u>	<u>14,501,146</u>
Nonoperating expense		
Interest and fiscal charges	3,406,741	3,519,201
Loss on disposal of fixed assets	<u>228,155</u>	<u>—</u>
Total expenses	<u>18,592,868</u>	<u>18,020,347</u>
Change In Net Position	13,704,086	10,146,989
Total Net Position - Beginning Of Year	<u>131,430,014</u>	<u>121,283,025</u>
Total Net Position - End Of Year	<u>\$ 145,134,100</u>	<u>\$ 131,430,014</u>

## **Revenue and Expenditures**

Operating revenue in 2021 increased \$432,000 or 2%, from 2020. Revenue from water charges increased .4% from 2020 and sewer revenue increased 3.2%. Fees for service increased 17% due to the significant increase in the number of taps sold year over year. Water plant revenue increased from 2020 by \$27,000 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 increased a total of \$456,000, or 3.2% from 2020. However, net of depreciation, operating expenses increased \$533,000.

Salaries and benefits increased 5.0% due to an increase in benefits costs in addition to the annual merit increase. Office expense decreased \$36,000, and professional services decreased \$27,000 compared to 2020, as legal litigation fees and utilization of consulting services has continued to remain lower than prior years.

Operational expenses increased \$127,000 over 2020 due to additional costs related to ditch assessments and increased ACWWA flow treatment costs..

Repairs and maintenance costs increased slightly to \$1,197,000 from \$1,112,000 mostly due to an overall increase in costs and activity in the service area.

Utilities increased \$98,000 due to an increase in pumping costs due to the filling of Chamber's Reservoir that began during 2021.

Non-operating revenue decreased \$396,000 because of a reduction in settlement revenue between years and the continued decrease in investment income due to lower interest rates during the year and less overall

Tap and extraterritorial fees increased \$4,094,000 in 2021 as a number of larger construction projects began during.

Non-operating expenses increased \$116,000 from a loss on disposal of old assets and the additional interest expense related to the CWCB loan that was incurred for the first time in 2021.

In comparison to the budgeted decrease in net position of \$5,360,000, the increase in net position of \$6,863,000 was favorable towards budget by \$12,223,000. In addition to a favorable revenue variance of \$5,882,000, capital outlay was \$5,222,000 below budget. Of this amount, a total of \$4,625,000 is being carried forward to 2022.

## Capital Assets

Gross capital assets decreased \$8,620,000 in 2021 as ACWWA continued to make investments in water and wastewater infrastructure. Project expenditures included \$236,000 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 \$399,000 for the design of the third BNR clarifier, \$976,000 for the Chambers Reservoir Pump Station and Piping and \$299,000 for the expansion of the ECCV RO Northern Treatment plant. Once the ECCV projects are completed ACWWA anticipates to receive its full complement of 5.25 million gallons per day from its renewable northern water supply.

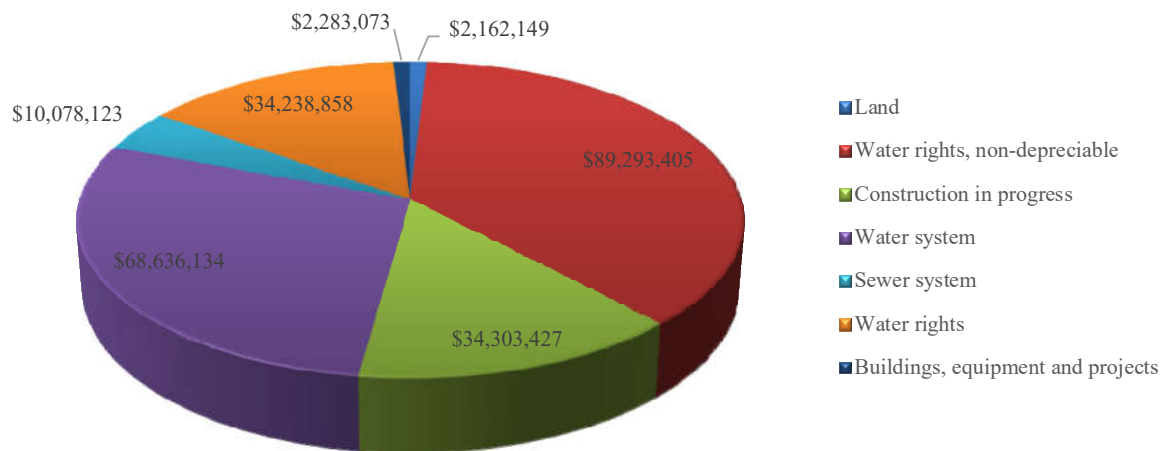
Other capital expenditures in 2021 included \$816,000 for adjudication of water rights, \$119,000 for VFD replacement at the wastewater plant and 120,000 Master Plan Update.

Gross capital assets at December 31, 2021 are categorized as follows:

### Capital Assets

	December 31,	
	2021	2020
Land	\$ 2,162,149	\$ 2,064,250
Water rights, non-depreciable	89,293,405	89,293,405
Construction in progress	34,303,427	29,564,876
Water system	68,636,134	70,360,566
Sewer system	10,078,123	16,535,709
Water rights	34,238,858	37,816,585
Buildings, equipment and projects	2,283,073	3,980,088
Total capital assets, gross	<u>\$ 240,995,169</u>	<u>\$ 249,615,479</u>

## Capital Assets, December 31, 2021



### Long Term Debt

As of December 31, 2021, ACWWA had \$95,155,000 in outstanding revenue bonds payable and a CWCB loan of \$2,500,000 debt, an overall decrease of \$3,460,000 from prior year. The reduction in outstanding debt in 2021 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 was commissioned in spring 2022 and it is anticipated to be completed by year end and implemented for the 2023 calendar year.

## **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 2021, 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 continued to experience strong tap sales from the continuous growth in the service area. However, it is expected that tap sales will begin to decline as the 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 four years and plans to utilize these funds for future capital needs.

In 2022, 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,	
	2021	2020
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13,897,419	\$ 6,717,914
Receivables	2,610,637	2,464,133
Prepaid expenses and other	451,379	101,731
Pooled investments	29,710,811	25,192,712
<b>Total Current Assets</b>	<b>46,670,246</b>	<b>34,476,490</b>
<b>Restricted Assets</b>		
Noncurrent cash and cash equivalents	4,908,391	4,865,456
Noncurrent pooled investments	1,327,384	1,684,638
<b>Total Restricted Assets</b>	<b>6,235,775</b>	<b>6,550,094</b>
<b>Capital Assets, Net</b>	<b>205,791,290</b>	<b>207,205,627</b>
<b>Total Assets</b>	<b>258,697,311</b>	<b>248,232,211</b>
<b>Deferred Outflows Of Resources</b>		
Deferred charges on refunding	1,504,551	1,630,807
<b>Total Assets And Deferred Outflows Of Resources</b>	<b>\$ 260,201,862</b>	<b>\$ 249,863,018</b>

### Liabilities And Net Position

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,970,263	\$ 1,564,922
Accrued payroll	82,154	68,766
Unearned revenue	—	38,587
Meter deposits	77,000	60,000
Escrowed development funds	244,043	203,353
Accrued interest payable	349,767	355,531
Compensated absences payable, current portion	430,847	384,150
Revenue bonds payable, current portion	4,155,000	3,460,000
<b>Total Current Liabilities</b>	<b>7,309,074</b>	<b>6,135,309</b>
<b>Long-Term Liabilities</b>		
Escrowed capital project funds	1,353,295	1,220,885
Revenue bonds payable, long-term portion	103,905,393	108,847,983
Note payable, long-term portion	2,500,000	2,228,827
<b>Total Long-Term Liabilities</b>	<b>107,758,688</b>	<b>112,297,695</b>
<b>Total Liabilities</b>	<b>115,067,762</b>	<b>118,433,004</b>
<b>Net Position</b>		
Net investment in capital assets	96,735,448	94,299,624
Restricted for capital projects	552,500	552,500
Restricted for debt reserve	553,453	553,453
Unrestricted	47,292,699	36,024,437
<b>Total Net Position</b>	<b>145,134,100</b>	<b>131,430,014</b>
<b>Total Liabilities And Net Position</b>	<b>\$ 260,201,862</b>	<b>\$ 249,863,018</b>

# ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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

	For The Years Ended December 31,	
	2021	2020
<b>Operating Revenue</b>		
Water revenue	\$ 14,740,124	\$ 14,680,735
Sewer revenue	6,335,590	6,137,308
Fees for services	1,020,962	874,012
Water plant revenue	597,335	570,353
<b>Total Operating Revenues</b>	<b>22,694,011</b>	<b>22,262,408</b>
<b>Operating Expenses</b>		
Salaries and benefits	4,412,670	4,203,848
Office expense	246,778	282,458
Professional services	565,253	592,773
Insurance	200,810	172,153
Operational	4,172,092	4,044,753
Contractual services	163,445	149,919
Repairs and maintenance	1,197,238	1,112,733
Utilities	1,159,732	1,061,457
Depreciation and depletion	2,793,052	2,869,707
Other supplies and expense	46,902	11,345
<b>Total Operating Expenses</b>	<b>14,957,972</b>	<b>14,501,146</b>
<b>Operating Income</b>	<b>7,736,039</b>	<b>7,761,262</b>
<b>Nonoperating Revenues</b>		
Net investment income	19,921	258,034
Settlement revenue	232,089	390,000
<b>Total Nonoperating Revenues</b>	<b>252,010</b>	<b>648,034</b>
<b>Nonoperating Expenses</b>		
Interest and fiscal charges	3,406,741	3,519,201
Loss on disposal of fixed assets	228,155	—
<b>Total Nonoperating Expenses</b>	<b>3,634,896</b>	<b>3,519,201</b>
<b>Income Before Contributions</b>	<b>4,353,153</b>	<b>4,890,095</b>
<b>Capital Contributions</b>		
Tap and extraterritorial fees	9,350,933	5,256,894
<b>Change In Net Position</b>	<b>13,704,086</b>	<b>10,146,989</b>
<b>Total Net Position - Beginning Of Year</b>	<b>131,430,014</b>	<b>121,283,025</b>
<b>Total Net Position - End Of Year</b>	<b>\$ 145,134,100</b>	<b>\$ 131,430,014</b>



# ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

## STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2021	2020
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 22,508,920	\$ 21,902,188
Payments to suppliers	(7,679,557)	(8,170,769)
Payments to employees and related expenses	(4,352,585)	(4,333,176)
<b>Net Cash Provided By Operating Activities</b>	<b>10,476,778</b>	<b>9,398,243</b>
<b>Cash Flows From Capital And Related Financing Activities</b>		
Net tap and extraterritorial fees	9,350,933	5,256,894
Principal payments on bonds	(3,460,000)	(3,305,000)
Loan proceeds	271,173	2,228,827
Interest paid on revenue bonds	(4,073,839)	(4,197,399)
Payments for capital acquisitions	(6,005,589)	(16,829,576)
Settlement payment	232,089	390,000
Proceeds from sale of capital assets	4,398,720	28,100
<b>Net Cash Provided by (Used In) Capital And Related Financing Activities</b>	<b>713,487</b>	<b>(16,428,154)</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of short-term pooled investments	(4,518,802)	(4,670,375)
Sales of short-term pooled investments	357,957	13,181,278
Interest received	19,921	258,034
Payments to escrowed development funds	173,100	142,015
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(3,967,824)</b>	<b>8,910,952</b>
<b>Net Increase In Cash And Cash Equivalents</b>	<b>7,222,441</b>	<b>1,881,041</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>11,583,370</b>	<b>9,702,329</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 18,805,811</b>	<b>\$ 11,583,370</b>
<b>Reconciliation Of Operating Income To Net Cash Provided By Operating Activities</b>		
Operating income:	\$ 7,736,039	\$ 7,761,262
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and depletion	2,793,052	2,869,707
Changes in asset and liabilities:		
Accounts receivable	(146,504)	(196,244)
Prepaid expenses	(349,648)	163,581
Accounts payable and accrued expenses	465,426	(1,034,087)
Deferred revenue	(38,587)	(163,976)
Meter deposits	17,000	(2,000)
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 10,476,778</b>	<b>\$ 9,398,243</b>

# ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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## NOTES TO FINANCIAL STATEMENTS December 31, 2021 And 2020

### 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, 2021, 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

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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.

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

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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 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

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## 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, 2021, 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 \$430,847 and \$384,150 as of December 31, 2021 and 2020, 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, 2021 and 2020 consisted of the following:

	2021	2020
<b>Statement Of Net Position</b>		
Cash and cash equivalents	\$ 13,897,419	\$ 6,717,914
Cash and cash equivalents - restricted	4,908,391	4,865,456
<b>Total Cash And Cash Equivalents</b>	<b>\$ 18,805,810</b>	<b>\$ 11,583,370</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, 2021 and 2020, ACWWA had bank deposits of \$19,059,862 and \$12,121,103, respectively, collateralized with securities held by the financial institution's agent, but not in ACWWA's name.

## ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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

#### **Investments**

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

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

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

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

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

**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

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Notes To Financial Statements (*Continued*)

ACWWA's Colorado Government Liquid Asset Trust (COLOTRUST) external investment pool of \$30,498,679 at December 31, 2021 is valued using the NAV per share (or its equivalents) of the investments. ACWWA had \$26,338,023 invested in COLOTRUST at December 31, 2020. 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 \$539,516 at December 31, 2021 is valued using amortized cost. ACWWA had \$539,327 invested in CSAFE at December 31, 2020.

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.

<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)	\$ 30,498,679	AAAm	\$ 30,498,679
CSAFE (external investment pool)	539,516	AAAf	539,516
	<u>\$ 31,038,195</u>		<u>\$ 31,038,195</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, 2021 and 2020 is as follows:

	Balance At December 31, 2020	Increases	Decreases	Balance At December 31, 2021
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 2,064,250	\$ 97,899	\$ —	\$ 2,162,149
Water rights	89,293,405	—	—	89,293,405
Construction in progress	29,564,876	5,988,071	1,249,520	34,303,427
<b>Total Capital Assets, Not Being Depreciated</b>	<b>120,922,531</b>	<b>6,085,970</b>	<b>1,249,520</b>	<b>125,758,981</b>
<b>Capital Assets, Being Depreciated</b>				
Water system	70,360,566	404,940	2,129,372	68,636,134
Sewer system	16,535,709	612,056	7,069,642	10,078,123
Water rights	37,816,585	—	3,577,727	34,238,858
Buildings, equipment and projects	3,980,088	25,260	1,722,275	2,283,073
<b>Total Capital Assets, Being Depreciated</b>	<b>128,692,948</b>	<b>1,042,256</b>	<b>14,499,016</b>	<b>115,236,188</b>
<b>Less Accumulated Depreciation For:</b>				
Water system	23,175,692	1,959,909	1,808,211	23,327,390
Sewer system	13,517,294	625,335	6,270,020	7,872,609
Water right depletion	2,102,680	151,267	224,180	2,029,767
Buildings, equipment and projects	3,614,186	56,541	1,696,614	1,974,113
<b>Total Accumulated Depreciation</b>	<b>42,409,852</b>	<b>2,793,052</b>	<b>9,999,025</b>	<b>35,203,879</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>86,283,096</b>	<b>(1,750,796)</b>	<b>4,499,991</b>	<b>80,032,309</b>
<b>Capital Assets, Net</b>	<b>\$ 207,205,627</b>	<b>\$ 4,335,174</b>	<b>\$ 5,749,511</b>	<b>\$ 205,791,290</b>

# ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

## Notes To Financial Statements (Continued)

	Balance At December 31, 2019	Increases	Decreases	Balance At December 31, 2020
<b>Capital Assets, Not Being Depreciated</b>				
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
<b>Total Capital Assets, Not Being Depreciated</b>	110,223,538	16,568,310	5,869,317	120,922,531
<b>Capital Assets, Being Depreciated</b>				
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
<b>Total Capital Assets, Being Depreciated</b>	122,630,148	6,102,483	39,683	128,692,948
<b>Less Accumulated Depreciation For:</b>				
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 rights depletion	1,951,414	151,266	—	2,102,680
Buildings, equipment and projects	3,563,589	50,597	—	3,614,186
<b>Total Accumulated Depreciation</b>	39,579,828	2,869,707	39,683	42,409,852
<b>Total Capital Assets, Being Depreciated, Net</b>	83,050,320	3,232,776	—	86,283,096
<b>Capital Assets, Net</b>	\$ 193,273,858	\$ 19,801,086	\$ 5,869,317	\$ 207,205,627

Depreciation and depletion expense for the years ended December 31, 2021 and 2020 was charged to the following:

	2021	2020
Water	\$ 2,111,176	\$ 2,177,399
Sewer	625,335	641,711
Buildings, equipment and projects	56,541	50,597
	<b>\$ 2,793,052</b>	<b>\$ 2,869,707</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, 2021 and 2020:

	Balance At December 31, 2020	Increases	Decreases	Balance At December 31, 2021	Amounts Due Within One Year
Series 2012					
Revenue bonds	\$ 2,280,000	\$ —	\$ 1,130,000	\$ 1,150,000	\$ 1,150,000
Series 2016					
Revenue bonds	14,075,000	—	450,000	13,625,000	465,000
Bond premium	1,620,159	—	125,433	1,494,726	—
Series 2017					
Revenue bonds	12,410,000	—	130,000	12,280,000	705,000
Bond premium	975,234	—	75,501	899,733	—
Series 2019					
Revenue bonds	69,850,000	—	1,750,000	68,100,000	1,835,000
Bond premium	11,097,590	—	586,656	10,510,934	—
CWCB note payable	2,228,827	271,173	—	2,500,000	—
<b>Total Bonds Payable</b>	<b>114,536,810</b>	<b>271,173</b>	<b>4,247,590</b>	<b>110,560,393</b>	<b>4,155,000</b>
Compensated absences	384,150	270,797	224,100	430,847	430,847
<b>Total Long-Term Obligations</b>	<b>\$ 114,920,960</b>	<b>\$ 541,970</b>	<b>\$ 4,471,690</b>	<b>\$ 110,991,240</b>	<b>\$ 4,585,847</b>

	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	—
<b>Total Bonds Payable</b>	<b>116,400,575</b>	<b>2,228,827</b>	<b>4,092,592</b>	<b>114,536,810</b>	<b>3,460,000</b>
Compensated absences	384,344	328,849	329,043	384,150	384,150
<b>Total Long-Term Obligations</b>	<b>\$ 116,784,919</b>	<b>\$ 2,557,676</b>	<b>\$ 4,421,635</b>	<b>\$ 114,920,960</b>	<b>\$ 3,844,150</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 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, 2021 and 2020, \$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.

#### **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.

## ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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

#### **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, 2021 and 2020 were \$20,132,035 and \$16,520,922, respectively. Debt service payments for the years ended December 31, 2021 and 2020 were \$7,502,048 and \$7,502,399, respectively.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,265,000	3,239,400	7,504,400
2027 - 2031	24,405,000	13,147,750	37,552,750
2032 - 2036	29,725,000	7,783,850	37,508,850
2037 - 2039	20,835,000	1,693,200	22,528,200
<b>Total Payments</b>	<b>\$ 95,155,000</b>	<b>\$ 40,535,590</b>	<b>\$ 135,690,590</b>

#### **Colorado Water Conservation Board Note Payable**

In August 2020, ACWWA entered in to an agreement with the Colorado Water Conservation Board (CWCB) 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. In August 2021, ACWWA and CWCB amended this agreement and increased the amount to be drawn on loan to \$4,040,000. A formal amortization schedule will be developed, and the note will begin payments upon project completion, which is expected to occur in 2023. ACWWA has drawn \$2,500,000 and \$2,228,827 of the loan proceeds, which are included in long-term notes payable at December 31, 2021 and 2020, respectively.

# ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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## Notes To Financial Statements (*Continued*)

### 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, 2021 and 2020, ACWWA had net investment in capital assets calculated as follows:

	2021	2020
<b>Net Investment In Capital Assets</b>		
Capital assets, net	\$ 205,791,290	\$ 207,205,627
Deferred charges on refunding	1,504,551	1,630,807
Bond premium	(12,905,393)	(13,692,983)
Capital-related debt	(97,655,000)	(100,843,827)
<b>Net Investment In Capital Assets</b>	<b>\$ 96,735,448</b>	<b>\$ 94,299,624</b>

### 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, ACWAA received \$2,990,259 for its share of a partial sale of the CCPWA asset and sold the remaining amount in 2021 for approximately \$4,500,000.

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

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

#### **Town Of Castle Rock**

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

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

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

#### **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 (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 1,527 and 1,335 acre feet from the ACWWA flow project in 2021 and 2020, respectively.

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, 2021, ACWWA has spent approximately \$186,000,000 on the ACWWA Flow Project, with a current estimate of approximately \$24,000,000 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 CWSO concerning the construction of water treatment facilities (now known as the Joint Water Purification Plant or JWPP). The 2003 agreement, among other things, assigns responsibility to ACWWA for the overall management and operations of JWPP. Under the terms of the agreement, ACWWA is to be the manager and operator of JWPP (which operations can be subcontracted to a third party). 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 (subsequently resolved) as a result of an alleged permit violation from the Colorado Department of Public Health and Environment (CDPHE), 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. To remain in compliance with the CDPHE, JWPP changed from a RO-based system to microfiltration in 2012.

## ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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

In December 2014, CWSD and ACWWA entered into an agreement for the operation and maintenance of, and improvement to, JWPP. The agreement is 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 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 performs 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, maintains both a separate JWPP general operating fund, along with a separate JWPP reserve fund. The minimum reserve fund of \$100,000 was funded through CWSD and ACWWA contributing to the reserve fund, with each party funding its portion of the initial reserve amount by paying its respective portion. The parties shall continue to contribute sufficient dollars to maintain the reserve fund at its minimum balance if below the required reserve amount. As of December 31, 2021, the reserve was fully funded.

JWPP was operated as a microfiltration plant from 2012 to December 2018. At that time, the plant was shut down so work could begin on converting the JWPP to a blended RO/microfiltration process, utilizing a biological treatment process. In August 2018, ACWWA and CWSD contracted Jacobs Engineering to convert JWPP to a biological treatment process 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. Jacobs Engineering was also contracted to operate JWPP through December 31, 2022. The conversion contract had not been completed by Jacobs Engineering as of December 31, 2021.

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*.

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

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

#### **Stonegate Village Metropolitan District**

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

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 2023.

#### **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.

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

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

#### **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 2021 and 2020 totaled approximately \$1,020,000 and \$2,600,000, respectively.

#### **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 2021 and 2020 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. 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, 2021 and 2020 were \$406,126 and \$373,499, respectively. Total payroll was \$3,397,394 and \$3,013,917 for the years ended December 31, 2021 and 2020, respectively. Total employer contributions represented 11.8% and 12.4% of total compensation for the years ended December 31, 2021 and 2020, 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

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### 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, 2021 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

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### 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, 2021 and 2020. 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, 2021

	Original And Final Budget	Actual	Variance With Budget Positive (Negative)
<b>Revenues</b>			
Water revenue	\$ 13,767,748	\$ 14,740,124	\$ 972,376
Sewer revenue	6,541,835	6,335,590	(206,245)
RO plant revenue	—	597,335	597,335
Interest	300,000	19,921	(280,079)
Fees for service	1,030,134	1,020,962	(9,172)
Tap and territorial fees	5,046,834	9,350,933	4,304,099
Loan proceeds	—	271,173	271,173
Settlement revenue	—	232,089	232,089
<b>Total Revenues</b>	26,686,551	32,568,127	5,881,576
<b>Expenditures</b>			
Salaries and benefits	4,594,142	4,412,670	181,472
Office expense	442,163	246,778	195,385
Professional services	774,180	565,253	208,927
Contractual services	138,522	163,445	(24,923)
Insurance	182,439	200,810	(18,371)
Capital outlay	11,228,001	6,005,589	5,222,412
Repair and maintenance	1,193,522	1,197,238	(3,716)
Utilities	1,227,194	1,159,732	67,462
Operational expenses	4,609,537	4,172,092	437,445
Other supplies and expense	1,008	46,902	(45,894)
Bond payments	7,655,330	7,533,839	121,491
<b>Total Expenditures</b>	32,046,038	25,704,348	6,341,690
<b>Change In Net Position (Budgetary Basis)</b>	\$ (5,359,487)	\$ 6,863,779	\$ 12,223,266



**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, 2021**

<b>Change In Net Position (Budgetary Basis)</b>	\$ 6,863,779
Depreciation, depletion and amortization	(2,125,954)
Capital outlay	6,005,589
Loss on disposal of fixed assets	(228,155)
Bond proceeds	(271,173)
Bond principal payments	<u>3,460,000</u>
<b>Change In Net Position</b>	13,704,086
<b>Net Position, Beginning Of Year</b>	<u>131,430,014</u>
<b>Net Position, End Of Year</b>	<u><u>\$ 145,134,100</u></u>

# ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

## SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY December 31, 2021

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			Total Debt Service Requirements		
	Principal	Interest		Principal	Interest		Principal	Interest		Principal	Interest		Principal	Interest	Total
2022	\$ 1,150,000	\$ 24,840		\$ 465,000	\$ 540,350		\$ 705,000	\$ 448,050		\$ 1,835,000	\$ 2,898,200		\$ 4,155,000	\$ 3,911,440	\$ 8,066,440
2023	—	—		975,000	526,400		860,000	419,850		1,920,000	2,806,450		3,755,000	3,752,700	7,507,700
2024	—	—		1,015,000	487,400		900,000	385,450		2,015,000	2,710,450		3,930,000	3,583,300	7,513,300
2025	—	—		1,055,000	446,800		915,000	367,450		2,115,000	2,609,700		4,085,000	3,423,950	7,508,950
2026	—	—		1,100,000	404,600		950,000	330,850		2,215,000	2,503,950		4,265,000	3,239,400	7,504,400
2027	—	—		1,140,000	360,600		1,000,000	292,850		2,325,000	2,393,200		4,465,000	3,046,650	7,511,650
2028	—	—		1,190,000	315,000		1,035,000	252,850		2,440,000	2,276,950		4,665,000	2,844,800	7,509,800
2029	—	—		1,235,000	267,400		1,085,000	211,450		2,555,000	2,154,950		4,875,000	2,633,800	7,508,800
2030	—	—		1,285,000	218,000		1,135,000	168,050		2,680,000	2,027,200		5,100,000	2,413,250	7,513,250
2031	—	—		1,335,000	166,600		1,180,000	122,650		2,785,000	1,920,000		5,300,000	2,209,250	7,509,250
2032	—	—		1,385,000	113,200		1,235,000	75,450		2,895,000	1,808,600		5,515,000	1,997,250	7,512,250
2033	—	—		1,445,000	57,800		1,280,000	38,400		3,000,000	1,692,800		5,725,000	1,789,000	7,514,000
2034	—	—		—	—		—	—		5,930,000	1,572,800		5,930,000	1,572,800	7,502,800
2035	—	—		—	—		—	—		6,160,000	1,335,600		6,160,000	1,335,600	7,495,600
2036	—	—		—	—		—	—		6,395,000	1,089,200		6,395,000	1,089,200	7,484,200
2037	—	—		—	—		—	—		6,640,000	833,400		6,640,000	833,400	7,473,400
2038	—	—		—	—		—	—		6,895,000	567,800		6,895,000	567,800	7,462,800
2039	—	—		—	—		—	—		7,300,000	292,000		7,300,000	292,000	7,592,000
<b>Total</b>	<b>\$ 1,150,000</b>	<b>\$ 24,840</b>		<b>\$ 13,625,000</b>	<b>\$ 3,904,150</b>		<b>\$ 12,280,000</b>	<b>\$ 3,113,350</b>		<b>\$ 68,100,000</b>	<b>\$ 33,493,250</b>		<b>\$ 95,155,000</b>	<b>\$ 40,535,590</b>	<b>\$ 135,690,590</b>

See the independent auditors' report.

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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, 2021

	2016	2017	2018	2019	2020	2021
<b>Operating Revenues</b> <sup>2</sup>	\$ 19,595,682	\$ 20,221,834	\$ 20,796,413	\$ 20,897,612	\$ 22,262,408	\$ 22,694,011
<b>Nonoperating Revenues</b> <sup>3</sup>	10,543,855	12,713,788	13,193,920	11,174,771	5,904,928	9,602,943
<b>Gross Revenues</b>	30,139,537	32,935,622	33,990,333	32,072,383	28,167,336	32,296,954
<b>Less Operation And Maintenance Expenses (net of depreciation)</b> <sup>2</sup>	(9,527,933)	(9,601,069)	(10,208,305)	(12,121,859)	(11,631,439)	(12,164,920)
<b>Net Revenue</b>	\$ 20,611,604	\$ 23,334,553	\$ 23,782,028	\$ 19,950,524	\$ 16,535,897	\$ 20,132,034
<b>Historical Annual Debt Service</b> <sup>4</sup>	\$ 10,216,177	\$ 9,186,724	\$ 10,120,571	\$ 10,083,849	\$ 7,502,399	\$ 7,533,839
<b>Historical Coverage Factor</b>	2.02	2.54	2.35	1.98	2.20	2.67

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, Build America Bond 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**

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**WATER ENTERPRISE OPERATIONAL DATA  
For The Year Ended December 31, 2021**

**Residential Water And Irrigation Volume Charges  
For The Year Ended December 31, 2021**

For residential customers, ACWWA imposes a monthly service fee of \$42.27 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	\$ 4.19
Block 2	4,001	10,000	5.24
Block 3	10,001	30,000	6.56
Block 4	30,001	> 30,001	8.19

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, 2021

### Nonresidential Meter Size Water And Irrigation Charges For The Year Ended December 31, 2021

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"	\$ 45.74
1"	91.46
1½"	182.92
2"	365.86
3"	823.21
4"	1,737.86
6"	3,292.78

### Nonresidential Water And Irrigation Volume Charges For The Year Ended December 31, 2021

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
<b>Volume Rate</b>							
Block 1	\$ 4.68	\$ 4.68	\$ 4.68	\$ 4.68	\$ 4.68	\$ 4.68	\$ 4.68
Block 2	5.85	5.85	5.85	5.85	5.85	5.85	5.85
Block 3	7.31	7.31	7.31	7.31	7.31	7.31	7.31
Block 4	9.17	9.17	9.17	9.17	9.17	9.17	9.17

# ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

## WATER ENTERPRISE OPERATIONAL DATA (CONTINUED) For The Year Ended December 31, 2021

### Historic And Current Tap Fee Amounts

A history of tap fee amounts collected since 2017 is set forth in the following table:

	Water And Irrigation			Sewer		
	Amount	\$ Increase	% Increase	Amount	\$ Increase	% Increase
2017	26,204	223	0.9%	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%
2021	29,493	859	2.9%	8,126	159	2.0%

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

A history of taps issued and the fees collected from taps since 2017 is presented in the following table:

Year	Water And Irrigation		Sewer		Total Tap Fee
	Number <sup>1</sup>	Revenue	Number	Revenue	Revenue
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
2021	229	6,332,531	304	2,471,416	8,803,947

1. Represents a tap equivalent.

### Current Water And Irrigation Tap Equivalents As Of December 31, 2021

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	3,092	1,202	4,294	42.9%
Nonresidential	4,514	1,203	5,717	57.1%
<b>Total</b>	<b>7,606</b>	<b>2,405</b>	<b>10,011</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,

	2017	2018	2019	2020	2021
<b>Operating Revenues</b>					
Water revenue	\$ 12,434,848	\$ 12,961,677	\$ 13,168,781	\$ 14,680,735	\$ 14,740,124
Sewer revenue	5,533,558	5,810,633	6,039,682	6,137,308	6,335,590
Fees for services	1,615,746	1,378,371	1,276,567	874,012	1,020,962
Miscellaneous	637,682	645,732	412,582	570,353	597,335
<b>Total Operating Revenues</b>	<b>20,221,834</b>	<b>20,796,413</b>	<b>20,897,612</b>	<b>22,262,408</b>	<b>22,694,011</b>
<b>Operating Expenses</b>					
Salaries, payroll taxes and benefits	3,719,661	3,833,313	4,094,909	4,203,848	4,412,670
Office expense	245,532	205,229	251,613	282,458	246,778
Professional services	1,045,983	1,178,153	897,033	592,773	565,253
Insurance expense	136,371	154,140	154,712	172,153	200,810
Operational expense	1,831,500	2,259,269	2,520,022	4,044,753	4,172,092
Contractual services	198,146	251,619	225,250	149,919	163,445
Repairs and maintenance	1,110,951	1,077,415	2,819,013	1,112,733	1,197,238
Utilities	1,299,021	1,240,170	1,149,678	1,061,457	1,159,732
Depreciation and depletion	2,689,953	2,938,962	2,700,347	2,869,707	2,793,052
Other supplies and expense	13,903	8,997	9,629	11,345	46,902
<b>Total Operating Expenses</b>	<b>12,291,021</b>	<b>13,147,267</b>	<b>14,822,206</b>	<b>14,501,146</b>	<b>14,957,972</b>
<b>Operating Income</b>	<b>7,930,813</b>	<b>7,649,146</b>	<b>6,075,406</b>	<b>7,761,262</b>	<b>7,736,039</b>
<b>Nonoperating Revenues</b>					
Gain on sale of asset	—	49,772	—	—	—
Interest subsidy	1,836,707	1,817,124	1,795,107	—	—
In-kind contributions	—	—	605,300	—	—
Settlement revenue	—	—	850,000	390,000	232,089
Interest	163,467	717,795	800,739	258,034	19,921
<b>Total Nonoperating Revenues</b>	<b>2,000,174</b>	<b>2,584,691</b>	<b>4,051,146</b>	<b>648,034</b>	<b>252,010</b>
<b>Nonoperating Expenses</b>					
Bond issue costs	—	—	393,135	—	—
Interest and fiscal charges	6,854,383	6,727,905	6,271,670	3,519,201	3,406,741
Loss on disposal of fixed assets	—	—	—	—	228,155
<b>Total Nonoperating Expenses</b>	<b>6,854,383</b>	<b>6,727,905</b>	<b>6,664,805</b>	<b>3,519,201</b>	<b>3,634,896</b>
<b>Income Before Contributions</b>	<b>3,076,604</b>	<b>3,505,932</b>	<b>3,461,747</b>	<b>4,890,095</b>	<b>4,353,153</b>
<b>Capital Contributions</b>					
Tap and extraterritorial fees	10,713,614	10,609,229	7,123,625	5,256,894	9,350,933
<b>Change In Net Position</b>	<b>13,790,218</b>	<b>14,115,161</b>	<b>10,585,372</b>	<b>10,146,989</b>	<b>13,704,086</b>
<b>Net Position - Beginning Of Year</b>	<b>82,792,274</b>	<b>96,582,492</b>	<b>110,697,653</b>	<b>121,283,025</b>	<b>131,430,014</b>
<b>Net Position - End Of Year</b>	<b>\$ 96,582,492</b>	<b>\$ 110,697,653</b>	<b>\$ 121,283,025</b>	<b>\$ 131,430,014</b>	<b>\$ 145,134,100</b>



# ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

## BUDGET TO ACTUAL (NON-GAAP) COMPARISON OF RESULTS OF OPERATIONS For The Years Ended December 31, 2021 And 2020

	2020			2021			2022		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Budget
<b>Revenues</b>									
Water revenue	\$ 13,394,936	\$ 14,680,735	\$ 1,285,799	\$ 13,767,748	\$ 14,740,124	\$ 972,376	\$ 14,725,352		\$ 14,725,352
Sewer revenue	6,324,161	6,137,308	(186,853)	6,541,835	6,335,590	(206,245)	6,384,605		6,384,605
Water plant revenue	—	570,353	570,353	—	597,335	597,335	1,092,615		1,092,615
Interest	475,000	258,034	(216,966)	300,000	19,921	(280,079)	50,000		50,000
Other user fees	1,028,433	874,012	(154,421)	1,030,134	1,020,962	(9,172)	881,161		881,161
Tap and territorial fees	5,121,569	5,256,894	135,325	5,046,834	9,350,933	4,304,099	5,180,989		5,180,989
Settlement revenue	—	390,000	390,000	—	232,089	232,089	—		—
Loan proceeds	—	2,228,827	2,228,827	—	271,173	271,173	1,500,000		1,500,000
<b>Total Revenues</b>	<b>26,344,099</b>	<b>30,396,163</b>	<b>4,052,064</b>	<b>26,686,551</b>	<b>32,568,127</b>	<b>5,881,576</b>	<b>29,814,722</b>		<b>29,814,722</b>
<b>Expenses</b>									
Salaries and benefits	4,524,487	4,203,848	(320,639)	4,594,142	4,412,670	(181,472)	4,849,927		4,849,927
Office expense	319,529	282,458	(37,071)	442,163	246,778	(195,385)	410,210		410,210
Professional services	1,007,482	742,692	(264,790)	912,702	728,698	(184,004)	1,072,376		1,072,376
Insurance	214,342	172,153	(42,189)	182,439	200,810	18,371	214,897		214,897
Capital outlay	25,183,297	16,829,576	(8,353,721)	11,228,001	6,005,589	(5,222,412)	12,529,000		12,529,000
Repair and maintenance	1,200,070	1,112,733	(87,337)	1,193,522	1,197,238	3,716	1,388,341		1,388,341
Utilities	1,168,256	1,061,457	(106,799)	1,227,194	1,159,732	(67,462)	1,238,715		1,238,715
Operational expenses	4,161,912	4,044,753	(117,159)	4,609,537	4,172,092	(437,445)	4,825,820		4,825,820
Bond payments	7,502,399	7,502,399	—	7,655,330	7,533,839	(121,491)	8,142,232		8,142,232
Miscellaneous	414,900	11,345	(403,555)	1,008	46,902	45,894	415,200		415,200
<b>Total Expenses</b>	<b>45,696,674</b>	<b>35,963,414</b>	<b>(9,733,260)</b>	<b>32,046,038</b>	<b>25,704,348</b>	<b>(6,341,690)</b>	<b>35,086,718</b>		<b>35,086,718</b>
<b>Excess Revenues Over (Under)</b>									
<b>Expenditures</b>	(19,352,575)	(5,567,251)	13,785,324	(5,359,487)	6,863,779	12,223,266	(5,271,996)		(5,271,996)
<b>Change In Net Position (Budgetary)</b>	<b>\$ (19,352,575)</b>		<b>\$ 13,785,324</b>	<b>\$ (5,359,487)</b>		<b>\$ 12,223,266</b>	<b>\$ (5,271,996)</b>		
<b>Reconciliation To GAAP Basis</b>									
Depreciation, depletion and amortization		(2,191,509)			(2,125,954)				
Capital outlay		16,829,576			6,005,589				
Loss on disposal of fixed assets		—			(228,155)				
Loan proceeds		(2,228,827)			(271,173)				
Bond principal		3,305,000			3,460,000				
<b>Change In Net Assets</b>		10,146,989			13,704,086				
<b>Net Position, Beginning Of Year</b>		121,283,025			131,430,014				
<b>Net Position, End Of Year</b>		<b>\$ 131,430,014</b>			<b>\$ 145,134,100</b>				

**ARAPAHOE COUNTY WATER AND  
WASTEWATER AUTHORITY**

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**OUTSTANDING REVENUE BONDS  
For The Year Ended December 31, 2021**

	<u><b>Amount</b></u>
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2012	\$ 1,150,000
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2016	13,625,000
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2017	12,280,000
Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2019	<u>68,100,000</u>
<b>Total</b>	<u><u>\$ 95,155,000</u></u>