
***ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY***
A Component Unit Of Arapahoe County
FINANCIAL STATEMENTS
DECEMBER 31, 2023

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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, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the year 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As described in Note 2 to the financial statements, effective January 1, 2023, the ACWWA changed its method of accounting for long-term software agreements by adopting Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Basis For Opinion

We conducted our audit 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 audit. 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 audit 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 audit 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 30 to 39, 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 audit 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 audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

May 13, 2024

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, 2023. Please read it in conjunction with ACWWA's financial statements, which begin on page 5.

Financial Highlights

- ACWWA's revenues exceeded its expenses at the close of the 2023 fiscal year by \$24,613,000 (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 2023, 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 approximately \$23,618,000 reflect a decrease of approximately \$86,000 or -.4% from 2022.
- Operating expenses of approximately \$18,858,000 increased approximately \$2,742,000, or 17.0% from 2022 mostly due to operational costs and professional.
- Non-operating revenues increased approximately \$10,700,000, 1122.2% over 2022 due settlement revenue of approximately \$7,600,000 related to the failure to properly construct the JWPP in accordance with the applicable Design-Build contract and approximately \$730,000 related to the 2019 VCC lift station failure. In addition, ACWWA received an amount of approximately \$2,147,000 in investment income compared to the prior year and a \$500,000 ARPA Federal Grant from Arapahoe County.
- Non-operating expenses decreased by approximately \$491,000 or 13.3%, due to less bond interest and no loss on disposal of fixed assets compared to prior year.
- Tap and extra-territorial fees of approximately \$11,340,000 reflect an increase of approximately \$5,125,000 or 82.4% from 2022. ACWWA sold 292 Water and Irrigation Taps and 364 Wastewater Taps.
- Capital assets, net of depreciation and depletion, increased by approximately \$7,417,000 or 3.6% from 2022.
- At December 31, 2023 ACWWA's debt service coverage ratio was 4.09. 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, | |
|------------------------------------|-----------------------|-----------------------|
| | 2023 | 2022 |
| Current assets | \$ 59,725,252 | \$ 53,529,203 |
| Restricted assets | 13,111,733 | 5,289,739 |
| Capital assets, net | 214,029,341 | 206,611,916 |
| Deferred outflows of resources | 1,252,039 | 1,378,295 |
| Total assets | <u>288,118,365</u> | <u>266,809,153</u> |
| Current liabilities | \$ 7,308,710 | \$ 7,418,974 |
| Long-term obligations | 100,155,398 | 103,348,506 |
| Total liabilities | <u>107,464,108</u> | <u>110,767,480</u> |
| Net position: | | |
| Net investment in capital assets | 108,468,713 | 102,372,409 |
| Debt reserve | - | 552,500 |
| Reserved for capital projects | 7,684,917 | - |
| Unrestricted | 64,500,627 | 53,116,764 |
| Total net position | <u>180,654,257</u> | <u>156,041,673</u> |
| Total liabilities and net position | <u>\$ 288,118,365</u> | <u>\$ 266,809,153</u> |

Net Position

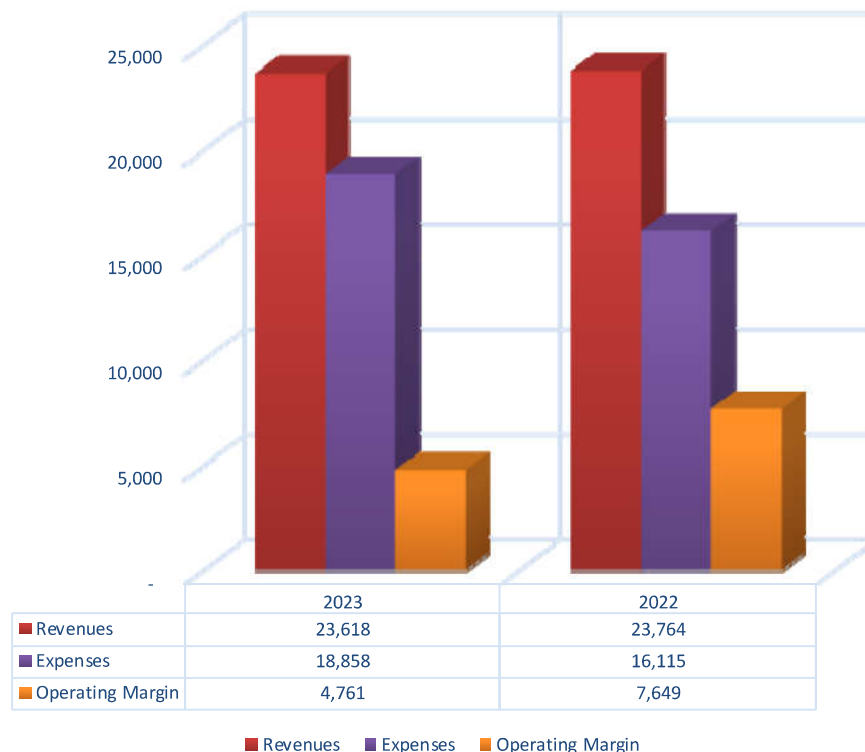
ACWWA's net position increased by approximately \$24,613,000 in 2023. Current assets at December 31, 2023 increased by approximately \$6.196,000 from December 31, 2022, primarily due to an increase in cash and pooled investments received through tap fees and \$1,500,000 in loan proceeds from the Colorado Water Conservancy Board associated with capital spend. Receivables increased by approximately \$1,283,000 year over year due to a \$500,000 grant receivable from Arapahoe County and operational rebates from ECCV and Jacob's engineering for water treatment operational costs. Restricted assets increased by approximately \$7,822,000, primarily resulting from the JWPP settlement revenue received from Jacob's Engineering.

Net capital assets increased approximately \$7,417,000 due to approximately \$5,895,000 in water and wastewater project spend and approximately \$2,906,000 related to the purchase of a new administration building. Total new expenditures are being offset by approximately \$3,376,000 of current year depreciation expense. Total liabilities decreased of \$3,303,000 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 and investments at December 31, 2023 increased approximately \$7,822,000 over December 31, 2022 primarily due to the \$7,822,000 combined settlement and interest proceeds associated with the JWPP settlement revenue received from Jacob's Engineering.

Operating Revenues and Expenses in Thousands (000's)



| | 2023 | 2022 |
|--|----------------|----------------|
| Revenues | | |
| Operating Revenue | | |
| Water charges | \$ 14,616,949 | \$ 15,587,682 |
| Sewer charges | 7,175,370 | 6,737,636 |
| Fees for services | 1,208,862 | 803,247 |
| Water plant revenue | 617,198 | 635,384 |
| Total operating revenues | 23,618,379 | 23,763,949 |
| Non-operating Revenues | | |
| Tap and extraterritorial fees | 11,340,442 | 6,215,470 |
| Settlement revenue | 8,330,000 | — |
| Net investment income | 2,872,081 | 725,339 |
| Grant revenue | 500,000 | — |
| Total non-operating revenues | 23,042,523 | 6,940,809 |
| Total revenues | 46,660,902 | 30,704,758 |
| Expenses | | |
| Operating expenses | | |
| Salaries and benefits | 4,460,094 | 4,314,498 |
| Office expense | 302,264 | 289,684 |
| Professional services | 1,273,306 | 943,312 |
| Insurance | 259,690 | 212,253 |
| Operational | 5,749,716 | 5,032,513 |
| Contractual services | 303,386 | 217,135 |
| Repairs and maintenance | 1,835,254 | 1,216,666 |
| Utilities | 1,276,258 | 1,334,764 |
| Depreciation and depletion | 3,376,539 | 2,543,335 |
| Other supplies and expense | 21,160 | 11,018 |
| Total operating expenses | 18,857,667 | 16,115,178 |
| Non-operating expense | | |
| Interest and fiscal charges | 3,190,651 | 3,284,377 |
| Loss on disposal of fixed assets | — | 397,630 |
| Total non-operating expenses | 3,190,651 | 3,682,007 |
| Total expenses | 22,048,318 | 19,797,185 |
| Change In Net Position | 24,612,584 | 10,907,573 |
| Total Net Position - Beginning Of Year | 156,041,673 | 145,134,100 |
| Total Net Position - End Of Year | \$ 180,654,257 | \$ 156,041,673 |

Revenue and Expenditures

Operating revenue in 2023 decreased approximately \$87,000 or .4%, from 2022. Revenue from water charges decreased 6.2% from 2022 and sewer revenue increased 6.3%. Fees for service increased 6.1% due to the significant increase in the number of taps sold year over year. Water plant revenue decreased from 2022 by approximately \$18,000. 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 approximately \$2,742,000, or 17% from 2022. However, net of depreciation, operating expenses increased approximately \$1,909,000.

Salaries and benefits increased approximately \$146,000 or 3.4% due to changes in staffing during the year. Office expenses increased approximately \$12,000. Professional services increased approximately \$330,000 mostly due to outsourced costs related to asset management and sewer camera and jetting costs.

Operational expenses increased approximately \$717,000 over 2022 due to additional costs related to an increase ACWWA flow treatment costs and chemical costs. In addition to inflation related cost increases, more ACWWA flow water was treated and delivered during the year.

Repairs and maintenance costs of approximately \$1,835,000 had an increase of approximately \$619,000 over prior year mostly due to over \$400,000 in various emergency related costs and an overall increase in costs and activity in the service area.

Utilities decreased approximately \$58,000 due to a reduction in overall utilization for the year to due the significant rainfall received during the summer months.

Non-operating revenue increased approximately \$10,744,000 mostly due to a combined approximately \$8,330,000 in settlement revenue. Approximately \$7,600,000 was received from Jacob's Engineering due to the failure to properly construct the JWPP in accordance with the applicable Design-Build contract and \$730,000 in connection with the Valley County Club lift station failure that occurred in 2019. In addition, ACWWA received a \$500,000 federal grant for the rehabilitation of the Valley County Club lift station and approximately \$2,872,000 in investment income.

Tap and extraterritorial fees increased approximately \$5,125,000 in 2023 due to an increase in development in the ACWWA service area.

Non-operating expenses decreased by approximately \$93,000 due to less interest and fiscal charges offset and no loss on disposal of assets being reported in 2023.

In comparison to the budgeted decrease in net position of approximately \$15,855,000, the actual increase in net position of approximately \$14,337,000 was favorable towards budget by \$30,193,000. In addition to a favorable revenue variance of approximately \$18,004,000, capital outlay was approximately \$11,379,000 below budget. The total 2023 capital project budget being carried forward to 2024 is \$9,773,000.

Capital Assets

Gross capital assets increased approximately \$10,533,000 in 2023 as ACWWA continued to make investments in water and wastewater infrastructure. Project expenditures included approximately \$1,502,000 Valley Country Club lift station remediation and repair, approximately \$1,250,000 well and pipeline design at Elkhorn and approximately \$482,000 for the Peoria lift station.

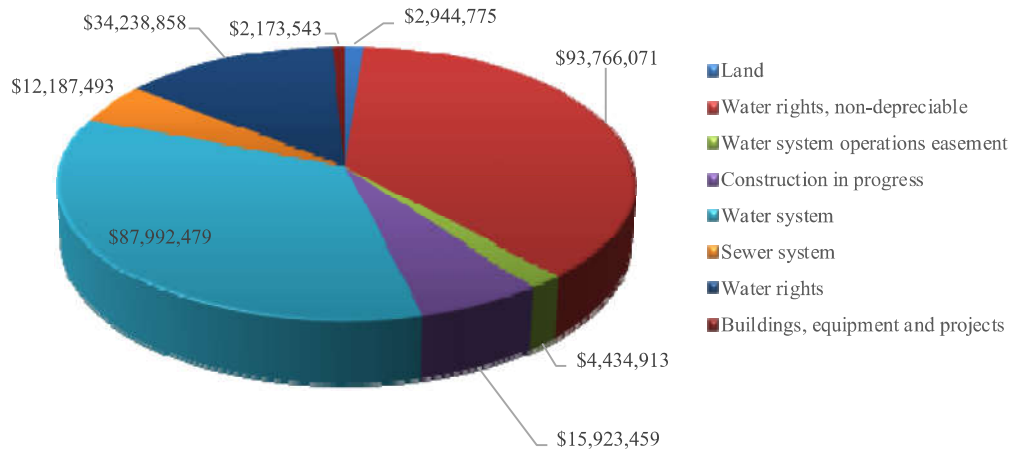
Other significant capital expenditures in 2023 included approximately \$2,906,000 for the purchase of a new administration building, approximately \$1,900,000 in water storage capacity and approximately \$1,103,000 for adjudication of water rights.

Gross capital assets as of December 31, 2023 are categorized as follows:

Capital Assets

| | December 31, | |
|-----------------------------------|-----------------------|-----------------------|
| | 2023 | 2022 |
| Land | \$ 2,944,775 | \$ 2,162,149 |
| Water rights, non-depreciable | 93,766,071 | 92,662,484 |
| Water system operations easement | 4,434,913 | 2,534,913 |
| Construction in progress | 15,923,459 | 30,461,612 |
| Water system | 87,992,479 | 66,773,728 |
| Sewer system | 12,187,493 | 12,026,518 |
| Water rights | 34,238,858 | 34,238,858 |
| Buildings, equipment and projects | 2,173,543 | 2,268,294 |
| SBITA right-of-use asset software | 79,665 | 79,665 |
| Total capital assets | <u>\$ 253,741,256</u> | <u>\$ 243,128,556</u> |

Capital Assets, December 31, 2023



Long Term Debt

As of December 31, 2022, ACWWA had approximately \$87,245,000 in outstanding revenue bonds payable and a CWCBC loan of approximately \$4,040,000 debt, an overall decrease of \$2,215,000 from prior year. The reduction in outstanding debt in 2023 was the result of scheduled debt principal repayments offset by an additional \$1,500,000 received from CWCBC. 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 2022 cost of service study and financial model prepared by Raftelis, the 2017 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.

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 2023, 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 2024, 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 December 31, 2023

Assets And Deferred Outflows Of Resources

Current Assets

| | |
|-----------------------------|-------------------|
| Cash and cash equivalents | \$ 2,387,448 |
| Receivables | 3,465,400 |
| Prepaid expenses and other | 426,272 |
| Pooled investments | 53,446,132 |
| Total Current Assets | 59,725,252 |

Restricted Assets

| | |
|--------------------------------------|-------------------|
| Noncurrent cash and cash equivalents | 5,426,816 |
| Noncurrent pooled investments | 7,684,917 |
| Total Restricted Assets | 13,111,733 |

Capital Assets, Net

214,029,341

Total Assets

286,866,326

Deferred Outflows Of Resources

| | |
|-------------------------------|-----------|
| Deferred charges on refunding | 1,252,039 |
|-------------------------------|-----------|

Total Assets And Deferred Outflows Of Resources

\$ 288,118,365

Liabilities And Net Position

Current Liabilities

| | |
|---|------------------|
| Accounts payable and accrued expenses | \$ 2,035,588 |
| Accrued payroll | 120,239 |
| Meter deposits | 87,000 |
| Escrowed development funds | 141,974 |
| Accrued interest payable | 362,750 |
| Compensated absences payable, current portion | 432,662 |
| SBITA payable, current portion | 30,562 |
| Revenue bonds payable, current portion | 3,930,000 |
| Note payable, current portion | 167,935 |
| Total Current Liabilities | 7,308,710 |

Long-Term Liabilities

| | |
|--|--------------------|
| Escrowed capital project funds | 1,618,113 |
| SBITA payable, long-term portion | 20,008 |
| Revenue bonds payable, long-term portion | 94,645,212 |
| Note payable, long-term portion | 3,872,065 |
| Total Long-Term Liabilities | 100,155,398 |

Total Liabilities

107,464,108

Net Position

| | |
|----------------------------------|--------------------|
| Net investment in capital assets | 112,508,713 |
| Restricted for capital projects | 7,684,917 |
| Unrestricted | 60,460,627 |
| Total Net Position | 180,654,257 |

Total Liabilities And Net Position

\$ 288,118,365

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For The Year Ended December 31, 2023

| | |
|---|-----------------------|
| Operating Revenue | |
| Water revenue | \$ 14,616,949 |
| Sewer revenue | 7,175,370 |
| Fees for services | 1,208,862 |
| Water plant revenue | 617,198 |
| Total Operating Revenues | <u>23,618,379</u> |
| Operating Expenses | |
| Salaries and benefits | 4,460,094 |
| Office expense | 302,264 |
| Professional services | 1,273,306 |
| Insurance | 259,690 |
| Operational | 5,749,716 |
| Contractual services | 303,386 |
| Repairs and maintenance | 1,835,254 |
| Utilities | 1,276,258 |
| Depreciation, depletion and amortization | 3,376,539 |
| Other supplies and expense | 21,160 |
| Total Operating Expenses | <u>18,857,667</u> |
| Operating Income | <u>4,760,712</u> |
| Nonoperating Revenues | |
| Net investment income | 2,872,081 |
| Grant revenue | 500,000 |
| Settlement revenue | 8,330,000 |
| Total Nonoperating Revenues | <u>11,702,081</u> |
| Nonoperating Expenses | |
| Interest and fiscal charges | 3,190,651 |
| Total Nonoperating Expenses | <u>3,190,651</u> |
| Income Before Contributions | 13,272,142 |
| Capital Contributions | |
| Tap and extraterritorial fees | <u>11,340,442</u> |
| Change In Net Position | 24,612,584 |
| Total Net Position - Beginning Of Year | <u>156,041,673</u> |
| Total Net Position - End Of Year | <u>\$ 180,654,257</u> |

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

STATEMENT OF CASH FLOWS For The Year Ended December 31, 2023

Cash Flows From Operating Activities

| | |
|--|-------------------------|
| Receipts from customers | \$ 22,335,238 |
| Payments to suppliers | (11,360,329) |
| Payments to employees and related expenses | (4,384,126) |
| Net Cash Provided By Operating Activities | <u>6,590,783</u> |

Cash Flows From Capital And Related Financing Activities

| | |
|--|-------------------------|
| Net tap and extraterritorial fees | 11,340,442 |
| Principal payments on bonds | (3,755,000) |
| Loan proceeds | 1,500,000 |
| Interest paid on revenue bonds | (3,873,274) |
| Payments for capital acquisitions | (10,714,299) |
| Settlement payment | 8,330,000 |
| Net Cash Provided By Capital And Related Financing Activities | <u>2,827,869</u> |

Cash Flows From Investing Activities

| | |
|--|----------------------------|
| Purchases of short-term pooled investments | (27,475,892) |
| Sales of short-term pooled investments | 10,176,350 |
| Interest received | 2,872,081 |
| Payments to escrowed development funds | 41,479 |
| Net Cash Used In Investing Activities | <u>(14,385,982)</u> |

| | |
|--|--------------------|
| Net Decrease In Cash And Cash Equivalents | (4,967,330) |
|--|--------------------|

| | |
|--|--------------------------|
| Cash And Cash Equivalents - Beginning Of Year | <u>12,781,594</u> |
|--|--------------------------|

| | |
|--|----------------------------|
| Cash And Cash Equivalents - End Of Year | <u>\$ 7,814,264</u> |
|--|----------------------------|

Reconciliation Of Operating Income To Net Cash From Operating Activities

| | |
|---|----------------------------|
| Operating income: | \$ 4,760,712 |
| Adjustments to reconcile operating income to net cash from operating activities: | |
| Depreciation, depletion and amortization | 3,376,539 |
| Changes in asset and liabilities: | |
| Accounts receivable | (1,283,141) |
| Prepaid expenses | 88,207 |
| Accounts payable and accrued expenses | (348,534) |
| Meter deposits | (3,000) |
| Net Cash Provided By Operating Activities | <u>\$ 6,590,783</u> |

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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, 2023, two of the five County Commissioners served on ACWWA's Board of Directors. ACWWA does not have taxing powers.

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

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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

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

ACWWA has implemented the provisions of GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, and the Joint Water Purification Plant (JWPP) is included in the financial statements for ACWWA. See Note 7 for further discussion. ACWWA is considered a blended component unit of Arapahoe County.

2. Summary Of Significant Accounting Policies

The more significant accounting policies of ACWWA are described as follows:

The accounting policies of ACWWA conform to generally accepted accounting principles (GAAP) as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since ACWWA's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

When both restricted and unrestricted resources are available for a specific use, it is ACWWA's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis Of Accounting

ACWWA's records are maintained on the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets. Redemptions of bonds and loans are recorded as a reduction in liabilities. Contributed assets from developers are recorded as capital contributions when received.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

Operating Revenues And Expenses

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

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.

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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

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

Tap Fees And Contributed Lines

Tap fees are recorded as capital contributions in the period in which they are received or become collectible. Under ACWWA's policy, developers are required to pay for the equivalent cost of certain water lines previously constructed by ACWWA to serve the developers' property as actual development begins. Payments to other governments for the construction of capital infrastructure that 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.

Debt-Related Amortization

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

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

Compensated Absences

ACWWA's employees are entitled to certain compensated absences, in the form of vacation and sick leave benefits, and are accrued based on their length of employment. Compensated absences are accrued when incurred in the financial statements. At December 31, 2023, 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 \$432,662 as of December 31, 2023 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.

Adoption Of New Accounting Standard

ACWWA implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), effective January 1, 2023. This standard requires the recognition of certain software subscription-based arrangements that previously were classified as operating expenses and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes that SBITAs result in a right-to-use (RTU) subscription asset and a corresponding subscription liability. For the year ended December 31, 2023, ACWWA did not have any implementation costs associated with its SBITAs.

Subscription-Based Information Technology Arrangements (SBITAs)

For arrangements where ACWWA enters into a SBITA, a liability and a RTU intangible asset are recognized at the commencement of the arrangement term. RTU assets represent ACWWA's right to use an underlying asset for the contracted term and liabilities represent ACWWA's obligation to make payments arising from the arrangement. RTU assets and liabilities are recognized at the arrangement commencement date based on the estimated present value of the payments over the contracted term. Subsequently, the liability is reduced by the principal portion of payments made. The RTU asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs and is amortized on a straight-line basis over the subscription term.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

Key estimates and judgements related to SBITAs include how ACWWA determines (1) the discount rate it uses to discount the expected arrangement payments to present value, (2) arrangement term and (3) payments.

- ACWWA uses the interest rate charged by the counterparty as the discount rate. When the interest rate charged by the counterparty is not provided, ACWWA generally uses its estimated incremental borrowing rate as the discount rate.
- The term includes the noncancellable period of the arrangement. Payments included in the measurement of the liability are composed of fixed payments and purchase option price that ACWWA is reasonably certain to exercise.

ACWWA monitors changes in circumstances that would require remeasurement and will remeasure the RTU asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. RTU assets are reported with other capital assets and liabilities are reported with long-term liabilities on the statement of net position.

3. Cash And Investments

Cash and cash equivalents as of December 31, 2023 consisted of the following:

| Statement Of Net Position | |
|--|----------------------------|
| Cash and cash equivalents | \$ 2,387,448 |
| Cash and cash equivalents - restricted | <u>5,426,816</u> |
| Total Cash And Cash Equivalents | <u>\$ 7,814,264</u> |

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2023, ACWWA had bank deposits of \$7,564,264, respectively, collateralized with securities held by the financial institution's agent, but not in ACWWA's name.

Investments

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

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

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

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

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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

ACWWA's Colorado Government Liquid Asset Trust (COLOTRUST) external investment pool of \$60,553,341 at December 31, 2023 is valued using the NAV per share (or its equivalents) of the investments. 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 \$577,708 at December 31, 2023 is valued using amortized cost.

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.

| December 31, 2023 | | | |
|--------------------------------------|----------------------|---------------|----------------------------------|
| Type Of Security | Fair Value | S&P Rating | Maturity 12 Months Or Less |
| COLOTRUST (external investment pool) | \$ 60,553,341 | AAAm | \$ 60,553,341 |
| CSAFE (external investment pool) | 577,708 | AAAf | 577,708 |
| | <u>\$ 61,131,049</u> | | <u>\$ 61,131,049</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 year ended December 31, 2023 is as follows:

| | Balance At December 31, 2022, As Restated | Increases | Decreases | Balance At December 31, 2023 |
|---|---|----------------------|----------------------|------------------------------------|
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 2,162,149 | \$ 782,626 | \$ — | \$ 2,944,775 |
| Water rights | 92,662,484 | 1,103,587 | — | 93,766,071 |
| Water system operations easement | 2,534,913 | 1,900,000 | — | 4,434,913 |
| Construction in progress | 30,461,612 | 8,018,548 | 22,556,701 | 15,923,459 |
| Total Capital Assets, Not Being Depreciated | 127,821,158 | 11,804,761 | 22,556,701 | 117,069,218 |
| Capital Assets, Being Depreciated | | | | |
| Water system | 66,773,728 | 21,266,061 | 47,310 | 87,992,479 |
| Sewer system | 12,026,518 | 200,178 | 39,203 | 12,187,493 |
| Water rights | 34,238,858 | — | — | 34,238,858 |
| Buildings, equipment and projects | 2,268,294 | — | 94,751 | 2,173,543 |
| Total Capital Assets, Being Depreciated | 115,307,398 | 21,466,239 | 181,264 | 136,592,373 |
| SBITA RTU Assets | | | | |
| Software | 79,665 | — | — | 79,665 |
| Less Accumulated Depreciation, Depletion And Amortization For: | | | | |
| Water system | 25,245,337 | 2,678,592 | 47,310 | 27,876,619 |
| Sewer system | 7,128,886 | 493,496 | 39,203 | 7,583,179 |
| Water right depletion | 2,170,418 | 140,651 | — | 2,311,069 |
| Buildings, equipment and projects | 1,971,999 | 32,871 | 94,751 | 1,910,119 |
| Software | — | 30,929 | — | 30,929 |
| Total Accumulated Depreciation, Depletion And Amortization | 36,516,640 | 3,376,539 | 181,264 | 39,711,915 |
| Total Capital Assets, Being Depreciated, Depleted And Amortized, Net | 78,870,423 | 18,089,700 | — | 96,960,123 |
| Capital Assets, Net | \$ 206,691,581 | \$ 29,894,461 | \$ 22,556,701 | \$ 214,029,341 |

As a result of implementation of GASB 96, \$79,665 in SBITA assets has been added to the beginning balance presented above. As these assets are offset by an equal amount of SBITA liabilities, ACWWA does not report a restatement of beginning net position for the implementation of GASB 96.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements *(Continued)*

Depreciation, depletion and amortization expense for the year ended December 31, 2023 was charged to the following:

| | |
|-----------------------------------|---------------------|
| Water | \$ 2,819,243 |
| Sewer | 493,496 |
| Buildings, equipment and projects | 32,871 |
| Software | 30,929 |
| | <u>\$ 3,376,539</u> |

5. Long-Term Obligations

The following is an analysis of the changes in ACWWA's long-term obligations for the year ended December 31, 2023:

| | Balance At December 31, 2022, As Restated | Increases | Decreases | Balance At December 31, 2023 | Amounts Due Within One Year |
|------------------------------------|---|---------------------|---------------------|------------------------------------|-----------------------------------|
| Series 2016 | | | | | |
| Revenue bonds | \$ 13,160,000 | \$ — | \$ 975,000 | \$ 12,185,000 | \$ 1,015,000 |
| Bond premium | 1,369,294 | — | 125,430 | 1,243,864 | — |
| Series 2017 | | | | | |
| Revenue bonds | 11,575,000 | — | 860,000 | 10,715,000 | 900,000 |
| Bond premium | 824,231 | — | 75,503 | 748,728 | — |
| Series 2019 | | | | | |
| Revenue bonds | 66,265,000 | — | 1,920,000 | 64,345,000 | 2,015,000 |
| Bond premium | 9,924,277 | — | 586,657 | 9,337,620 | — |
| CWCB note payable | 2,500,000 | 1,540,000 | — | 4,040,000 | 167,935 |
| Total Bonds Payable | 105,617,802 | 1,540,000 | 4,542,590 | 102,615,212 | 4,097,935 |
| SBITA payable | 79,665 | — | 29,095 | 50,570 | 30,562 |
| Compensated absences | 409,468 | 342,949 | 319,755 | 432,662 | — |
| Total Long-Term Obligations | \$ 106,106,935 | \$ 1,882,949 | \$ 4,891,440 | \$ 103,098,444 | \$ 4,128,497 |

As a result of implementation of GASB 96, \$79,665 in SBITA liabilities has been added to the beginning balance presented above. As these SBITA liabilities are offset by an equal amount of SBITA assets, ACWWA does not report a restatement of beginning net position for the implementation of GASB 96.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

The detail of ACWWA's bonds and note payable are as follows:

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

Notes To Financial Statements (*Continued*)

Colorado Water Conservation Board Note Payable

In August 2020, ACWWA entered into 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. Principal and interest payments are due each March 1 in the amount of \$244,695 through March 1, 2043.

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 year ended December 31, 2023 were \$31,179,774. Debt service payments for the year ended December 31, 2023 were \$7,628,274.

ACWWA’s long-term obligations related to its bonds and notes payable will mature as follows:

| Year | Principal | Interest | Total |
|-----------------------|----------------------|----------------------|-----------------------|
| 2024 | \$ 4,097,935 | \$ 3,660,060 | \$ 7,757,995 |
| 2025 | 4,256,126 | 3,497,519 | 7,753,645 |
| 2026 | 4,439,377 | 3,309,718 | 7,749,095 |
| 2027 | 4,642,691 | 3,113,655 | 7,756,345 |
| 2028 | 4,846,067 | 2,908,429 | 7,754,495 |
| 2029 - 2033 | 27,473,264 | 11,307,763 | 38,781,026 |
| 2034 - 2038 | 33,072,824 | 5,569,452 | 38,642,276 |
| 2039 - 2043 | 8,456,716 | 358,760 | 8,815,476 |
| Total Payments | \$ 91,285,000 | \$ 33,725,355 | \$ 125,010,355 |

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements *(Continued)*

SBITAs

In January of 2023, ACWWA entered into multiple agreements for the right to use various software programs. The terms of those agreements range between two to three years, with various incremental borrowing rates at inception. The future minimum obligations and net present value of these minimum lease payments are as follows:

| Year | Principal | Interest | Total |
|-----------------------|------------------|-----------------|------------------|
| 2024 | \$ 30,562 | \$ 155 | \$ 30,717 |
| 2025 | 20,008 | 40 | 20,048 |
| Total Payments | \$ 50,570 | \$ 195 | \$ 50,765 |

6. Net Position

ACWWA has net position consisting of three components: net investment in capital assets, restricted for 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, 2023, ACWWA had net investment in capital assets calculated as follows:

| | |
|---|-----------------------|
| Net Investment In Capital Assets | |
| Capital assets, net | \$ 214,029,341 |
| Deferred charges on refunding | 1,252,039 |
| Bond premium | (11,330,212) |
| Capital-related debt | (91,285,000) |
| Capital-related retainage | (157,455) |
| Net Investment In Capital Assets | \$ 112,508,713 |

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

7. Intergovernmental Agreements

Town Of Castle Rock, Colorado

In October 2009, ACWWA entered into an agreement with the Town of Castle Rock, Colorado (Castle Rock), whereby ACWWA purchases 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 agreement 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 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, and again in 2022 to extend the term of the agreement through May 1, 2024. 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

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 second phase of which was completed and operating in 2021, where it is treated and delivered to ACWWA. ACWWA received 1,916 acre feet from the ACWWA flow project in 2023.

One of the ACWWA flow storage projects, Chambers Reservoir, was completed in 2014. In the process of filling the reservoir, a leak was detected, and ACWWA has only recently begun filling the reservoir in 2023. In 2019, ACWWA reached a settlement with the contractor who constructed the reservoir and began the necessary work to bring it back on-line. ACWWA completed the rehabilitation project and installed the new synthetic liner in 2020. At this time, all facilities have been constructed to utilize ACWWA's current capacity in the ECCV water treatment plant and ECCV pump stations, which is 5.25 million gallons per day (mgd). Significant infrastructure was constructed in 2019 and 2020, including the necessary storage tanks and pump stations to deliver 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 December 2019, the Board executed an addendum to the IGA between United and ACWWA which extended the completion of the ACWWA Flow Project until December 31, 2024. As of December 31, 2023, ACWWA has spent approximately \$190,000,000 on the ACWWA Flow Project, with a current estimate of approximately \$10,000,000 of spending needed over several years to complete the project.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

Inverness Water And Sanitation District

In April 2005, ACWWA, Inverness Water and Sanitation District (IWSD) and PID entered into an agreement for the financing and construction of a wastewater treatment plant expansion including discharges from IWSD to the Lone Tree Creek Wastewater Treatment Plant (WWTP). On September 30, 2011, the parties entered into the First Amendment to the 2005 Agreement to set the initial rate to be charged in 2011 for the treatment of effluent delivered by IWSD to WWTP and also to set the terms of a Renewal and Replacement Reserve Fund, which was established by both ACWWA and IWSD. The Renewal and Replacement Reserve Fund is 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 is reviewed every four years as to the adequacy of the reserve amount and is 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. The amendment also clarifies the use of the Renewal and Replacement Reserve.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

JWPP

In February 2002, ACWWA entered into an agreement with PID (see Note 1) with respect to the construction and operation of public improvements. In June 2003, ACWWA entered into an agreement with CWSD concerning the construction of water treatment facilities (now known as the Joint Water Purification Plant or JWPP). The 2003 agreement, among other things, assigns responsibility to ACWWA for the overall management and operations of JWPP. Under the terms of the agreement, ACWWA is to be the manager and operator of JWPP. In exchange for operating the plant, pursuant to a lease dated April 2002, PID has leased and will transfer its assets in JWPP to ACWWA for a nominal amount at the final payment of the last PID bonds issued pursuant to the 2001 bond authorization. In June 2010, JWPP was placed into service and began operations. On December 6, 2010, ACWWA received a Notice of Violation/Cease and Desist Order as a result of an alleged permit violation from the Colorado Department of Public Health and Environment, Division of Administration, Water Quality Control Division related to excess discharge of selenium in the waste product of JWPP which allegedly violated a federal Environmental Protection Agency standard. JWPP changed from a RO-based system to microfiltration in 2012 and operated as a microfiltration plant until December 2018. At that time, the plant was shut down so work could begin on converting the JWPP to a blended RO/microfiltration process, to utilize a biological treatment process to enable the brine stream from the RO process to be acceptably discharged into Windmill Creek. In August 2018, ACWWA and CWSD contracted Jacobs Engineering to run and manage the project at a cost of approximately \$9.6 million, with ACWWA contributing \$3.8 million and CWSD contributing the remaining \$5.8 million over the term of the agreement. The plant began processing water in late May of 2019. In 2023, as part of a settlement of claims by ACWWA and CWSD against CH2M Engineers, Inc. (now known as Jacobs Engineering, Inc., referenced herein as Jacobs) related to alleged failures to properly construct the JWPP in accordance with the applicable Design-Build contract, ACWWA and CWSD accepted a settlement payment from Jacobs in the amount of \$7,600,000. In accordance with ACWWA's agreement with CWSD as part of the settlement, the funds have been put in a reserve escrow account and are to be used jointly to pursue efforts to rectify the problems with the construction of the JWPP that led to the claims in arbitration. ACWWA and CWSD have agreed that the settlement funds are to be used 100% for the costs of such efforts. If there are any amounts remaining in the reserve account after completion of the improvements, they are to be distributed to ACWWA and CWSD in the same percentage as funds originally contributed under the Design-Build contract, i.e., 61% to CWSD and 39% to ACWWA.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

In December 2014, the parties entered into an agreement for the operation and maintenance of, and improvement to, JWPP by ACWWA as operator for PID, ACWWA and CWSD. The agreement shall be for the term of the useful life of JWPP and its process equipment existing now or as expanded, upgraded, improved or rebuilt by either party in the future. The parties agree that the useful life of the JWPP is estimated at 50 years, beginning September 1, 2010. The agreement shall continue in effect as long as JWPP is operating, unless amended or terminated by the parties. For purposes of determining the percentage of ownership in JWPP, the interests of ACWWA and PID (see Note 1) shall be combined into a single percentage that shall be considered, for purposes of this agreement only, to be owned by ACWWA. The JWPP land and building, other than the process equipment, is owned by CWSD and PID as tenants in common, with 36.67% ownership by CWSD and 63.33% ownership by PID and ACWWA. The process equipment is owned 77.78% by PID and ACWWA and 22.22% by CWSD. The percentage of capacity used for calculation of the payment of fixed costs by each party shall be 63.33% by ACWWA and 36.67% by CWSD. Each year by April 1, ACWWA performs a true-up of total costs and total volumes for the prior calendar 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 in annual increments of \$20,000 beginning in January 2014. Both CWSD and ACWWA contribute sufficient dollars to maintain the reserve fund at its minimum balance and, as of December 31, 2023, the reserve was fully funded.

The operations, assets, liabilities and equity of JWPP are included in ACWWA's financial statements as a blended component unit in accordance with the provision of GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*.

Stonegate Village Metropolitan District

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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

City Of Longmont, Colorado

In December 2015, ACWWA entered into a water supply agreement with the City of Longmont, Colorado (Longmont), ECCV and United. The term of this water supply agreement ran from July 1, 2016 to March 31, 2017. ACWWA, ECCV, United and Longmont entered into subsequent water supply agreements with similar terms every following year until 2022 when a 5-year agreement was reached. The term of the current agreement runs from July 1, 2022 through March 31, 2027. The agreement 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.

City Of Aurora, Colorado

In November 2013, ACWWA entered into a license agreement with the City of Aurora, Colorado (Aurora), whereby Aurora authorized ACWWA to construct, operate, maintain, repair and replace certain 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

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 2023 totaled approximately \$987,000.

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 2023 was 6.2% of employee compensation. Discretionary employer contributions are decided on an annual basis at the time of budget approval for the following budget year. The entire discretionary contribution was 3% of employee compensation during 2023, with an available match up to an additional 5%. Under the Plan document and the Internal Revenue Code, the entire discretionary contribution is considered an employer contribution. Total Plan contributions for the year ended December 31, 2023 were \$440,928. Total payroll was \$3,409,721 for the year ended December 31, 2023. Total employer contributions represented 12.9% of total compensation for the year ended December 31, 2023. An employee is not fully vested until the completion of four complete years of service. Vesting is 0% for less than one year, 25% for one to two years, 50% for two to three years, 75% for three to four years and 100% for over four years.

10. Related Party Transactions

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

11. Conflict Of Interest

State law requires that members of the Board of Directors verbally disclose potential conflicts of interest prior to discussing topics that may involve those conflicts of interest. The Directors have disclosed their potential conflicts in writing to the Secretary of State and the Secretary of ACWWA. On behalf of the board, these potential conflicts of interest as of December 31, 2023 are disclosed as follows:

- A board member owns a home in ACWWA's service area. The board member retired from Jacobs.
- 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 2018.

12. Risk Management

ACWWA is exposed to various risks of losses, including general liability (limited under the Colorado Governmental Immunity Act to \$424,000 per person and \$1,195,000 per occurrence), property damage and employee life, medical, dental and accidental benefits. ACWWA has a risk management program, which includes commercial property insurance for catastrophic losses, including floods and earthquakes, for the operating plant. ACWWA also carries commercial insurance for employee life, health, accident and workers' compensation.

ACWWA is also a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2023. 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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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.

Supplementary Information

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS) For The Year Ended December 31, 2023

| | Original And Final Budget | Actual | Variance With Budget Positive (Negative) |
|---|------------------------------------|---------------|--|
| Revenues | | | |
| Water revenue | \$ 16,214,658 | \$ 14,616,949 | \$ (1,597,709) |
| Sewer revenue | 6,762,748 | 7,175,370 | 412,622 |
| Water plant revenue | 761,976 | 617,198 | (144,778) |
| Interest | 300,000 | 2,872,081 | 2,572,081 |
| Fees for service | 793,281 | 1,208,862 | 415,581 |
| Tap and territorial fees | 5,324,382 | 11,340,442 | 6,016,060 |
| Loan proceeds | — | 1,500,000 | 1,500,000 |
| Settlement revenue | — | 8,330,000 | 8,330,000 |
| Grant revenue | — | 500,000 | 500,000 |
| Total Revenues | 30,157,045 | 48,160,902 | 18,003,857 |
| Expenditures | | | |
| Salaries and benefits | 5,028,919 | 4,460,094 | 568,825 |
| Office expense | 425,369 | 302,264 | 123,105 |
| Professional services | 1,071,234 | 1,273,306 | (202,072) |
| Contractual services | 221,516 | 303,386 | (81,870) |
| Insurance | 222,860 | 259,690 | (36,830) |
| Capital outlay | 22,093,735 | 10,714,299 | 11,379,436 |
| Repair and maintenance | 1,423,183 | 1,835,254 | (412,071) |
| Utilities | 1,464,720 | 1,276,258 | 188,462 |
| Operational expenses | 5,862,690 | 5,749,716 | 112,974 |
| Other supplies and expense | 415,200 | 21,160 | 394,040 |
| Bond payments | 7,783,492 | 7,628,274 | 155,218 |
| Total Expenditures | 46,012,918 | 33,823,701 | 12,189,217 |
| Change In Net Position (Budgetary Basis) | \$ (15,855,873) | \$ 14,337,201 | \$ 30,193,074 |

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**RECONCILIATION OF BUDGETARY BASIS
TO STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For The Year Ended December 31, 2023**

| | |
|---|------------------------------|
| Change In Net Position (Budgetary Basis) | \$ 14,337,201 |
| Depreciation, depletion and amortization | (2,693,916) |
| Capital outlay | 10,714,299 |
| Bond principal payments | <u>3,755,000</u> |
| Change In Net Position | 24,612,584 |
| Net Position - Beginning Of Year | <u>156,041,673</u> |
| Net Position - End Of Year | <u><u>\$ 180,654,257</u></u> |

ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2023

| December 31, | \$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, Dated September 7, 2017, Variable Interest Rate, Principal And Interest Due December 1 | | | \$71,485,000 Variable Rate Taxable Water And Wastewater Revenue Refunding Bonds, Series 2019 Dated October 22, 2019 Variable Interest Rate Principal And Interest Due December 1 | | | CWCB Loan Dated August 11, 2020 1.9% Interest Rate Principal And Interest Due March 1 | | | Total Debt Service Requirements | | |
|--------------|---|--------------|----|--|--------------|----|---|---------------|----|---|------------|----|---------------------------------|---------------|----------------|
| | Principal | Interest | | Principal | Interest | | Principal | Interest | | Principal | Interest | | Principal | Interest | Total |
| | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| 2024 | \$ 1,015,000 | \$ 487,400 | \$ | 900,000 | \$ 385,450 | \$ | 2,015,000 | \$ 2,710,450 | \$ | 167,935 | \$ 76,760 | \$ | 4,097,935 | \$ 3,660,060 | \$ 7,757,995 |
| 2025 | 1,055,000 | 446,800 | | 915,000 | 367,450 | | 2,115,000 | 2,609,700 | | 171,126 | 73,569 | | 4,256,126 | 3,497,519 | 7,753,645 |
| 2026 | 1,100,000 | 404,600 | | 950,000 | 330,850 | | 2,215,000 | 2,503,950 | | 174,377 | 70,318 | | 4,439,377 | 3,309,718 | 7,749,095 |
| 2027 | 1,140,000 | 360,600 | | 1,000,000 | 292,850 | | 2,325,000 | 2,393,200 | | 177,691 | 67,005 | | 4,642,691 | 3,113,655 | 7,756,345 |
| 2028 | 1,190,000 | 315,000 | | 1,035,000 | 252,850 | | 2,440,000 | 2,276,950 | | 181,067 | 63,629 | | 4,846,067 | 2,908,429 | 7,754,495 |
| 2029 | 1,235,000 | 267,400 | | 1,085,000 | 211,450 | | 2,555,000 | 2,154,950 | | 184,507 | 60,188 | | 5,059,507 | 2,693,988 | 7,753,495 |
| 2030 | 1,285,000 | 218,000 | | 1,135,000 | 168,050 | | 2,680,000 | 2,027,200 | | 188,013 | 56,683 | | 5,288,013 | 2,469,933 | 7,757,945 |
| 2031 | 1,335,000 | 166,600 | | 1,180,000 | 122,650 | | 2,785,000 | 1,920,000 | | 191,585 | 53,110 | | 5,491,585 | 2,262,360 | 7,753,945 |
| 2032 | 1,385,000 | 113,200 | | 1,235,000 | 75,450 | | 2,895,000 | 1,808,600 | | 195,225 | 49,470 | | 5,710,225 | 2,046,720 | 7,756,945 |
| 2033 | 1,445,000 | 57,800 | | 1,280,000 | 38,400 | | 3,000,000 | 1,692,800 | | 198,934 | 45,761 | | 5,923,934 | 1,834,761 | 7,758,695 |
| 2034 | — | — | | — | — | | 5,930,000 | 1,572,800 | | 202,714 | 41,981 | | 6,132,714 | 1,614,781 | 7,747,495 |
| 2035 | — | — | | — | — | | 6,160,000 | 1,335,600 | | 206,566 | 38,130 | | 6,366,566 | 1,373,730 | 7,740,295 |
| 2036 | — | — | | — | — | | 6,395,000 | 1,089,200 | | 210,490 | 34,205 | | 6,605,490 | 1,123,405 | 7,728,895 |
| 2037 | — | — | | — | — | | 6,640,000 | 833,400 | | 214,490 | 30,206 | | 6,854,490 | 863,606 | 7,718,095 |
| 2038 | — | — | | — | — | | 6,895,000 | 567,800 | | 218,565 | 26,130 | | 7,113,565 | 593,930 | 7,707,495 |
| 2039 | — | — | | — | — | | 7,300,000 | 292,000 | | 222,718 | 21,978 | | 7,522,718 | 313,978 | 7,836,695 |
| 2040 | — | — | | — | — | | — | — | | 226,949 | 17,746 | | 226,949 | 17,746 | 244,695 |
| 2041 | — | — | | — | — | | — | — | | 231,261 | 13,434 | | 231,261 | 13,434 | 244,695 |
| 2042 | — | — | | — | — | | — | — | | 235,655 | 9,040 | | 235,655 | 9,040 | 244,695 |
| 2043 | — | — | | — | — | | — | — | | 240,133 | 4,563 | | 240,133 | 4,563 | 244,695 |
| Total | \$ 12,185,000 | \$ 2,837,400 | \$ | \$ 10,715,000 | \$ 2,245,450 | \$ | \$ 64,345,000 | \$ 27,788,600 | \$ | \$ 4,040,000 | \$ 853,905 | \$ | \$ 91,285,000 | \$ 33,725,355 | \$ 125,010,355 |

See the independent auditors' report.

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

HISTORICAL DEBT SERVICE COVERAGE¹ For The Six Years Ended December 31

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Operating Revenues² | \$ 20,796,413 | \$ 20,897,612 | \$ 22,262,408 | \$ 22,694,011 | \$ 23,763,949 | \$ 23,618,379 |
| Nonoperating Revenues³ | 13,193,920 | 11,174,771 | 5,904,928 | 9,602,943 | 6,940,809 | 23,042,523 |
| Gross Revenues | 33,990,333 | 32,072,383 | 28,167,336 | 32,296,954 | 30,704,758 | 46,660,902 |
| Less Operation And Maintenance Expenses (Net Of Depreciation)² | (10,208,305) | (12,121,859) | (11,631,439) | (12,164,920) | (13,571,843) | (15,481,128) |
| Net Revenue | \$ 23,782,028 | \$ 19,950,524 | \$ 16,535,897 | \$ 20,132,034 | \$ 17,132,915 | \$ 31,179,774 |
| Historical Annual Debt Service⁴ | \$ 10,120,571 | \$ 10,083,849 | \$ 7,502,399 | \$ 7,533,839 | \$ 8,066,440 | \$ 7,628,274 |
| Historical Coverage Factor | 2.35 | 1.98 | 2.20 | 2.67 | 2.12 | 4.09 |

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**

**WATER ENTERPRISE OPERATIONAL DATA
For The Year Ended December 31, 2023**

**Residential Water And Irrigation Volume Charges
For The Year Ended December 31, 2023**

For residential customers, ACWWA imposes a monthly service fee of \$44.85 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 | \$ 4.45 |
| Block 2 | 4,001 | 10,000 | 5.56 |
| Block 3 | 10,001 | 30,000 | 6.95 |
| Block 4 | 30,001 | > 30,001 | 8.69 |

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, 2023

Nonresidential Meter Size Water And Irrigation Charges For The Year Ended December 31, 2023

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" | \$ 49.99 |
| 1" | 99.94 |
| 1½" | 199.88 |
| 2" | 399.77 |
| 3" | 899.55 |
| 4" | 1,899.01 |
| 6" | 3,598.11 |

Nonresidential Water And Irrigation Volume Charges For The Year Ended December 31, 2023

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

| Metered Usage | ¾" | 1" | 1½" | 2" | 3" | 4" | 6" |
|------------------------|----------|----------|----------|----------|------------|------------|------------|
| Block 1 from | — | — | — | — | — | — | — |
| Block 1 to | 40,000 | 40,000 | 40,000 | 90,000 | 252,000 | 288,000 | 1,620,000 |
| Block 2 from | 40,001 | 40,001 | 40,001 | 90,001 | 252,001 | 288,001 | 1,620,001 |
| Block 2 to | 100,000 | 100,000 | 100,000 | 225,000 | 672,000 | 768,000 | 2,700,000 |
| Block 3 from | 100,001 | 100,001 | 100,001 | 225,001 | 672,001 | 768,001 | 2,700,001 |
| Block 3 to | 300,000 | 300,000 | 300,000 | 600,000 | 1,320,000 | 1,344,000 | 3,960,000 |
| Block 4 | >300,001 | >300,001 | >300,001 | >600,001 | >1,320,001 | >1,344,001 | >3,960,001 |
| Volume Rate | | | | | | | |
| Block 1 | \$ 5.11 | \$ 5.11 | \$ 5.11 | \$ 5.11 | \$ 5.11 | \$ 5.11 | \$ 5.11 |
| Block 2 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 |
| Block 3 | 7.99 | 7.99 | 7.99 | 7.99 | 7.99 | 7.99 | 7.99 |
| Block 4 | 10.01 | 10.01 | 10.01 | 10.01 | 10.01 | 10.01 | 10.01 |

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

WATER ENTERPRISE OPERATIONAL DATA *(Continued)* For The Year Ended December 31, 2023

Historic And Current Tap Fee Amounts

A history of tap fee amounts collected since 2018 is set forth in the following table:

| | Water And Irrigation | | | Sewer | | |
|------|----------------------|-------------|------------|----------|-------------|------------|
| | Amount | \$ Increase | % Increase | Amount | \$ Increase | % Increase |
| 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% |
| 2022 | 30,378 | 885 | 2.9% | 8,288 | 163 | 2.0% |
| 2023 | 31,289 | 911 | 2.9% | 8,454 | 166 | 2.0% |

History Of Water, Sewer And Irrigation Tap Fee Collections

A history of taps issued and the fees collected from taps since 2019 is presented in the following table:

| Year | Water And Irrigation | | Sewer | | Total Tap Fee |
|------|----------------------|--------------|--------|--------------|---------------|
| | Number ¹ | Revenue | Number | Revenue | Revenue |
| 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 |
| 2022 | 120 | 3,607,305 | 132 | 1,092,060 | 4,699,365 |
| 2023 | 292 | 5,900,015 | 364 | 3,077,951 | 8,977,966 |

1. Represents a tap equivalent.

Current Water And Irrigation Tap Equivalents As Of December 31, 2023

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 | 3,098 | 1,202 | 4,300 | 42.4% |
| Nonresidential | 4,561 | 1,270 | 5,831 | 57.6% |
| Total | 7,659 | 2,472 | 10,131 | 100% |

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating Revenues | | | | | |
| Water revenue | \$ 13,168,781 | \$ 14,680,735 | \$ 14,740,124 | \$ 15,587,682 | \$ 14,616,949 |
| Sewer revenue | 6,039,682 | 6,137,308 | 6,335,590 | 6,737,636 | 7,175,370 |
| Fees for services | 1,276,567 | 874,012 | 1,020,962 | 803,247 | 1,208,862 |
| Miscellaneous | 412,582 | 570,353 | 597,335 | 635,384 | 617,198 |
| Total Operating Revenues | 20,897,612 | 22,262,408 | 22,694,011 | 23,763,949 | 23,618,379 |
| Operating Expenses | | | | | |
| Salaries, payroll taxes and benefits | 4,094,909 | 4,203,848 | 4,412,670 | 4,314,498 | 4,460,094 |
| Office expense | 251,613 | 282,458 | 246,778 | 289,684 | 302,264 |
| Professional services | 897,033 | 592,773 | 565,253 | 943,312 | 1,273,306 |
| Insurance expense | 154,712 | 172,153 | 200,810 | 212,253 | 259,690 |
| Operational expense | 2,520,022 | 4,044,753 | 4,172,092 | 5,032,513 | 5,749,716 |
| Contractual services | 225,250 | 149,919 | 163,445 | 217,135 | 303,386 |
| Repairs and maintenance | 2,819,013 | 1,112,733 | 1,197,238 | 1,216,666 | 1,835,254 |
| Utilities | 1,149,678 | 1,061,457 | 1,159,732 | 1,334,764 | 1,276,258 |
| Depreciation and depletion | 2,700,347 | 2,869,707 | 2,793,052 | 2,543,335 | 3,376,539 |
| Other supplies and expense | 9,629 | 11,345 | 46,902 | 11,018 | 21,160 |
| Total Operating Expenses | 14,822,206 | 14,501,146 | 14,957,972 | 16,115,178 | 18,857,667 |
| Operating Income | 6,075,406 | 7,761,262 | 7,736,039 | 7,648,771 | 4,760,712 |
| Nonoperating Revenues | | | | | |
| Interest subsidy | 605,300 | — | — | — | — |
| Grant revenue | 850,000 | 390,000 | 232,089 | — | 500,000 |
| Settlement revenue | — | — | — | — | 8,330,000 |
| Interest | 800,739 | 258,034 | 19,921 | 725,339 | 2,872,081 |
| Total Nonoperating Revenues | 4,051,146 | 648,034 | 252,010 | 725,339 | 11,702,081 |
| Nonoperating Expenses | | | | | |
| Bond issue costs | 393,135 | — | — | — | — |
| Interest and fiscal charges | 6,271,670 | 3,519,201 | 3,406,741 | 3,284,377 | 3,190,651 |
| Loss on disposal of fixed assets | — | — | 228,155 | 397,630 | — |
| Total Nonoperating Expenses | 6,727,905 | 6,727,905 | 3,634,896 | 3,682,007 | 3,190,651 |
| Income Before Contributions | 3,461,747 | 4,890,095 | 4,353,153 | 4,692,103 | 13,272,142 |
| Capital Contributions | | | | | |
| Tap and extraterritorial fees | 7,123,625 | 5,256,894 | 9,350,933 | 6,215,470 | 11,340,442 |
| Change In Net Position | 10,585,372 | 10,146,989 | 13,704,086 | 10,907,573 | 24,612,584 |
| Net Position - Beginning Of Year | 110,697,653 | 121,283,025 | 131,430,014 | 145,134,100 | 156,041,673 |
| Net Position - End Of Year | \$ 121,283,025 | \$ 131,430,014 | \$ 145,134,100 | \$ 156,041,673 | \$ 180,654,257 |

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

BUDGET TO ACTUAL (NON-GAAP) COMPARISON OF RESULTS OF OPERATIONS For The Year Ended December 31, 2023

| | 2023 | | 2024 | |
|---|------------------------|-----------------------|----------------------|------------------------|
| | Budget | Actual | Variance | Budget |
| Revenues | | | | |
| Water revenue | \$ 16,214,658 | \$ 14,616,949 | \$ (1,597,709) | \$ 16,684,917 |
| Sewer revenue | 6,762,748 | 7,175,370 | 412,622 | 7,377,866 |
| Water plant revenue | 761,976 | 617,198 | (144,778) | 761,968 |
| Interest | 300,000 | 2,872,081 | 2,572,081 | 1,500,000 |
| Other user fees | 793,281 | 1,208,862 | 415,581 | 790,396 |
| Tap and territorial fees | 5,324,382 | 11,340,442 | 6,016,060 | 4,574,341 |
| Settlement revenue | — | 8,330,000 | 8,330,000 | — |
| Loan proceeds | — | 1,500,000 | 1,500,000 | — |
| Grant revenue | — | 500,000 | 500,000 | — |
| Total Revenues | 30,157,045 | 48,160,902 | 18,003,857 | 31,689,488 |
| Expenses | | | | |
| Salaries and benefits | 5,028,919 | 4,460,094 | (568,825) | 5,223,856 |
| Office expense | 425,369 | 302,264 | (123,105) | 444,753 |
| Professional services | 1,292,750 | 1,576,692 | 283,942 | 1,615,122 |
| Insurance | 222,860 | 259,690 | 36,830 | 317,246 |
| Capital outlay | 22,093,735 | 10,714,299 | (11,379,436) | 21,519,112 |
| Repair and maintenance | 1,423,183 | 1,835,254 | 412,071 | 1,690,720 |
| Utilities | 1,464,720 | 1,276,258 | (188,462) | 1,819,599 |
| Operational expenses | 5,862,690 | 5,749,716 | (112,974) | 6,045,084 |
| Bond payments | 7,783,492 | 7,628,274 | (155,218) | 7,789,092 |
| Miscellaneous | 415,200 | 21,160 | (394,040) | 425,200 |
| Total Expenses | 46,012,918 | 33,823,701 | (12,189,217) | 46,889,784 |
| Excess Revenues Over (Under) | | | | |
| Expenditures | (15,855,873) | 14,337,201 | 30,193,074 | (15,200,296) |
| Change In Net Position (Budgetary) | \$ (15,855,873) | | \$ 30,193,074 | \$ (15,200,296) |
| Reconciliation To GAAP Basis | | | | |
| Depreciation, depletion and amortization | | (2,693,916) | | |
| Capital outlay | | 10,714,299 | | |
| Loan proceeds | | (1,500,000) | | |
| Bond principal | | 3,755,000 | | |
| Change In Net Assets | | 24,612,584 | | |
| Net Position - Beginning Of Year | | 156,041,673 | | |
| Net Position - End Of Year | | <u>\$ 180,654,257</u> | | |

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**OUTSTANDING REVENUE BONDS
For The Year Ended December 31, 2023**

| | <u>Amount</u> |
|--|-----------------------------|
| Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2016 | \$ 12,185,000 |
| Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2017 | 10,715,000 |
| Tax-Exempt Water and Wastewater Revenue Refunding Bonds, Series 2019 | <u>64,345,000</u> |
| Total | <u>\$ 87,245,000</u> |