

**ARAPAHOE COUNTY
WATER AND WASTEWATER AUTHORITY**
Arapahoe County, Colorado

FINANCIAL STATEMENTS
December 31, 2012 and 2011

TABLE OF CONTENTS

	PAGE
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS	IV
BASIC FINANCIAL STATEMENTS	
Statements of Net Position.....	1
Statements of Revenues, Expenses and Changes in Net Position	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	6
SUPPLEMENTARY INFORMATION.....	27
Schedule of Revenues, Expenditures and Funds Available	
Budget and Actual (Budgetary Basis).....	28
Reconciliation of Budgetary Basis (Actual) to Statement of	
Revenues, Expenses and Changes in Net Position	29
Schedule of Debt Service Requirements to Maturity	30
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION	
(UNAUDITED).....	32
Historical Debt Service Coverage.....	33
Water Enterprise Operational Data	34
Comparison Statements of Revenues, Expenses and Changes in Net Position	36
Budget to Actual (Non-GAAP) comparison of Results of Operations.....	37
Outstanding Revenue Bonds.....	38

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Arapahoe County Water and Wastewater Authority (ACWWA) offers the readers of ACWWA's financial statements this narrative overview and analysis of the financial activities of ACWWA for the years ended December 31, 2012 and 2011 and 2010.

Financial Highlights

- Net position increased from \$59,842,553 as of the end of 2011 to \$62,019,374 as of the end of 2012, or \$2,176,821.
- Operating revenue was \$17,050,193 in 2012 compared to \$17,327,857 in 2011, a decrease of \$277,664.
- Operating expenses decreased \$1,778,365 in 2012 while component changes in 2012 compared to 2011 consisted of a decrease in salary and benefits of \$453,487; an increase in professional services of \$252,921; a decrease in repair and maintenance of \$260,149; a decrease in utilities of \$481,376 and a decrease in office and other supplies and expenses of \$1,316,384; an increase in depreciation and depletion of \$492,270 related to the addition of infrastructure and a net decrease in all other component items of \$12,160.
- Non-operating revenues and expenses consisted of interest and fiscal charges in the amount of \$7,866,042; BABs interest subsidy of \$2,014,866; and interest income of \$43,518. The net effect of these changes is a decrease in net position of \$5,807,658.
- Tap fees and extra-territorial fees increased \$13,645 in 2012, compared to 2011.
- Capital assets, net of depreciation and depletion, decreased \$166,880, from \$168,335,394 in 2011 to \$168,168,514 in 2012.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to ACWWA's basic financial statements. The basic financial statements are comprised of Financial Statements and Notes to Financial Statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements of ACWWA are presented as a special purpose government engaged only in business type activities - providing water and sewer utility services.

The Statement of Net Position presents information on all of ACWWA's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of ACWWA is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position present information that reflects how ACWWA's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues are reported when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows.

The Statements of Cash Flows reports ACWWA's cash flows from operating, noncapital financing, capital and investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The supplemental information provides budget and actual information, debt service requirements and continuing disclosure annual information.

Statement of Net Position

	December 31,		
	2012	Restated 2011	Restated 2010
Current assets	\$ 21,783,793	\$ 19,852,504	\$ 33,627,929
Restricted and other assets	6,764,453	6,807,313	35,627,116
Capital assets	168,168,514	168,335,394	128,444,477
Deferred outflows of resources	2,228,684	2,377,263	2,525,842
Total assets	<u>198,945,444</u>	<u>197,372,474</u>	<u>200,225,364</u>
Current liabilities	3,258,239	4,496,752	7,890,513
Long-term obligations	133,556,165	133,033,169	135,597,989
Deferred inflows of resources	111,666	-	-
Total liabilities	<u>136,926,070</u>	<u>137,529,921</u>	<u>143,488,502</u>
Net position:			
Net investment in capital assets	39,465,437	39,992,421	24,951,097
Unrestricted	22,553,937	19,850,132	31,785,765
Total net position, restated	<u>\$ 62,019,374</u>	<u>\$ 59,842,553</u>	<u>\$ 56,736,862</u>

ACWWA's assets are primarily dedicated to providing water and wastewater services to its customers and the acquisition of water rights and related water system infrastructure. The acquisition of water rights and infrastructure assures that ACWWA will be able to provide a high quality of 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 as of December 31, 2012 was \$6,652,787 compared to \$6,709,859 in 2011, a decrease of \$57,072. This decrease is related to the use of restricted cash investment in related water system infrastructure. Restricted cash consists of escrow accounts, debt reserves, and funds restricted for capital projects.

Current, restricted and other assets increased by \$1,888,429 in 2012 to \$28,548,246 from \$26,659,817 in 2011. This increase is primarily the net result of transactions related to operations and debt service.

Capital assets decreased \$166,880 in 2012 to \$168,168,514 from \$168,335,394 in 2011 primarily due to the net investment in infrastructure of \$2,878,938 and an increase in accumulated depreciation and depletion of \$3,045,818 to \$19,805,181 in 2012 from \$16,759,363 in 2011.

Current liabilities decreased by a net amount of \$1,238,513 primarily due to the bond refunding which decreased the current portion of bonds payable from \$2,605,000 to \$1,110,000 and a net increase in the various other current liabilities of \$256,487 from \$1,891,752 in 2011 to \$2,148,239 in 2012.

Long-term obligations increased by a net amount of \$522,996 in 2012 to \$133,556,165 in 2012 from \$133,033,169 in 2011 due to the refunding of the 2009B Revenue Bonds which increased total liabilities \$250,000 and also resulted in a lower amount of long-term liabilities. More detailed information about ACWWA's long-term debt and other liabilities is presented in Note 5 to the basic financial statements.

Change in Net Position

	December 31,		
	2012	Restated 2011	Restated 2010
Revenues			
Operating revenue			
Water charges	\$ 10,964,732	\$ 10,637,445	\$ 9,583,597
Sewer charges	4,826,201	4,895,956	4,959,925
Fees for services	493,616	684,718	519,700
Water plant revenue	502,125	868,834	-
Other revenue	263,519	240,904	231,391
Total operating revenues	<u>17,050,193</u>	<u>17,327,857</u>	<u>15,294,613</u>
Nonoperating revenues			
Net investment income	43,518	78,550	148,293
Interest subsidy	2,014,866	2,014,866	1,930,913
Contributions			
Tap and Extra-Territorial fees	982,959	969,314	1,167,560
Transfer of capital assets to SEMSWA	-	-	(1,357,295)
Water shortage revenue	-	2,500,000	-
Total revenues	<u>20,091,536</u>	<u>22,890,587</u>	<u>17,184,084</u>
Expenses			
Operating expenses			
Salaries and benefits	3,197,904	3,651,391	3,473,658
Office expense	104,075	440,575	282,359
Professional services	899,578	646,657	771,713
Insurance	177,755	183,881	189,024
Operational	19,539	18,673	15,745
Contractual services	105,133	112,033	96,873
Repairs and maintenance	417,434	677,583	894,026
Utilities	1,405,976	1,887,352	1,147,350
Depreciation and depletion	3,045,818	2,553,548	2,072,291
Other supplies and expense	675,461	1,655,345	871,171
Total operating expenses	<u>10,048,673</u>	<u>11,827,038</u>	<u>9,814,210</u>
Non-operating expense			
Interest and fiscal charges, as restated	7,866,042	7,871,310	7,491,387
Loss on disposal of capital assets	-	86,548	243,210
Total expenses	<u>17,914,715</u>	<u>19,784,896</u>	<u>17,548,807</u>
Changes in net assets	2,176,821	3,105,691	(364,723)
Net position - Beginning of year, as restated	<u>59,842,553</u>	<u>56,736,862</u>	<u>57,101,585</u>
Net position - End of year, as restated	<u>\$ 62,019,374</u>	<u>\$ 59,842,553</u>	<u>\$ 56,736,862</u>

ACWWA's financial position as measured by the change in net position increased from \$59,842,553 as of the end of 2011 to \$62,019,374 as of the end of 2012, or \$2,176,821. The major components of this increase are explained as follows:

Operating revenues decreased \$277,664 to \$17,050,193 in 2012 from \$17,327,857 in 2011. Component changes consisted of an increase in water charges of \$327,287 due to a dry irrigation season; a decrease in sewer charges and fees for services of \$260,857; a decrease in revenue generated from the reverse osmosis water treatment plant of \$366,709; and an increase of \$22,615 in other revenue.

Operating expenses decreased \$1,778,365 in 2012 to \$10,048,673 from \$11,827,038 in 2011. Component changes consisted of a decrease in salaries and benefits of \$453,487; an increase in professional services of \$252,921; a decrease in repairs and maintenance of \$260,149; a decrease in utilities of \$481,376; a decrease in office and other supplies and expense of \$1,316,384; an increase in depreciation and depletion of \$492,270 related to the addition of infrastructure; and a net decrease in all other component items of \$12,160.

Non-operating revenues and expenses consisted of a decrease in debt service of \$5,268 and an interest income decrease of \$35,032. The net effect of these changes is a decrease in non-operating expenses of \$126,848 in 2012.

Tap and extra-territorial fees increased \$13,645 in 2012 compared to 2011.

Budgetary Highlights

ACWWA prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and nonoperating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect "funds available". State statutes require this budgetary accounting.

Capital Assets

The activity related to capital assets during 2012, 2011 and 2010 is as follows:

Capital Assets Activity

	December 31, 2011	Net Changes	December 31, 2012
Land and land improvements	\$ 2,063,196	\$ -	\$ 2,063,196
Water rights, net of depletion	121,401,829	(60,965)	121,340,864
Construction in progress	1,805,926	1,329,324	3,135,250
Water system	40,266,428	1,512,340	41,778,768
Sewer system	15,097,364	-	15,097,364
Buildings and projects	3,244,015	10,300	3,254,315
Total assets	183,878,758	2,790,999	186,669,757
Accumulated depreciation	(15,543,364)	(2,957,879)	(18,501,243)
Net capital assets	\$ 168,335,394	\$ (166,880)	\$ 168,168,514

	December 31, 2010	Net Changes	December 31, 2011
Land and land improvements	\$ 2,063,196	\$ -	\$ 2,063,196
Water rights, net of depletion	81,462,818	39,939,011	121,401,829
Construction in progress	2,642,582	(836,656)	1,805,926
Water system	38,789,373	1,477,055	40,266,428
Sewer system	13,572,795	1,524,569	15,097,364
Buildings and projects	3,185,282	58,733	3,244,015
Total assets	141,716,046	42,162,712	183,878,758
Accumulated depreciation	(13,271,569)	(2,271,795)	(15,543,364)
Net capital assets	\$ 128,444,477	\$ 39,890,917	\$ 168,335,394

	December 31, 2009	Net Changes	December 31, 2010
Land and land improvements	\$ 2,063,196	\$ -	\$ 2,063,196
Water rights, net of depletion	64,956,695	16,506,123	81,462,818
Construction in progress	2,035,241	607,341	2,642,582
Water system	15,500,092	23,289,281	38,789,373
Sewer system	13,423,303	149,492	13,572,795
Stormwater system	1,203,504	(1,203,504)	-
Buildings and projects	2,959,305	225,977	3,185,282
Total assets	102,141,336	39,574,710	141,716,046
Accumulated depreciation	(11,397,466)	(1,874,103)	(13,271,569)
Net capital assets	\$ 90,743,870	\$ 37,700,607	\$ 128,444,477

The net decrease to the capital assets in the amount of \$166,880 in 2012 resulted in the net amount of completed and capitalized items in the amount in 2012 of \$2,851,964 in depreciable assets, mostly related to the ACWWA Flow Project, and an increase of accumulated depreciation of \$2,957,879; and \$(60,965) in 2012 of water rights, net of depletion.

Additional information on ACWWA's capital assets can be found in Note 4 of this report.

Debt Administration

All scheduled debt service payments were made timely during 2012 and 2011.

Additional detail on ACWWA's debt is in Note 5 of this report.

Economic and Other Factors

ACWWA continues to emphasize three key areas for the 2013 year: capital improvement project needs, proactive maintenance of the water and wastewater infrastructure, and operating costs required in sustaining and enhancing service levels. ACWWA's emphasis will allow the system to continue providing high quality and reliable water and wastewater services at reasonable rates while also maintaining a healthy financial position. ACWWA has made efforts to ensure that rates remain affordable for its customers while ensuring the continued stability of the system and the ability to meet the needs related to future growth.

Request for Information

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

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

BASIC FINANCIAL STATEMENTS

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
STATEMENTS OF NET POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>Restated 2011</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,492,121	\$ 17,990,423
Receivables	2,242,304	1,822,176
Prepaid expenses and other	49,368	39,905
Total current assets	<u>21,783,793</u>	<u>19,852,504</u>
RESTRICTED ASSETS		
Cash and cash equivalents	<u>6,652,787</u>	<u>6,709,859</u>
Total restricted assets	<u>6,652,787</u>	<u>6,709,859</u>
CAPITAL ASSETS, NET	<u>168,168,514</u>	<u>168,335,394</u>
OTHER ASSETS		
Non-current receivables	<u>111,666</u>	<u>97,454</u>
Total other assets	<u>111,666</u>	<u>97,454</u>
DEFERRED OUTFLOWS OF RESOURCES		
Cost of debt refunding, net	<u>2,228,684</u>	<u>2,377,263</u>
Total deferred outflows of resources	<u>2,228,684</u>	<u>2,377,263</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 198,945,444</u></u>	<u><u>\$ 197,372,474</u></u>

	<u>2012</u>	<u>Restated 2011</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 766,540	\$ 716,235
Accrued payroll	153,637	50,490
Meter deposits	26,000	38,000
Escrowed development funds	450,936	391,317
Accrued interest payable	632,147	635,443
Compensated absences payable, current portion	118,979	60,267
Revenue bonds payable, current portion	1,110,000	2,605,000
Total current liabilities	<u>3,258,239</u>	<u>4,496,752</u>
LONG-TERM OBLIGATIONS		
Compensated absences payable, long-term portion	181,904	228,961
Revenue bonds payable, long-term portion	133,374,261	132,804,208
Total long-term liabilities	<u>133,556,165</u>	<u>133,033,169</u>
DEFERRED INFLOW OF RESOURCES		
Deferred revenue	111,666	-
Total deferred inflow of resources	<u>111,666</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	39,465,437	39,992,421
Unrestricted	22,553,937	19,850,132
Total net position	<u>62,019,374</u>	<u>59,842,553</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 198,945,444</u></u>	<u><u>\$ 197,372,474</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2012 and 2011

	2012	Restated 2011
OPERATING REVENUE		
Water revenue	\$ 10,964,732	\$ 10,637,445
Sewer revenue	4,826,201	4,895,956
Fees for services	493,616	684,718
Water plant revenue	502,125	868,834
Other revenue	263,519	240,904
Total operating revenues	<u>17,050,193</u>	<u>17,327,857</u>
OPERATING EXPENSES		
Salaries and benefits	3,197,904	3,651,391
Office expense	104,075	440,575
Professional services	899,578	646,657
Insurance	177,755	183,881
Operational	19,539	18,673
Contractual services	105,133	112,033
Repairs and maintenance	417,434	677,583
Utilities	1,405,976	1,887,352
Depreciation and depletion	3,045,818	2,553,548
Other supplies and expense	675,461	1,655,345
Total operating expenses	<u>10,048,673</u>	<u>11,827,038</u>
OPERATING INCOME	<u>7,001,520</u>	<u>5,500,819</u>
NONOPERATING REVENUES		
Net investment income	43,518	78,550
Interest subsidy	2,014,866	2,014,866
Total nonoperating revenues	<u>2,058,384</u>	<u>2,093,416</u>
NONOPERATING EXPENSES		
Loss on disposal of capital assets	-	86,548
Interest and fiscal charges	7,866,042	7,871,310
Total nonoperating expenses	<u>7,866,042</u>	<u>7,957,858</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>1,193,862</u>	<u>(363,623)</u>
CAPITAL CONTRIBUTIONS		
Tap and extra-territorial fees	982,959	969,314
Water capacity exchange	-	2,500,000
Total capital contributions	<u>982,959</u>	<u>3,469,314</u>
CHANGE IN NET POSITION	2,176,821	3,105,691
TOTAL NET POSITION - BEGINNING OF YEAR, RESTATED	59,842,553	56,736,862
TOTAL NET POSITION - END OF YEAR	<u>\$ 62,019,374</u>	<u>\$ 59,842,553</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 16,582,446	\$ 17,604,345
Payments to suppliers	(3,627,046)	(6,344,539)
Payments to employees and related expenses	(3,186,249)	(3,609,838)
Net cash provided (required) by operating activities	<u>9,769,151</u>	<u>7,649,968</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net tap and extra-territorial fees	982,959	969,314
Principal payments on bonds	(6,427,857)	(1,375,000)
Interest paid on revenue bonds	(7,509,080)	(7,635,312)
Subsidy received on bond interest	2,014,866	2,014,866
Bond issuance	5,525,000	-
Bond issue costs	(63,100)	-
Payments for capital acquisitions	(2,878,938)	(44,040,783)
Proceeds from sales of capital assets	-	10,020
Net cash provided (required) by capital and related financing activities	<u>(8,356,150)</u>	<u>(50,056,895)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	31,625	62,522
Net cash provided (required) by investing activities	<u>31,625</u>	<u>62,522</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,444,626	(42,344,405)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>24,700,282</u>	<u>67,044,687</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 26,144,908</u></u>	<u><u>\$ 24,700,282</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011
(Continued)

	<u>2012</u>	<u>2011</u>
Reconciliation of operating income (loss) to net cash provided (required) by operating activities		
Operating income:	\$ 7,001,520	\$ 5,500,819
Provided (required) by operating activities		
Depreciation and amortization	3,045,818	2,553,548
(Increase) decrease in:		
Accounts receivable	(420,128)	133,029
Prepaid expenses	(9,463)	133,822
Increase (decrease) in:		
Accounts payable and accrued expenses	199,023	(814,709)
Deposits	(47,619)	143,459
Net cash provided (required) by operating activities	<u>\$ 9,769,151</u>	<u>\$ 7,649,968</u>
NON-CASH TRANSACTIONS		
Water capacity exchange 2011	<u>\$ -</u>	<u>\$ 2,500,000</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - DEFINITION OF REPORTING ENTITY

Arapahoe County Water and Wastewater Authority (ACWWA) was organized pursuant to Colorado State Statutes (29-1-204.2 CRS) by an Intergovernmental Agreement (IGA) between Arapahoe County (County) and Arapahoe Water and Sanitation District (District) in 1988. ACWWA is governed by a nine-member Board of Directors appointed by the Arapahoe County Board of Commissioners. As of December 31, 2012 one of the five County Commissioners served on ACWWA's Board of Directors. Currently there are two of the five County Commissioners serving 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 Intergovernmental Agreement 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 intergovernmental agreement with the Arapahoe County Water and Wastewater Public Improvement District (PID). The PID was organized in 2001, pursuant to the provisions of Title 30, Article 20, Part 5 CRS 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 the PID replace the District as a party to the IGA. The PID retains ACWWA as its management agency pursuant to this management agreement. In consideration for ACWWA's commitment to provide management service, the PID agreed to issue general obligation bonds, certify a mill levy on property within the PID at a level sufficient to make the annual debt service payments as identified in the PID's annual capital plan. The 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, the PID paid to ACWWA the replacement value of the assets. ACWWA, in recognizing its responsibilities to the District, and reviewing its powers, determined that revenue from the sale of its assets shall be used for the repayment of the general obligation debt of the District. The PID is a component unit of the County.

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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

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, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

ACWWA is not financially accountable for any other organization. ACWWA is considered a component unit of Arapahoe County.

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

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

Basis of Accounting

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

For the year ended December 31, 2012, supplementary appropriations approved by ACWWA modified the appropriation from \$23,498,536 to \$27,402,911 in the Enterprise Fund.

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 estimated fair value at the date of donation or at the developers' cost.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Water rights (non-tributary only)	100 years
Tanks	40-50 years
Wells	25 years
Water mains	30 years
Sewer mains	20 years
Buildings	10 years
Sewer system	5-30 years
Water system	5-30 years
Equipment	3-5 years
Leasehold improvements	5 years

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions in the period in which they are received or become collectible. Under ACWWA's policy, developers are required to pay for the equivalent cost of certain water lines previously constructed by ACWWA to serve the developers' property as actual development begins. Water and sewer lines contributed to ACWWA by developers are recorded as capital contributions and additions to the systems at the developers' cost or at estimated fair value when received. ACWWA records the contributions at the time the lines are conveyed to ACWWA for preliminary acceptance. Payments to other governments for the construction of capital infrastructure that will benefit ACWWA but not be owned, operated or maintained by ACWWA, are recorded as an expense.

Water Rights

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

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

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

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, 2012, accrued vacation benefits are capped at 240 hours per employee. Sick leave benefits are accrued using the termination payment method. When terminations are made, employees are allowed up to 50% of their allowable 480 hours of accrued benefit. ACWWA has accrued \$300,883 and \$289,228 as of December 31, 2012 and 2011, respectively, for future payment of this earned leave.

Reimbursement Agreements

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

Reclassifications

For comparability, certain 2011 amounts have been reclassified where appropriate to conform with the 2012 financial statement presentation.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In December 2010, the GASB issued Statement 62, "Codification of Account and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". GASB 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB Pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have an impact on ACWWA's financial statements.

Effective January 1, 2012, ACWWA implemented the provisions of GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and early implemented the provisions of GASB No. 65, "Items Previously Reported as Assets and Liabilities".

GASB No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4 "Elements of Financial Statements" (Concepts Statement No. 4). Concepts Statement No. 4 defines a deferred outflow of resources as a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The impact on ACWWA's financial statements has been to replace the term "net assets" with "net position".

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. Some assets previously reported as assets are now reported as an outflow of resources/expenses. One of these assets is debt issue costs. Due to the comparative nature of these financial statements, the beginning net position for the year ending December 31, 2011 has been restated to reflect expensing all debt issue costs that had been previously capitalized. The effect of this treatment is as follows:

Net position - January 1, 2011, as originally stated	\$ 57,712,756
Restatement related to debt issue costs	(975,894)
Net position - January 1, 2011, as restated	<u>\$ 56,736,862</u>

Additionally, the cost of debt refunding is treated as a deferred outflow of resources.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2012 and 2011 are classified in the accompanying financial statements as follows:

	<u>2012</u>	<u>2011</u>
Statement of net position:		
Cash and cash equivalents	\$ 19,492,121	\$ 17,990,423
Cash and cash equivalents - Restricted	<u>6,652,787</u>	<u>6,709,859</u>
Total cash and cash equivalents	<u>\$ 26,144,908</u>	<u>\$ 24,700,282</u>

Cash and investments as of December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Deposits with financial institutions	\$ 21,366,053	\$ 19,360,888
Investments	<u>4,778,855</u>	<u>5,339,394</u>
Total cash and investments	<u>\$ 26,144,908</u>	<u>\$ 24,700,282</u>

Deposits with Financial Institutions

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 the 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, 2012 and 2011, ACWWA's cash deposits had a bank balance of \$21,610,452 and \$19,484,930, respectively, and a carrying balance of \$21,366,053 and \$19,360,888, respectively.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

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

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service reserve or sinking fund requirements.

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

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

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2012 and 2011, ACWWA had the following investments:

Investment	Maturity	Fair Value	
		2012	2011
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days		
		\$ 4,778,855	\$ 5,339,394
		<u>\$ 4,778,855</u>	<u>\$ 5,339,394</u>

COLOTRUST

ACWWA invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAM by Standard & Poor's.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2012 and 2011 follows:

	2012		
	Balance at December 31, 2011	Increases	Decreases
			Balance at December 31, 2012
Capital assets, not being depreciated:			
Land	\$ 2,063,196	\$ -	\$ 2,063,196
Water rights	122,617,828	26,974	122,644,802
Less: depletion	(1,215,999)	(87,939)	(1,303,938)
Net water rights	121,401,829	(60,965)	121,340,864
Construction in progress	1,805,926	2,836,965	1,507,641
Total capital assets, not being depreciated	125,270,951	2,776,000	1,507,641
Capital assets, being depreciated:			
Water system	40,266,428	1,512,340	-
Sewer system	15,097,364	-	-
Buildings, equipment, and projects	3,244,015	10,300	-
Total capital assets, being depreciated	58,607,807	1,522,640	-
Less accumulated depreciation for:			
Water system	6,148,266	1,864,798	-
Sewer system	7,538,566	739,900	-
Buildings, equipment, and projects	1,856,532	353,181	-
Total accumulated depreciation	15,543,364	2,957,879	-
Total capital assets, being depreciated, net	43,064,443	(1,435,239)	-
Capital assets, net	<u>\$ 168,335,394</u>	<u>\$ 1,340,761</u>	<u>\$ 1,507,641</u>

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	2011		
	Balance at December 31, 2010	Increases	Decreases
Capital assets, not being depreciated:			
Land	\$ 2,063,196	\$ -	\$ -
Water rights	82,609,438	40,008,390	-
Less: depletion	(1,146,620)	(69,379)	-
Net water rights	81,462,818	39,939,011	-
Construction in progress	2,642,582	3,984,452	4,821,108
Total capital assets, not being depreciated	86,168,596	43,923,463	4,821,108
Capital assets, being depreciated:			
Water system	38,789,373	5,522,539	4,045,484
Sewer system	13,572,795	1,787,779	263,210
Buildings, equipment, and projects	3,185,282	58,733	-
Total capital assets, being depreciated	55,547,450	7,369,051	4,308,694
Less accumulated depreciation for:			
Water system	4,667,205	1,531,494	50,433
Sewer system	7,125,677	574,830	161,941
Buildings, equipment, and projects	1,478,687	377,845	-
Total accumulated depreciation	13,271,569	2,484,169	212,374
Total capital assets, being depreciated, net	42,275,881	4,884,882	4,096,320
Capital assets, net	<u>\$ 128,444,477</u>	<u>\$ 48,808,345</u>	<u>\$ 8,917,428</u>

Depreciation and depletion expense for the year ended December 31, 2012 and 2011 was charged to the following:

	2012	2011
Water	\$ 1,952,737	\$ 1,600,873
Sewer	739,900	574,830
Buildings, equipment and projects	353,181	377,845
	<u>\$ 3,045,818</u>	<u>\$ 2,553,548</u>

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in ACWWA's long-term obligations for the years ended December 31, 2012 and 2011:

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Amounts Due Within One Year
Series 2006					
Revenue Bonds	\$ 21,280,000	\$ -	\$ 600,000	\$ 20,680,000	\$ 625,000
Bond premium	331,351	-	22,090	309,261	-
Series 2007					
Revenue Bonds	16,890,000	-	465,000	16,425,000	485,000
Series 2009A					
Revenue Bonds	91,545,000	-	-	91,545,000	-
Series 2009B					
Revenue Bonds	5,275,000	-	5,275,000	-	-
Premium	87,857	-	87,857	-	-
Series 2012					
Revenue Bonds	-	5,525,000	-	5,525,000	-
Total bonds payable	135,409,208	5,525,000	6,449,947	134,484,261	1,110,000
Compensated absences	289,228	11,655	-	300,883	118,979
Total long-term obligations	<u>\$ 135,698,436</u>	<u>\$ 5,536,655</u>	<u>\$ 6,449,947</u>	<u>\$ 134,785,144</u>	<u>\$ 1,228,979</u>
	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Amounts Due Within One Year
Series 2006					
Revenue Bonds	\$ 21,855,000	\$ -	\$ 575,000	\$ 21,280,000	\$ 600,000
Bond premium	353,441	-	22,090	331,351	-
Series 2007					
Revenue Bonds	17,340,000	-	450,000	16,890,000	465,000
Series 2009A					
Revenue Bonds	91,545,000	-	-	91,545,000	-
Series 2009B					
Revenue Bonds	5,625,000	-	350,000	5,275,000	1,540,000
Premium	90,995	-	3,138	87,857	-
Total bonds payable	136,809,436	-	1,400,228	135,409,208	2,605,000
Compensated absences	247,807	41,421	-	289,228	60,267
Total long-term obligations	<u>\$ 137,057,243</u>	<u>\$ 41,421</u>	<u>\$ 1,400,228</u>	<u>\$ 135,698,436</u>	<u>\$ 2,665,267</u>

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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

Series 2006 Refunding Bonds

On December 28, 2006, ACWWA issued \$22,940,000, with a premium of \$441,801, in revenue bonds with interest rates ranging from 4% to 5%. The revenue refunding and improvement bonds are due in average annual principal and interest installments of \$1,550,265 until December 2033.

Revenue Refunding and Improvement Bonds, Series 2007

On August 23, 2007, ACWWA issued \$18,760,000, with a discount of \$70,654, in Water and Wastewater Revenue Refunding and Improvement Bonds with interest rates ranging from 4% to 5%. The revenue refunding bonds are due in average annual principal and interest installments of \$1,262,915 until December 2033.

Series 2009A Revenue Bonds

On December 8, 2009, ACWWA issued \$91,545,000 in Taxable Water and Wastewater Revenue Direct Pay Build America Bonds (BAB) with interest rates ranging from 3.61% to 6.68%. The revenue refunding and improvement bonds are due in annual principal and interest installments of \$5,516,894 to \$15,804,642 until December 2039. ACWWA is eligible to receive a 35% interest subsidy credit on its interest payments for these bonds subject to Section 6431 of the Internal Revenue Code. To receive BAB credits, ACWWA must file a form 8038-CP between 45 and 90 days prior to the corresponding interest payment date. Such credits, if received by ACWWA, are required under the bond resolution to be deposited to the Build America Bond Interest account of the Build America Bond Fund. There is no assurance, however, that ACWWA will receive all or any of the BAB credits which it expects to receive. ACWWA will be required to pay interest on the 2009A bonds regardless of whether BAB payments are received. ACWWA received interest subsidies in the amounts of \$2,014,866 and \$2,014,866, during 2012 and 2011, respectively. In accordance with the Trust Indenture, as of December 31, 2012, \$6,100,112 was held in reserves.

Series 2009B Revenue Bonds

On December 8, 2009, ACWWA issued \$5,625,000 in water and wastewater revenue bonds with interest rates ranging from 2% to 2.5%. The revenue refunding and improvement bonds are due in annual principal and interest installments of \$121,960 to \$2,224,250 until December 2014.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Series 2012 Revenue Refunding Loan

On October 18, 2012, ACWWA refunded the Series 2009B Revenue Bonds and entered into a loan agreement with Colorado State Bank and Trust dated October 18, 2012 in the amount of \$5,525,000. Principal and interest payments are due June 1 and December 1 in varying amounts through December 1, 2022, with a fixed interest rate of 2.17%. In accordance with the Trust Indenture, as of December 31, 2012, \$552,675 was held in reserves.

Pledged Revenue and Debt Coverage Requirements

Over the years, ACWWA has issued revenue bonds with certain pledged revenues as collateral, certain debt coverage requirements and various covenants in which ACWWA's management believes that ACWWA is in compliance.

Refunding

On October 18, 2012, ACWWA issued \$5,525,000 in Revenue Refunding loan dated October 18, 2012 for the refunding of the Series 2009B Tax-Exempt Water and Wastewater Revenue Bonds. Bond proceeds were transferred by the bond resolution to pay the costs of issuance and the remaining proceeds placed in a special fund and trust account for the purpose of paying the principal of, premium if any and interest on the refunded bonds as they become due and payable.

On October 18, 2012, ACWWA advance refunded and defeased (debt legally satisfied) \$5,362,857 of Water and Wastewater Revenue Bonds, Tax-Exempt Series 2009B, dated December 8, 2009 with interest rates ranging from 2.0% to 2.5%. ACWWA advanced refunded the Series 2009B bonds to reduce its total debt service payments over the next three years by almost \$5,225,909 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$201,012. ACWWA incurred issuance cost in the amount of \$63,100. The defeased bonds are not considered a liability of ACWWA since sufficient funds in the amount of \$5,463,172 were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds until the call date, at which point the bonds will be repaid in its entirety from the remaining funds in the escrow account. The bonds will be redeemed on December 1, 2014. As of December 31, 2012, the outstanding principal balance of the bonds was \$3,735,000.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,110,000	\$ 7,582,775	\$ 8,692,775
2014	1,150,000	7,538,374	8,688,374
2015	2,855,000	7,487,888	10,342,888
2016	2,945,000	7,384,624	10,329,624
2017	3,050,000	7,250,790	10,300,790
2018-2022	22,585,000	33,735,501	56,320,501
2023-2027	20,760,000	28,652,952	49,412,952
2028-2032	25,680,000	22,346,786	48,026,786
2033-2037	31,975,000	13,891,369	45,866,369
2038-2039	22,065,000	2,463,584	24,528,584
Total payments	<u>\$134,175,000</u>	<u>\$138,334,643</u>	<u>\$272,509,643</u>

NOTE 6 - NET POSITION

ACWWA has net position consisting of two components – net investment in capital assets 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, 2012 and 2011, ACWWA had net investment in capital assets calculated as follows:

	<u>2012</u>	<u>Restated 2011</u>
Net investment in capital assets		
Capital assets, net	\$ 168,168,514	\$ 168,335,394
Debt reserves	3,552,500	4,688,972
Cost of refunding	2,228,684	2,377,263
Bond premium	(309,261)	(419,208)
Capital related debt	(134,175,000)	(134,990,000)
Net investment in capital assets	<u>\$ 39,465,437</u>	<u>\$ 39,992,421</u>

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 6 - NET POSITION (CONTINUED)

ACWWA's unrestricted net position as of December 31, 2012 and 2011 are \$22,553,937 and \$19,850,132, respectively. Of the unrestricted net position as of December 31, 2012 and 2011, \$148,100 is designated by management for the JWPP Operation Reserves.

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS

Cherry Creek Project Water Authority

ACWWA participates in the Cherry Creek Project Water Authority (CCPWA). The CCPWA is expected to produce approximately 2,000 acre feet of firm annual yield water for the use of the members. The amount of water to be received by each member will be based on each member's percentage of equity interest. ACWWA contributed over \$6,000,000 and expects to receive 42% of the water produced on the completion of future facilities.

Southeast Metro Stormwater Authority (SEMSWA)

ACWWA participates in the Southeast Metro Stormwater Authority (SEMSWA). The purpose of SEMSWA is to plan, fund, construct, acquire, operate, and maintain drainage and flood control facilities within its boundaries. In prior years, ACWWA transferred assets with the net book value of \$1,357,295 to SEMSWA according to the original agreement.

Town of Castle Rock

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

Cottonwood Water and Sanitation District

In 2009, ACWWA entered into an agreement with Cottonwood Water and Sanitation District (CWSD) to mutually plan for the construction and operation of a Joint Water Purification Plant. ACWWA agreed to drill an alluvial well on the CWSD site known as Well CCC-4. Project costs were paid by ACWWA and ACWWA will initially own the well and equipment. Once the well is operational, CWSD may exercise its option to purchase the well. In this case, CWSD will

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

reimburse ACWWA for the cost of the well and equipment, less the agreed-upon depreciation. Under all circumstances, ACWWA may use the well for its purposes for no less than 5 years from the agreement date.

Cottonwood Water and Sanitation District Lease

In November 2012, ACWWA entered into a lease agreement with CWSD with respect to the Chambers Pipeline. ACWWA will lease the pipeline from Cottonwood for transportation of raw water supplies for \$10 per year beginning on October 22, 2012 through October 22, 2015. During the term of the lease, ACWWA will operate and maintain the Chambers Pipeline, at its expense. At the end of the lease, ACWWA will return the pipeline to Cottonwood in the same condition as of the date of the lease. In the event of damage, Cottonwood and ACWWA will confer to determine a reasonable course of action; however, the costs of any repairs shall not be paid by ACWWA without ACWWA's consent, unless the damage is caused by ACWWA's use.

Cottonwood Water and Sanitation District – Sewer Service Agreement

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

East Cherry Creek Valley Water and Sanitation District

In 2009, ACWWA entered into agreements with East Cherry Creek Valley Water and Sanitation District (ECCV) and United Water and Sanitation District (United), whereby ACWWA acquired water rights, easements and infrastructure from United and ECCV. The Public Improvement District (see Note 1) acquires water rights and assets for the purpose of providing water services to its customers. Construction by ECCV of a reverse osmosis plant was started in the fall of 2010 and was completed in mid 2012.

Compark Business Campus Metropolitan District

In February 2011, ACWWA entered into an East-West Pipeline Capacity Acquisition Agreement with Compark Business Campus Metropolitan District whereby ACWWA acquired capacity from the Compark Business Campus Metropolitan District in the ECCV East-West Pipeline in exchange for Water Resource Fee Credits. The purchase price of the capacity of \$2,500,000 was satisfied by providing Water Resource Fee Credit.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Inverness Water and Sanitation District

In April 2005, ACWWA, Inverness Water and Sanitation District (IWSD) and the 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 the WWTP and also to set the terms of a Renewal and Replacement Reserve Fund, which is to be established by both ACWWA and IWSD. The Renewal and Replacement Reserve Fund will be contributed to annually based on the established prorated share of capacity in the WWTP. The maximum balance, once established, shall not exceed \$7,500,000 and will be reviewed every four years, beginning in 2011, as to the adequacy of the reserve amount and shall be adjusted accordingly.

Joint Water Purification Plant

In February 2002, ACWWA entered into an agreement with the 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 the JWPP. Under the terms of the agreement, ACWWA is to be the manager and operator of the JWPP. In exchange for operating the plant, pursuant to a lease dated April 2002 and amended in April 2002, the PID has leased and will transfer its assets in the 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, the JWPP was placed into service and began operations. On December 6, 2010, ACWWA received a Notice of Violation/Cease and Desist Order as a result of an alleged permit violation from the Colorado Department of Public Health and Environment, Division of Administration, Water Quality Control Division (CDPHE) related to excess discharge of selenium in the waste product of the JWPP which allegedly violated a Federal Environmental Protection Agency standard. ACWWA is continuing to address this notice with the CDPHE concerning the discharges from the JWPP. ACWWA is cooperating with the CDPHE to meet the terms of the CDPHE Order. The potential loss was unknown as of December 31, 2012; however, on May 16, 2013, the penalty was reduced to \$80,000, which ACWWA has accepted. The final penalty and payment terms will be established in the near future in a formal agreement with CDPHE. As a result, the JWPP moved to microfiltration in 2012 while it continues to work on a longer-term solution that is compatible with the original construction design.

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
December 31, 2012 and 2011

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

ACWWA has entered into various contracts and agreements with contractors for the improvement and upgrading of facilities. Total commitments with such contractors for 2012 and 2011 totaled approximately \$882,727 and \$554,752, respectively.

NOTE 9 - PENSION AND BENEFIT PLANS

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

ACWWA's mandatory contributions are 12.4% of employee compensation. Discretionary employer contributions are decided on an annual basis at the time of budget approval for the following budget year. Historically, each year ACWWA's Board has approved a discretionary additional contribution of 5% of employee compensation, which is matched by a 5% pre-tax salary reduction by the employees, making the entire discretionary contribution 10% of employee compensation. Under the Plan document and the Internal Revenue Code, the entire discretionary contribution is considered an employer contribution. Total Plan contributions for the years ending December 31, 2012 and 2011 were \$505,807 and \$573,729, respectively. Total payroll was \$2,258,068 and \$2,561,288, respectively, for the years ended December 31, 2012 and 2011; total employer contributions represent 22.4% and 22.4% of total compensation for the years ended December 31, 2012 and 2011, respectively. An employee is not fully vested until the completion of four complete years of service. Vesting is 0% for less than 1 year, 25% for 1-2 years, 50% for 2-3 years, 75% for 3-4 years, and 100% for over four years.

NOTE 10 - RELATED PARTY TRANSACTIONS

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 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 are disclosed as follows:

A board member is a member of Valley Country Club, which is a customer of ACWWA.

A board member owns a home in ACWWA's service area. The board member retired from CH2MHill.

A board member is an Arapahoe County Commissioner, a Director of the PID, a board member of the Arapahoe County Public Airport Authority, a board member of the Southeast Metro Stormwater Authority and a resident of the East Cherry Creek Valley Water and Sanitation District.

A board member is the owner of a consulting company located in ACWWA's service area.

A board member has a relative who is an engineer employed by Anadarko Petroleum.

A board member is a board member of the Southeast Metro Stormwater Authority and whose spouse is a geologist employed by Anadarko Petroleum.

NOTE 12 - RISK MANAGEMENT

ACWWA is exposed to various risks of losses, including general liability (limited under the Colorado Governmental Immunity Act to \$150,000 per person and \$600,000 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 worker's compensation.

ACWWA is also a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2012. 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
December 31, 2012 and 2011

NOTE 12 - RISK MANAGEMENT(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.

NOTE 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.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES				
Water revenue	\$ 4,711,540	\$ 4,711,540	\$ 5,098,055	\$ 386,515
Fire lines	950,000	950,000	940,353	(9,647)
Sewer revenue	4,798,255	4,798,255	4,826,201	27,946
Water investment fee	2,219,971	2,219,971	2,124,293	(95,678)
Cross connection revenue	54,422	54,422	-	(54,422)
Water Plant revenue	527,494	527,494	502,125	(25,369)
Irrigation revenue	2,508,658	2,508,658	2,802,032	293,374
Other user fees	45,200	45,200	493,616	448,416
Net investment income	30,000	30,000	43,517	13,517
Interest subsidy	2,014,866	2,014,866	2,014,866	-
Radio read meters	1,850	1,850	-	(1,850)
Miscellaneous	197,136	197,136	263,519	66,383
Tap fee revenue	878,460	878,460	982,959	104,499
Total revenues	<u>18,937,852</u>	<u>18,937,852</u>	<u>20,091,536</u>	<u>1,153,684</u>
EXPENDITURES				
Salaries and benefits	3,344,265	3,344,265	3,197,904	146,361
Office expense	114,858	114,858	104,075	10,783
Professional services	685,223	685,223	899,578	(214,355)
Insurance	190,000	190,000	177,755	12,245
Operational	36,018	36,018	19,539	16,479
Contractual services	169,000	169,000	105,133	63,867
Repairs and maintenance	329,984	329,984	417,434	(87,450)
Utilities	1,668,811	1,668,811	1,405,976	262,835
Other supplies and expense	1,628,019	1,628,019	675,461	952,558
Debt service	10,230,309	14,134,684	14,167,409	(32,725)
Projects	4,726,928	4,726,928	2,837,171	1,889,757
Miscellaneous	295,000	295,000	-	295,000
Capital outlay	80,121	80,121	41,767	38,354
Total expenditures	<u>23,498,536</u>	<u>27,402,911</u>	<u>24,049,202</u>	<u>3,353,709</u>
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	(4,560,684)	(8,465,059)	(3,957,666)	4,507,393
OTHER FINANCING SOURCES AND (USES)				
Bond issuance	-	5,525,000	5,525,000	-
Total other financing sources and (uses)	<u>-</u>	<u>5,525,000</u>	<u>5,525,000</u>	<u>-</u>
CHANGE IN NET POSITION				
(BUDGETARY BASIS)	<u>\$ (4,560,684)</u>	<u>\$ (2,940,059)</u>	<u>\$ 1,567,334</u>	<u>\$ 4,507,393</u>

**ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2012**

Change in Net Position (Budgetary Basis)	\$ 1,567,334
Depreciation, depletion and amortization	(3,084,451)
Capital outlay	2,878,938
Bond issuance	(5,525,000)
Bond payments	<u>6,340,000</u>
Change in Net Position	<u>2,176,821</u>
Net Position, Beginning of Year, Restated	<u>59,842,553</u>
Net Position, End of Year	<u><u>\$ 62,019,374</u></u>

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2012

December 31,	\$22,940,000 Variable Rate Revenue Refunding Bonds, Series 2006 Dated December 28, 2006 Variable Interest Rate Principal and Interest Due December 1		\$18,760,000 Variable Rate Water and Wastewater Revenue Bonds, Series 2007 Dated August 23, 2007 Variable Interest Rate Principal and Interest Due December 1		\$91,545,000 Variable Rate Taxable Water and Wastewater Revenue Refunding Bonds, Series 2009A Dated December 8, 2009 Variable Interest Rate Principal and Interest Due December 1	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 625,000	\$ 927,464	\$ 485,000	\$ 778,225	\$ -	\$ 5,756,759
2014	645,000	902,463	505,000	758,825	-	5,756,759
2015	675,000	873,439	530,000	737,363	1,650,000	5,756,759
2016	705,000	846,438	545,000	714,838	1,695,000	5,703,021
2017	740,000	811,189	570,000	691,675	1,740,000	5,627,599
2018	775,000	774,188	600,000	663,175	1,790,000	5,546,775
2019	805,000	743,189	630,000	637,675	1,845,000	5,459,155
2020	840,000	710,988	650,000	608,550	1,915,000	5,364,230
2021	875,000	677,389	680,000	579,300	1,980,000	5,262,831
2022	915,000	637,388	710,000	548,700	2,050,000	5,155,020
2023	950,000	598,770	750,000	515,862	2,120,000	5,040,322
2024	995,000	556,738	780,000	481,175	2,200,000	4,918,528
2025	1,035,000	514,450	820,000	445,100	2,285,000	4,788,838
2026	1,080,000	470,464	860,000	404,100	2,380,000	4,641,913
2027	1,125,000	424,563	900,000	363,250	2,480,000	4,488,879
2028	1,175,000	376,750	940,000	320,500	2,585,000	4,329,414
2029	1,225,000	326,813	990,000	273,500	2,690,000	4,163,199
2030	1,275,000	274,750	1,040,000	224,000	2,805,000	3,990,232
2031	1,340,000	211,000	1,090,000	172,000	2,925,000	3,807,065
2032	1,405,000	144,000	1,145,000	117,500	3,050,000	3,616,063
2033	1,475,000	73,750	1,205,000	60,250	3,175,000	3,416,898
2034	-	-	-	-	6,125,000	3,209,571
2035	-	-	-	-	6,385,000	2,809,608
2036	-	-	-	-	6,660,000	2,383,090
2037	-	-	-	-	6,950,000	1,938,202
2038	-	-	-	-	7,250,000	1,473,942
2039	-	-	-	-	14,815,000	989,642
Total	<u>\$ 20,680,000</u>	<u>\$ 11,876,183</u>	<u>\$ 16,425,000</u>	<u>\$ 10,095,563</u>	<u>\$ 91,545,000</u>	<u>\$ 115,394,314</u>

\$5,525,000 Fixed Rate
Water and Wastewater
Revenue Refunding Loan
Series 2012
Dated September 26, 2012
Fixed Interest Rate Interest
Due June 1 and December 1

Principal Due December 1		Total Debt Service Requirements		
Principal	Interest	Principal	Interest	Total
\$ -	\$ 120,327	\$ 1,110,000	\$ 7,582,775	\$ 8,692,775
-	120,327	1,150,000	7,538,374	8,688,374
-	120,327	2,855,000	7,487,888	10,342,888
-	120,327	2,945,000	7,384,624	10,329,624
-	120,327	3,050,000	7,250,790	10,300,790
1,055,000	120,327	4,220,000	7,104,465	11,324,465
1,080,000	97,433	4,360,000	6,937,452	11,297,452
1,110,000	73,997	4,515,000	6,757,765	11,272,765
1,135,000	49,910	4,670,000	6,569,430	11,239,430
1,145,000	25,281	4,820,000	6,366,389	11,186,389
-	-	3,820,000	6,154,954	9,974,954
-	-	3,975,000	5,956,441	9,931,441
-	-	4,140,000	5,748,388	9,888,388
-	-	4,320,000	5,516,477	9,836,477
-	-	4,505,000	5,276,692	9,781,692
-	-	4,700,000	5,026,664	9,726,664
-	-	4,905,000	4,763,512	9,668,512
-	-	5,120,000	4,488,982	9,608,982
-	-	5,355,000	4,190,065	9,545,065
-	-	5,600,000	3,877,563	9,477,563
-	-	5,855,000	3,550,898	9,405,898
-	-	6,125,000	3,209,571	9,334,571
-	-	6,385,000	2,809,608	9,194,608
-	-	6,660,000	2,383,090	9,043,090
-	-	6,950,000	1,938,202	8,888,202
-	-	7,250,000	1,473,942	8,723,942
-	-	14,815,000	989,642	15,804,642
<u>\$ 5,525,000</u>	<u>\$ 968,583</u>	<u>\$134,175,000</u>	<u>\$ 138,334,643</u>	<u>\$272,509,643</u>

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION (UNAUDITED)

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
Year Ended December 31, 2012

Historical Debt Service Coverage (1)

	Year Ended December 31, 2008	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011	Year Ended December 31, 2012
Operating Revenues (4)	\$ 13,461,400	\$ 12,277,690	\$ 15,294,613	\$ 17,327,857	\$ 17,050,193
Non-operating Revenues (2)	3,926,027	2,505,526	3,246,766	5,562,730	3,041,343
Gross Revenues	17,387,427	14,783,216	18,541,379	22,890,587	20,091,536
Less Operation & Maintenance Expenses (net of depreciation) (4)	(7,380,099)	(7,808,656)	(7,741,919)	(9,273,490)	(7,002,855)
Net Revenue	10,007,328	6,974,560	10,799,460	13,617,097	13,088,681
Historical Annual Debt Service (3)	\$ 2,611,150	\$ 3,442,627	\$ 8,260,039	\$ 9,246,310	\$ 8,931,042
Historical Coverage Factor	3.83	2.03	1.31	1.47	1.47

- (1) This table reflects actual, audited revenues, expenditures and debt service coverage.
(2) Consists of one-time tap fees, Build America Bond Rebate and non-operating interest
(3) Constitutes the annual debt service on ACWWA's outstanding water and wastewater revenue bonds
(4) Gross Revenue and Operation and Maintenance Expenses reflect ACWWA's audited financial statements

**ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
Year Ended December 31, 2012**

Water Enterprise Operational Data

**Residential Water and Irrigation Volume Charges
Year Ended December 31, 2013**

For residential customers, ACWWA imposes a monthly service fee of \$38.68 plus a volume charge for each 1,000 gallons of metered usage, as follows:

Usage gal/mo	From	To	Rate
Block 1	0	4,000	\$3.38
Block 2	4,001	10,000	\$4.22
Block 3	10,001	30,000	\$5.27
Block 4	30,001	Above 30,001	\$6.60

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

**Non-Residential Meter Size Water and Irrigation Charges
Year Ended December 31, 2013**

Non-residential 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"	38.68
1"	77.35
1 ½"	154.70
2"	309.40
3"	696.18
4"	1,469.70
6"	2,784.68

**Non-Residential Water and Irrigation Volume Charges
Year Ended December 31, 2013**

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"	1 ½"	2"	3"	4"	6"
Block 1 from	0	0	0	0	0	0	0
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	\$3.88	\$3.88	\$3.88	\$3.88	\$3.88	\$3.88	\$3.88
Block 2	\$4.86	\$4.86	\$4.86	\$4.86	\$4.86	\$4.86	\$4.86
Block 3	\$6.07	\$6.07	\$6.07	\$6.07	\$6.07	\$6.07	\$6.07
Block 4	\$7.59	\$7.59	\$7.59	\$7.59	\$7.59	\$7.59	\$7.59

**ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
Year Ended December 31, 2012**

Water Enterprise Operational Data

Historic and Current Tap Fee Amounts

A history of tap fee amounts collected since 2008 is set forth in the following table:

	Water and Irrigation			Sewer		
	Amount	\$ Increase	% Increase	Amount	\$ Increase	% Increase
2008	\$ 14,780	\$ 705	5.0%	\$ 4,885	\$ 170	3.6%
2009	\$ 20,700	\$ 5,920	40.1%	\$ 5,285	\$ 400	8.2%
2010	\$ 21,200	\$ 500	2.4%	\$ 5,415	\$ 130	2.5%
2011	\$ 22,228	\$ 1,028	4.6%	\$ 5,678	\$ 263	4.6%
2012	\$ 23,306	\$ 1,078	4.6%	\$ 5,950	\$ 272	4.6%

History of Water, Sewer and Irrigation Tap Fee Collections

A history of taps issued and the fees collected therefrom since 2008 is presented in the following table:

Year	Water & Irrigation		Sewer		Total Tap Fee
	Number (1)	Revenue	Number	Revenue	Revenue
2008	182	\$2,562,338	154	\$ 813,890	\$3,376,228
2009	116	\$1,759,620	86	\$ 394,404	\$2,154,024
2010	51	\$ 946,541	40	\$ 216,600	\$1,163,141
2011	33	\$ 753,564	38	\$ 215,750	\$ 969,314
2012	32	\$ 718,317	52	\$ 264,642	\$ 982,959

(1) Represents a tap equivalent

**Current Water and Irrigation Tap Equivalents
As of December 31, 2012**

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	% of Total
	Water	Irrigation		
Residential	2460	1160	3620	49%
Non-Residential	2729	1039	3768	51%
Total	5189	2199	7388	100%

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
Years Ended December 31,

Comparison Statement of Revenues, Expenses and Changes in Net Position

	2008	Restated 2009	2010	2011	2012
Operating Revenues					
Water revenue	\$7,402,657	\$ 6,764,238	\$ 9,583,597	\$ 10,637,445	\$ 10,964,732
Sewer revenue	4,596,836	4,800,891	4,959,925	4,895,956	4,826,201
Fees for services	940,311	245,629	519,700	684,718	493,616
Miscellaneous	521,596	466,932	231,391	1,109,738	765,644
Total	13,461,400	12,277,690	15,294,613	17,327,857	17,050,193
Operating Expenses					
Salaries, payroll taxes, and benefits	3,248,253	3,969,381	3,473,658	3,651,391	3,197,904
Office expense	263,663	270,026	282,359	440,575	104,075
Professional services	549,150	963,548	771,713	646,657	899,578
Insurance expense	158,592	168,126	189,024	183,881	177,755
Operational expense	524,985	164,349	112,618	130,706	124,672
Repairs and maintenance	1,055,938	755,161	894,026	677,583	417,434
Utilities	895,944	914,601	1,147,350	1,887,352	1,405,976
Depreciation and amortization	1,772,173	1,899,074	2,072,291	2,553,548	3,045,818
Miscellaneous	683,574	603,464	871,171	1,655,345	675,461
Total	9,152,272	9,707,730	9,814,210	11,827,038	10,048,673
Operating Income (Loss)	4,309,128	2,569,960	5,480,403	5,500,819	7,001,520
Non-Operating Revenues					
Interest subsidy	-	-	1,930,913	2,014,866	2,014,866
Interest	549,799	174,825	148,293	78,550	43,518
Total	549,799	174,825	2,079,206	2,093,416	2,058,384
Non-Operating Expenses					
Loss on Disposal of capital assets	-	-	243,210	86,548	-
Interest and fiscal charges	2,014,060	3,507,173	7,491,387	7,871,310	7,866,042
Total	2,014,060	3,507,173	7,734,597	7,957,858	7,866,042
Income (Loss) before Capital Contributions and Transfers	2,844,867	(762,388)	(174,988)	(363,623)	1,193,862
Tap fees and contributions	3,376,228	2,330,701	1,167,560	969,314	982,959
Transfer of capital assets to SEMSWA	-	-	(1,357,295)	-	-
Water capacity exchange	-	-	-	2,500,000	-
Total capital contributions	3,376,228	2,330,701	(189,735)	3,469,314	982,959
Change in Net Position	6,221,095	1,568,313	(364,723)	3,105,691	2,176,821
Net Position Beginning of Year, Restated	49,312,177	55,533,272	57,101,585	56,736,862	59,842,553
Net Position End of Year, Restated	\$ 55,533,272	\$ 57,101,585	\$ 56,736,862	\$ 59,842,553	\$ 62,019,374

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
December 31, 2012

Budget to Actual (Non-GAAP) Comparison of Results of Operations

	Restated 2011			2012			2013
	Budget	Actual	Variance	Budget	Actual	Variance	Budget
Operating Revenue							
Water revenue	\$ 6,847,105	\$ 7,063,758	\$ 216,653	\$ 7,459,005	\$ 7,222,348	\$ (236,657)	\$ 7,626,457
Sewer revenue	4,708,500	4,895,956	187,456	4,852,677	4,826,201	(26,476)	4,942,774
Fire lines	950,000	1,020,078	70,078	950,000	940,353	(9,647)	950,000
Irrigation revenue	2,435,590	2,553,609	118,019	2,508,658	2,802,032	293,374	2,583,918
Water Plant revenue	1,334,948	868,834	(466,114)	-	502,125	502,125	325,219
Miscellaneous	223,458	925,622	702,164	-	263,518	263,518	211,187
Interest subsidy	2,014,866	2,014,866	-	2,014,866	2,014,866	-	2,014,866
Other non-op revenue	2,500,000	2,500,000	-	198,986	-	(198,986)	183,607
Interest	61,375	78,550	17,175	30,000	43,518	13,518	30,800
Other user Fees	2,700	-	(2,700)	45,200	493,616	448,416	250,898
Tap and territorial fees	832,663	969,314	136,651	878,460	982,959	104,499	903,990
Total revenues	<u>21,911,205</u>	<u>22,890,587</u>	<u>979,382</u>	<u>18,937,852</u>	<u>20,091,536</u>	<u>1,153,684</u>	<u>20,023,716</u>
Expenses							
Salaries and benefits	3,634,644	3,651,391	(16,747)	3,344,265	3,197,904	(146,361)	3,497,655
Office expense	186,900	440,575	(253,675)	114,858	104,075	(10,783)	64,000
Professional services	761,666	646,657	115,009	685,223	899,578	214,355	322,500
Insurance	200,000	183,881	16,119	190,000	177,755	(12,245)	210,000
Repair and maintenance	690,445	677,583	12,862	329,984	417,434	87,450	639,250
Utilities	1,397,871	1,887,352	(489,481)	1,668,811	1,405,976	(262,835)	1,410,000
Operational expenses	2,393,457	1,786,051	607,406	2,128,037	800,133	(1,327,904)	3,727,206
Loss of disposal of capital assets	-	86,548	(86,548)	-	-	-	-
Water Capacity exchange	2,500,000	2,500,000	-	-	-	-	-
Bond payments	9,048,309	9,246,310	(198,001)	14,134,684	14,167,409	32,725	8,688,335
Capital outlay	5,064,154	4,032,393	1,031,761	4,807,049	2,851,964	(1,955,085)	3,794,770
Acquisition of water rights	40,000,000	40,008,390	(8,390)	-	26,974	26,974	-
Total Expenses	<u>65,877,446</u>	<u>65,147,131</u>	<u>730,315</u>	<u>27,402,911</u>	<u>24,049,202</u>	<u>(3,353,709)</u>	<u>22,353,716</u>
Excess Revenues Over (Under)							
Expenditures	(43,966,241)	(42,256,544)	249,067	(8,465,059)	(3,957,666)	4,507,393	(2,330,000)
Other Financing Sources and (Uses)							
Bond issuance	-	-	-	5,525,000	5,525,000	-	-
Total other financing sources (uses)	-	-	-	5,525,000	5,525,000	-	-
Change in net position (Budgetary)	<u>\$ (43,966,241)</u>	<u>\$ (42,256,544)</u>	<u>\$ 249,067</u>	<u>\$ (2,940,059)</u>	<u>\$ 1,567,334</u>	<u>\$ 4,507,393</u>	<u>\$ (2,330,000)</u>
Depreciation, depletion and amortization		(2,553,548)			(3,084,451)		
Capital Outlay		44,040,783			2,878,938		
Water capacity exchange		2,500,000			-		
Bond issuance		-			(5,525,000)		
Bond principal		1,375,000			6,340,000		
Change in Net Assets		3,105,691			2,176,821		
Net Position, Beginning of Year, Restated		56,736,862			59,842,553		
Net Position, End of Year		<u>\$ 59,842,553</u>			<u>\$ 62,019,374</u>		

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
Year Ended December 31, 2012

Outstanding Revenue Bonds		Amount
Senior Bonds:		
Water and Wastewater Revenue Refunding Bonds, Series 2006	\$	20,680,000
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2007		16,425,000
Subordinate Bonds:		
Taxable Water and Wastewater Revenue Direct Pay Build America Bonds, Series 2009A Series 2009A		91,545,000
Tax-Exempt Water and Wastewater Revenue Bonds, Series 2012B		5,525,000
Total	\$	<u>134,175,000</u>