
ARAPAHOE COUNTY
WATER AND WASTEWATER AUTHORITY
A Component Unit Of Arapahoe County
FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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

Report On The Financial Statements

We have audited the accompanying financial statements of the Arapahoe County Water and Wastewater Authority (ACWWA), a component unit of Arapahoe County, Colorado, as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise ACWWA's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ACWWA, as of December 31, 2013 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Prior-Period Comparative Information

ACWWA's 2012 financial statements were audited by predecessor auditors, and those auditors expressed an unmodified audit opinion on those audited financial statements in their report dated June 10, 2013.

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 vii 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.

Other Information

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

The schedule of revenues, expenditures and funds available budget and actual (budgetary basis), the reconciliation of budgetary basis (actual) 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 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.

BolinBrown LLP

June 25, 2014

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, 2013 and 2012 and 2011.

Financial Highlights

- Net position increased to \$65,560,446 as of the end of 2013 from \$62,019,374 as of the end of 2012, or \$3,541,072.
- Operating revenue was \$17,062,043 in 2013 compared to \$17,050,193 in 2012, an increase of \$11,850.
- Operating expenses increased \$954,658 in 2013 while component changes in 2013 compared to 2012 consisted of a increase in salary and benefits of \$347,585; a decrease in professional services of \$254,428; an increase in repair and maintenance of \$83,496; an increase of \$637,444 in operational expenses due to the water management fees relating to ACWWAFlow; an increase in utilities of \$370,594 and an increase in office and other supplies and expenses of \$35,764; an increase of \$7,416 in contractual services; an decrease in depreciation and depletion of \$112,682, a decrease in liability insurance of \$2,556; an increase of \$3,563 in bad debt expense, and a decrease in other supplies and expenses of \$161,538.
- Non-operating revenues and expenses consisted of interest and fiscal charges in the amount of \$7,716,491; BABs interest subsidy of \$1,854,684; and interest income of \$18,689.
- Tap fees and extra-territorial fees increased \$2,342,519 to \$3,325,478 in 2013 compared to \$982,959 in 2012 due to an increase in the number of taps sold.
- Capital assets, net of depreciation and depletion, increased \$1,084,305 to \$169,252,819 in 2013 from \$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,

	2013	2012	Restated 2011
Current Assets	\$ 23,339,751	\$ 21,783,793	\$ 19,852,504
Restricted and other assets	7,788,312	6,764,453	6,807,313
Capital Assets	169,252,819	168,168,514	168,335,394
Deferred outflows of resources	2,063,596	2,228,684	2,377,263
Total Assets	202,444,478	198,945,444	197,372,474
Current liabilities	4,301,014	3,258,239	4,496,752
Long-term obligations	132,463,695	133,556,165	133,033,169
Deferred inflows of resources	119,323	111,666	
Total Liabilities	136,884,032	136,926,070	137,529,921
Net position:			
Net investment in capital assets	41,521,087	39,465,437	39,992,421
Debt Reserve	7,668,989	6,652,787	6,709,859
Unrestricted	16,370,370	15,901,150	13,140,273
Total net position, restated	\$ 65,560,446	\$ 62,019,374	\$ 59,842,553

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, 2013 was \$7,668,989 compared to \$6,652,787 in 2012, an increase of \$1,016,202. This increase 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 \$2,579,817 in 2013 to \$31,128,063 from \$28,548,246 in 2012. This increase is primarily the net result of transactions related to operations and debt service.

Capital assets increased \$1,084,305 in 2013 to \$169,252,819 from \$168,168,514 in 2012 primarily due to the net investment in infrastructure and decrease in accumulated depreciation and depletion of \$112,682 to \$2,933,136 in 2013 from \$3,045,818 in 2012.

Current liabilities increased by a net amount of \$1,042,775 primarily due to an increase in the current portion of bonds payable of \$40,000 from \$1,110,000 in 2012 to \$1,150,000 in 2013; an increase in accounts payable and accrued expenses of \$286,637 from \$766,540 in 2012 to \$1,053,177 in 2013; a decrease in accrued payroll of \$76,612 from \$153,637 in 2012 to \$77,025 in 2013; an increase of \$30,000 in meter deposits from \$26,000 in 2012 to \$56,000 in 2013; an increase in escrowed development funds of \$668,150 from \$450,936 in 2012 to \$1,119,086 in 2013; an increase in compensated absences of \$98,549 from \$118,979 in 2012 to \$217,528 in 2013; and a decrease in accrued interest payable of \$3,949 from \$632,147 in 2012 to \$628,198 in 2013.

Long-term obligations decreased by a net amount of \$1,092,470 in 2013 to \$132,463,695 from \$133,556,165 in 2012. 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,

			Restated
	2013	2012	2011
Revenues			
Operating revenue			
Water charges	\$10,206,846	\$10,964,732	\$10,637,445
Sewer charges	4,959,230	4,826,201	4,895,956
Fees for services	838,286	493,616	684,718
Water plant revenue	270,078	502,125	868,834
Other revenue	787,603	263,519	240,904
Total operating revenues	17,062,043	17,050,193	17,327,857
Non-operating revenues			
Net investment income	18,689	43,518	78,550
Interest subsidy	1,854,684	2,014,866	2,014,866
Contributions			
Tap and Extra-territorial fees	3,325,478	982,959	969,314
Water shortage revenue			2,500,000
Total revenues	22,260,894	20,091,536	22,890,587
Expenses			
Operating expenses			
Salaries and benefits	3,545,489	3,197,904	3,651,391
Office expense	139,839	104,075	440,575
Professional services	645,150	899,578	646,657
Insurance	175,199	177,755	183,881
Operational	656,983	19,539	18,673
Contractual services	112,549	105,133	112,033
Repairs and maintenance	500,930	417,434	677,583
Utilities	1,776,570	1,405,976	1,887,352
Depreciation and depletion	2,933,136	3,045,818	2,553,548
Other supplies and expense	513,923	675,461	1,655,345
Total operating expenses	11,003,331	10,048,673	11,827,038
Non-operating expense			
Interest and fiscal charges, as restated	7,716,491	7,866,042	7,871,310
Loss on disposal of capital assets			86,548
Total expenses	18,719,822	17,914,715	19,784,896
Changes in net assets	3,541,072	2,176,821	3,105,691
Net position-Beginning of year, as restated	62,019,374	59,842,553	56,736,862
Net position-End of year, as restated	\$65,560,446	\$62,019,374	\$59,842,553

ACWWA's financial position as measured by the change in net position increased from \$62,019,374 as of the end of 2012 to \$65,560,446 as of the end of 2013, or \$3,541,072. The major components of this increase are explained as follows:

Operating revenues increased \$11,850 to \$17,062,043 in 2013 from \$17,050,193 in 2012. Component changes consisted of a decrease in water charges of \$757,886 from \$10,964,732 in 2012 to \$10,206,846 in 2013 due to a wet irrigation season and the loss of a high volume user irrigation customer; an increase in sewer charges of \$133,029 from \$4,826,201 in 2012 to \$4,959,230 in 2013; an increase in fees for service of \$344,670 from \$493,616 in 2012 to \$838,286 in 2013; a decrease in revenue generated from the water treatment plant of \$232,047 due to Cottonwood Water and Sanitation District not taking water from the Plant; and an increase of \$524,084 from \$263,519 in 2012 to \$787,603 in 2013 in other revenue.

Operating expenses increased \$954,658 in 2013 to \$11,003,331 from \$10,048,673 in 2012. Component changes consisted of an increase in salaries and benefits of \$347,585; a decrease in professional services of \$254,428 from \$899,578 in 2012 to \$645,150 in 2013; an increase in repairs and maintenance of \$83,496 from \$417,434 in 2012 to \$500,930 in 2013; an increase in operating expenses relating to water treatment of \$637,444 from \$19,539 in 2012 to \$656,983 in 2013; an decrease in depreciation and depletion of \$112,682 from \$3,045,818 in 2012 to \$2,933,136 in 2013; a decrease in liability insurance of \$2,556 from \$177,755 in 2012 to \$175,199 in 2013; an increase in contracted services of \$7,416 from \$105,133 in 2012 to \$112,549 in 2013; and increase in utilities of \$370,594 from \$1,405,976 in 2012 to \$1,776,570 in 2013; an increase in office expenses of \$35,764 from \$104,075 in 2012 to \$139,839 in 2013; and a net decrease in all other component items of \$161,538 from \$675,461 in 2012 to \$513,923 in 2013.

Non-operating revenues and expenses consisted of a decrease in interest and fiscal charges of \$149,551 from \$7,866,042 in 2012 to \$7,716,491 in 2013; an interest income decrease of \$24,829 from \$43,518 in 2012 to \$18,689 in 2013; and a decrease of \$160,182 interest subsidy relating to the Build America Bonds from \$2,014,866 in 2012 to \$1,854,684 in 2013. The net effect of these changes is a decrease in non-operating revenue and expenses of \$334,562 in 2013.

Tap and extra-territorial fees increased \$2,342,519 to \$3,325,478 in 2013 compared to \$982,959 in 2012.

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 2013, 2012 and 2011 is as follows:

Capital Assets Activity

	2012	Net Changes	December 31, 2013
Land and land improvements	2,063,196		2,063,196
Water rights, net of depletion	121,340,864	(51,558)	121,289,306
Construction in progress	3,135,250	(1,254,505)	1,880,745
Water system	41,778,768	5,220,188	46,998,956
Sewer system	15,097,364	22,694	15,120,058
Buildings and projects	3,254,315		3,254,315
Total assets	186,669,757	3,936,819	190,606,576
Accumulated depreciation	(18,501,243)	(2,852,514)	(21,353,757)
Net capital assets	168,168,514	1,084,305	169,252,819

December 31,

	2011	Net Changes	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	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

ACWWA's net capital assets increased \$1,084,305 from \$168,168,514 in 2012 to \$169,252,819 in 2013.

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 2013 and 2012.

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 2014 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

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

STATEMENTS OF NET POSITION
December 31, 2013 And 2012

Assets And Deferred Outflows Of Resources		
	2013	2012
Current Assets		
Cash and cash equivalents	\$ 20,973,624	\$ 19,492,121
Receivables	2,190,973	2,242,304
Prepaid expenses and other	175,154	49,368
Total Current Assets	23,339,751	21,783,793
Restricted Assets		
Cash and cash equivalents	7,668,989	6,652,787
Capital Assets, Net	169,252,819	168,168,514
Other Assets		
Noncurrent receivables	119,323	111,666
Total Assets	200,380,882	196,716,760
Deferred Outflows Of Resources		
Deferred charges on refunding	2,063,596	2,228,684
Total Assets And Deferred Outflows Of Resources	\$ 202,444,478	\$ 198,945,444
Liabilities, Deferred Inflows Of Resources And Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,053,177	\$ 766,540
Accrued payroll	77,025	153,637
Meter deposits	56,000	26,000
Escrowed development funds	1,119,086	450,936
Accrued interest payable	628,198	632,147
Compensated absences payable, current portion	217,528	118,979
Revenue bonds payable, current portion	1,150,000	1,110,000
Total Current Liabilities	4,301,014	3,258,239
Long-Term Liabilities		
Compensated absences payable, long-term portion	265,867	181,904
Revenue bonds payable, long-term portion	132,197,828	133,374,261
Total Long-Term Liabilities	132,463,695	133,556,165
Total Liabilities	136,764,709	136,814,404
Deferred Inflows Of Resources		
Deferred revenue	119,323	111,666
Net Position		
Net investment in capital assets	41,521,087	39,465,437
Debt reserve	7,668,989	6,652,787
Unrestricted	16,370,370	15,901,150
Total Net Position	65,560,446	62,019,374
Total Liabilities, Deferred Inflows Of Resources And Net Position	\$ 202,444,478	\$ 198,945,444

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**
Years Ended December 31, 2013 And 2012

	2013	2012
Operating Revenue		
Water revenue	\$ 10,206,846	\$ 10,964,732
Sewer revenue	4,959,230	4,826,201
Fees for services	838,286	493,616
Water plant revenue	270,078	502,125
Other revenue	787,603	263,519
Total Operating Revenues	17,062,043	17,050,193
Operating Expenses		
Salaries and benefits	3,545,489	3,197,904
Office expense	139,839	104,075
Professional services	645,150	899,578
Insurance	175,199	177,755
Operational	656,983	19,539
Contractual services	112,549	105,133
Repairs and maintenance	500,930	417,434
Utilities	1,776,570	1,405,976
Depreciation and depletion	2,933,136	3,045,818
Bad debt expense	3,563	—
Other supplies and expense	513,923	675,461
Total Operating Expenses	11,003,331	10,048,673
Operating Income	6,058,712	7,001,520
Nonoperating Revenues		
Net investment income	18,689	43,518
Interest subsidy	1,854,684	2,014,866
Total Nonoperating Revenues	1,873,373	2,058,384
Nonoperating Expenses		
Interest and fiscal charges	7,716,491	7,866,042
Income Before Contributions	215,594	1,193,862
Capital Contributions		
Tap and extraterritorial fees	3,325,478	982,959
Change In Net Position	3,541,072	2,176,821
Total Net Position - Beginning Of Year	62,019,374	59,842,553
Total Net Position - End Of Year	\$ 65,560,446	\$ 62,019,374

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 And 2012

	2013	2012
Cash Flows From Operating Activities		
Receipts from customers	\$ 17,113,374	\$ 16,582,446
Payments to suppliers	(4,333,855)	(3,627,046)
Payments to employees and related expenses	(3,439,589)	(3,186,249)
Net Cash Provided By Operating Activities	9,339,930	9,769,151
Cash Flows From Capital And Related Financing Activities		
Net tap and extra-territorial fees	3,325,478	982,959
Principal payments on bonds	(1,110,000)	(6,427,857)
Interest paid on revenue bonds	(7,581,785)	(7,509,080)
Subsidy received on bond interest	1,854,684	2,014,866
Bond issuance	—	5,525,000
Bond issue costs	—	(63,100)
Payments for capital acquisitions	(4,017,441)	(2,878,938)
Net Cash Provided By (Used In) Capital And Related Financing Activities	(7,529,064)	(8,356,150)
Cash Flows From Investing Activities		
Interest received	18,689	31,625
Change in escrowed funds	668,150	—
Net Cash Provided By Investing Activities	686,839	31,625
Net Increase In Cash And Cash Equivalents	2,497,705	1,444,626
Cash And Cash Equivalents - Beginning Of Year	26,144,908	24,700,282
Cash And Cash Equivalents - End Of Year	\$ 28,642,613	\$ 26,144,908
Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities		
Operating income	\$ 6,058,712	\$ 7,001,520
Provided by operating activities		
Depreciation and amortization	2,933,136	3,045,818
(Increase) decrease in		
Accounts receivable	51,331	(420,128)
Prepaid expenses	(125,786)	(9,463)
Increase (decrease) in		
Accounts payable and accrued expenses	392,537	199,023
Deposits	30,000	(47,619)
Net Cash Provided By Operating Activities	\$ 9,339,930	\$ 9,769,151
Noncash Transactions		
Water capacity exchange 2012	\$ —	\$ 2,500,000

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS December 31, 2013 And 2012

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 nine-member Board of Directors appointed by the Arapahoe County Board of Commissioners. As of December 31, 2013, one of the five County Commissioners served on ACWWA's Board of Directors. Currently, two of the five County Commissioners serve 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, certify a mill levy on property within PID at a level sufficient to make the annual debt service payments as identified in PID's annual capital plan. PID purchased certain assets from ACWWA's inventory with a replacement value of approximately \$32,000,000. Upon issuance of the first series of general obligation bonds and in consideration for conveyance of the assets, PID paid to ACWWA the replacement value of the assets. ACWWA, in recognizing its responsibilities to the 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. 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, 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.

2. Summary Of Significant Accounting Policies

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

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

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

Basis Of Accounting

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

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 estimated fair 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)	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. Nontributary water rights are being amortized over one hundred years. All other costs, including costs incurred for the protection of water rights, are expensed.

Amortization

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

The deferred cost on debt refunding is 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.

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, 2013, 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 \$483,395 and \$300,883 as of December 31, 2013 and 2012, 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 2012 amounts have been reclassified where appropriate to conform with the 2013 financial statement presentation.

3. Cash And Investments

Cash and investments as of December 31, 2013 and 2012 are classified in the accompanying financial statements as follows:

	2013	2012
Statement Of Net Position		
Cash and cash equivalents	\$ 20,973,624	\$ 19,492,121
Cash and cash equivalents - restricted	7,668,989	6,652,787
Total Cash And Cash Equivalents	\$ 28,642,613	\$ 26,144,908

Cash and investments as of December 31, 2013 and 2012 consist of the following:

	2013	2012
Deposits with financial institutions	\$ 28,642,613	\$ 21,366,053
Investments	—	4,778,855
Total Cash And Investments	\$ 28,642,613	\$ 26,144,908

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, 2013, ACWWA had bank deposits of \$28,941,130 collateralized with securities held by the financial institution's agent but not in the ACWWA's name.

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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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

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

As of December 31, 2013 and 2012, ACWWA had the following investments:

Investment	Maturity	Fair Value	
		2013	2012
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ —	\$ 4,778,855

COLOTRUST

ACWWA invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), 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 COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST 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 COLOTRUST's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for COLOTRUST'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 COLOTRUST. COLOTRUST is rated AAA by Standard & Poor's.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

4. Capital Assets

An analysis of the changes in capital assets for the years ended December 31, 2013 and 2012 follows:

	2013		
	Balance At December 31, 2012	Increases	Decreases
			Balance At December 31, 2013
Capital Assets, Not Being Depreciated			
Land	\$ 2,063,196	\$ —	\$ —
Water rights	122,644,802	29,064	—
Depletion	(1,303,938)	(80,622)	—
Net water rights	121,340,864	(51,558)	—
Construction in progress	3,135,250	3,965,683	5,220,188
Total Capital Assets, Not Being Depreciated	126,539,310	3,914,125	5,220,188
Total Capital Assets, Not Being Depreciated	126,539,310	3,914,125	125,233,247
Capital Assets, Being Depreciated			
Water system	41,778,768	5,220,188	—
Sewer system	15,097,364	22,694	—
Buildings, equipment and projects	3,254,315	—	—
Total Capital Assets, Being Depreciated	60,130,447	5,242,882	—
Total Capital Assets, Being Depreciated	60,130,447	5,242,882	65,373,329
Less Accumulated Depreciation For			
Water system	8,013,064	1,906,464	—
Sewer system	8,278,466	700,899	—
Buildings, equipment and projects	2,209,713	245,151	—
Total Accumulated Depreciation	18,501,243	2,852,514	—
Total Capital Assets, Being Depreciated, Net	41,629,204	2,390,368	—
Capital Assets, Net	\$ 168,168,514	\$ 6,304,493	\$ 5,220,188
			\$ 169,252,819

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

	2012		
	Balance At December 31, 2011	Increases	Decreases
Capital Assets, Not Being Depreciated			
Land	\$ 2,063,196	\$ —	\$ —
Water rights	122,617,828	26,974	—
Depletion	(1,215,999)	(87,939)	—
Net water rights	121,401,829	(60,965)	—
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	\$ 168,335,394	\$ 1,340,761	\$ 1,507,641
	\$ 168,168,514		

Depreciation and depletion expense for the years ended December 31, 2013 and 2012 was charged to the following:

	2013	2012
Water	\$ 1,987,086	\$ 1,952,737
Sewer	700,899	739,900
Buildings, equipment and projects	245,151	353,181
	\$ 2,933,136	\$ 3,045,818

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

5. Long-Term Obligations

The following is an analysis of the changes in ACWWA's long-term obligations for the years ended December 31, 2013 and 2012:

	Balance At December 31, 2012		Increases	Decreases	Balance At December 31, 2013		Amounts Due Within One Year
Series 2006							
Revenue bonds	\$ 20,680,000	\$ —	\$ 625,000	\$ 20,055,000	\$ 645,000		
Bond premium	309,261	—	26,433	282,828	—		
Series 2007							
Revenue bonds	16,425,000	—	485,000	15,940,000	505,000		
Series 2009A							
Revenue bonds	91,545,000	—	—	91,545,000	—		
Series 2012							
Revenue bonds	5,525,000	—	—	5,525,000	—		
Total Bonds Payable	134,484,261	—	1,136,433	133,347,828	1,150,000		
Compensated absences	300,883	301,491	118,979	483,395	217,528		
Total Long-Term Obligations	\$ 134,785,144	\$ 301,491	\$ 1,255,412	\$ 133,831,223	\$ 1,367,528		

	Balance At December 31, 2011		Increases	Decreases	Balance At 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	\$ 135,698,436	\$ 5,536,655	\$ 6,449,947	\$ 134,785,144	\$ 1,228,979		

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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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 \$1,854,684 and \$2,014,866, during 2013 and 2012, respectively. In accordance with the Trust Indenture, as of December 31, 2013 and 2012, \$7,115,881 and \$6,100,112, respectively, 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.

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, 2013, \$553,108 was held in reserves.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

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 their entirety from the remaining funds in the escrow account. The bonds will be redeemed on December 1, 2014. As of December 31, 2013 and 2012, the outstanding principal balance of the bonds was \$2,170,000 and \$3,735,000, respectively.

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

Notes To Financial Statements (*Continued*)

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

	Principal	Interest	Total
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	7,250,789	10,300,789
2018	4,220,000	7,104,466	11,324,466
2019 - 2023	22,185,000	32,785,989	54,970,989
2024 - 2028	21,640,000	27,524,662	49,164,662
2029 - 2033	26,835,000	20,871,021	47,706,021
2034 - 2038	33,370,000	11,814,413	45,184,413
2039	14,815,000	989,642	15,804,642
Total Payments	\$ 133,065,000	\$ 130,751,868	\$ 263,816,868

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, 2013 and 2012, ACWWA had net investment in capital assets calculated as follows:

	2013	2012
Net investment in capital assets		
Capital assets, net	\$ 169,252,819	\$ 168,168,514
Debt reserves	3,552,500	3,552,500
Cost of refunding	2,063,596	2,228,684
Bond premium	(282,828)	(309,261)
Capital related debt	(133,065,000)	(134,175,000)
Net Investment In Capital Assets	\$ 41,521,087	\$ 39,465,437

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

7. Intergovernmental Agreements

Cherry Creek Project Water Authority

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

Town Of Castle Rock

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

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 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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

Cottonwood Water And Sanitation District Lease

In November 2012, ACWWA entered into a lease agreement with 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. PID (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 (*Continued*)

Inverness Water And Sanitation District

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

Joint Water Purification Plant

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 and amended in 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 (CDPHE) related to excess discharge of selenium in the waste product of JWPP which allegedly violated a Federal Environmental Protection Agency standard. The potential loss was unknown as of December 31, 2012; however, on May 16, 2013, the penalty was reduced to \$80,000, which ACWWA accepted. The final penalty and payment terms were established in a formal agreement with CDPHE. JWPP moved to microfiltration in 2012 while it continues to work on a longer-term solution that is compatible with the original construction design.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

In November 2013, the two parties agreed to a tolling agreement due to the dispute concerning the design, construction and operation of the JWPP plant. The tolling agreement will end no later than June 15, 2014.

Stonegate Village Metropolitan District

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

Stonegate Village Metropolitan District

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

City Of Longmont

In February 2013, ACWWA entered into a water supply agreement with the City of Longmont (Longmont), ECCV and United whereby, from May 1, 2013 through September 30, 2013, ECCV and ACWWA shall deliver fully consumable water from the ECCV/ACWWA Water Rights and/or the United/ACWWA Water Rights for the purpose of meeting Longmont's Replacement Obligation. In exchange, from October 1, 2013 through March 31, 2014, Longmont shall release a minimum of 500 acre feet of fully consumable water from Union Reservoir for delivery to ECCV and ACWWA for the purpose of meeting the ECCV/ACWWA Winter Return Flow Obligation.

City Of Aurora

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

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

ACWWA is also a party to several other agreements with other governmental entities. ACWWA is presently engaged in discussions with the Valley Country Club regarding the continuing provision of nonpotable treated effluent for application to the golf course. These agreements do not have a material effect on the financial statements.

8. Commitments And Contingencies

Construction Commitments

ACWWA has entered into various contracts and agreements with contractors for the improvement and upgrading of facilities. Total commitments with such contractors for 2013 and 2012 totaled approximately \$310,672 and \$882,727, respectively.

9. Pension And Benefit Plans

ACWWA's Retirement Plan (the Plan) was established to qualify as a defined contribution plan under Sections 401(a) and 501(a) of the Internal Revenue Code. It was first adopted in 1990 and has been amended 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, 2013 and 2012 were \$563,835 and \$505,807, respectively. Total payroll was \$2,517,118 and \$2,258,068 for the years ended December 31, 2013 and 2012, respectively. Total employer contributions represent 22.4% and 22.4% of total compensation for the years ended December 31, 2013 and 2012, 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 4 years.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

10. Related-Party Transactions

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

11. Conflict Of Interest

State law requires that members of the Board of Directors verbally disclose potential conflicts of interest prior to discussing topics that may involve those conflicts of interest. The Directors have disclosed their potential conflicts in writing to the Secretary of State and the Secretary of ACWWA. On behalf of the Board, these potential conflicts of interest as of December 31, 2013 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 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.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

Notes To Financial Statements (*Continued*)

12. Risk Management

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

ACWWA is also a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2013 and 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.

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, EXPENDITURES AND
FUNDS AVAILABLE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
For The Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance With Budget Positive (Negative)
Revenues				
Water revenue	\$ 11,160,375	\$ 11,160,375	\$ 10,206,846	\$ (953,529)
Sewer revenue	4,942,774	4,942,774	4,959,230	16,456
Water plant revenue	325,219	325,219	270,078	(55,141)
Other user fees	462,085	462,085	787,603	325,518
Interest subsidy	2,014,866	2,014,866	1,854,684	(160,182)
Fees for service	183,607	183,607	838,286	654,679
Interest	30,800	30,800	18,689	(12,111)
Tap and territorial fees	903,990	903,990	3,325,478	2,421,488
Total Revenues	20,023,716	20,023,716	22,260,894	2,237,178
Expenditures				
Salaries and benefits	3,497,655	3,497,655	3,545,489	47,834
Office expense	64,000	64,000	139,839	75,839
Professional services	322,500	322,500	645,150	322,650
Insurance	210,000	210,000	175,199	(34,801)
Repairs and maintenance	639,250	639,250	500,930	(138,320)
Utilities	1,410,000	1,410,000	1,776,570	366,570
Operational expenses	3,727,206	3,727,206	1,287,018	(2,440,188)
Debt service	8,688,335	8,688,335	8,826,491	138,156
Capital outlay	3,677,400	3,677,400	4,176,370	498,970
Acquisition of water rights	117,370	117,370	29,064	(88,306)
Total Expenditures	22,353,716	22,353,716	21,102,120	(1,251,596)
Change In Net Position (Budgetary Basis)	\$ (2,330,000)	\$ (2,330,000)	\$ 1,158,774	\$ 3,488,774

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**RECONCILIATION OF BUDGETARY BASIS
(ACTUAL) TO STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For The Year Ended December 31, 2013**

Change In Net Position (Budgetary Basis)		
Depreciation, depletion and amortization		\$ 1,158,774
Capital outlay		(2,933,136)
Bond issuance		4,205,434
Bond payments		—
		<u>1,110,000</u>
Change in net position		<u>3,541,072</u>
Net Position, Beginning Of Year		<u>62,019,374</u>
Net Position, End Of Year		<u>\$ 65,560,446</u>

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2013

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				\$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	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total				
2014	\$ 645,000	\$ 902,463	\$ 505,000	\$ 758,825	\$ —	\$ 5,756,759	\$ —	\$ 120,327	\$ 1,150,000	\$ 7,538,374	\$ 8,688,374								
2015	675,000	873,439	530,000	737,363	1,650,000	5,756,759	—	120,327	2,855,000	7,487,888	10,342,888								
2016	705,000	846,438	545,000	714,838	1,695,000	5,703,021	—	120,327	2,945,000	7,384,624	10,329,624								
2017	740,000	811,189	570,000	691,675	1,740,000	5,627,599	—	120,327	3,050,000	7,250,790	10,300,790								
2018	775,000	774,188	600,000	663,175	1,790,000	5,546,775	1,055,000	120,327	4,220,000	7,104,465	11,324,465								
2019	805,000	743,189	630,000	637,675	1,845,000	5,459,155	1,080,000	97,433	4,360,000	6,937,452	11,297,452								
2020	840,000	710,988	650,000	608,550	1,915,000	5,364,230	1,110,000	73,997	4,515,000	6,757,765	11,272,765								
2021	875,000	677,389	680,000	579,300	1,980,000	5,262,831	1,135,000	49,910	4,670,000	6,569,430	11,239,430								
2022	915,000	637,388	710,000	548,700	2,050,000	5,155,020	1,145,000	25,281	4,820,000	6,366,389	11,186,389								
2023	950,000	598,770	750,000	515,862	2,120,000	5,040,322	—	—	3,820,000	6,154,954	9,974,954								
2024	995,000	556,738	780,000	481,175	2,200,000	4,918,528	—	—	3,975,000	5,956,441	9,931,441								
2025	1,035,000	514,450	820,000	445,100	2,285,000	4,788,838	—	—	4,140,000	5,748,388	9,888,388								
2026	1,080,000	470,464	860,000	404,100	2,380,000	4,641,913	—	—	4,320,000	5,516,477	9,836,477								
2027	1,125,000	424,563	900,000	363,250	2,480,000	4,488,879	—	—	4,505,000	5,276,692	9,781,692								
2028	1,175,000	376,750	940,000	320,500	2,585,000	4,329,414	—	—	4,700,000	5,026,664	9,726,664								
2029	1,225,000	326,813	990,000	273,500	2,690,000	4,163,199	—	—	4,905,000	4,763,512	9,668,512								
2030	1,275,000	274,750	1,040,000	224,000	2,805,000	3,990,232	—	—	5,120,000	4,488,982	9,608,982								
2031	1,340,000	211,000	1,090,000	172,000	2,925,000	3,807,065	—	—	5,355,000	4,190,065	9,545,065								
2032	1,405,000	144,000	1,145,000	117,500	3,050,000	3,616,063	—	—	5,600,000	3,877,563	9,477,563								
2033	1,475,000	73,750	1,205,000	60,250	3,175,000	3,416,898	—	—	5,855,000	3,550,898	9,405,898								
2034	—	—	—	—	6,125,000	3,209,571	—	—	6,125,000	3,209,571	9,334,571								
2035	—	—	—	—	6,385,000	2,809,608	—	—	6,385,000	2,809,608	9,194,608								
2036	—	—	—	—	6,660,000	2,383,090	—	—	6,660,000	2,383,090	9,043,090								
2037	—	—	—	—	6,950,000	1,938,202	—	—	6,950,000	1,938,202	8,888,202								
2038	—	—	—	—	7,250,000	1,473,942	—	—	7,250,000	1,473,942	8,723,942								
2039	—	—	—	—	14,815,000	989,642	—	—	14,815,000	989,642	15,804,642								
Total	\$ 20,055,000	\$ 10,948,719	\$ 15,940,000	\$ 9,317,338	\$ 91,545,000	\$ 109,637,555	\$ 5,525,000	\$ 848,256	\$ 133,065,000	\$ 130,751,868	\$ 263,816,868								

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

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**HISTORICAL DEBT SERVICE COVERAGE
Year Ended December 31, 2013**

	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2013
Operating Revenues (4)	\$ 12,277,690	\$ 15,294,613	\$ 17,327,857	\$ 17,050,193	\$ 17,062,043
Nonoperating revenues (2)	2,505,526	3,246,766	5,562,730	3,041,343	5,198,851
Gross Revenues	14,783,216	18,541,379	22,890,587	20,091,536	22,260,894
 Less Operation And Maintenance					
Expenses (net of depreciation) (4)	(7,808,656)	(7,741,919)	(9,273,490)	(7,002,855)	(8,208,848)
 Net Revenue	6,974,560	10,799,460	13,617,097	13,088,681	14,052,046
 Historical Annual Debt Service (3)	\$ 3,442,627	\$ 8,260,039	\$ 9,246,310	\$ 8,931,042	\$ 8,692,775
 Historical Coverage Factor	2.03	1.31	1.47	1.47	1.62

(1) This table reflects actual, audited revenues, expenditures and debt service coverage.

(2) Consists of one-time tap fees, Build America Bond Rebate and nonoperating interest.

(3) Constitutes the annual debt service on ACWWA's outstanding water and wastewater revenue bonds.

(4) Gross Revenue and Operation and Maintenance Expenses reflect ACWWA's audited financial statements.

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

WATER ENTERPRISE OPERATIONAL DATA Year Ended December 31, 2013

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 Gallon/Month	From	To	Rate
Block 1	—	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.

Nonresidential 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
1½"	154.70
2"	309.40
3"	696.18
4"	1,469.70
6"	2,784.68

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

WATER ENTERPRISE OPERATIONAL DATA Year Ended December 31, 2013

Nonresidential 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"	1½"	2"	3"	4"	6"
Block 1 from	—	—	—	—	—	—	—
Block 1 to	400,004	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	225,001	672,001		768,001
Block 3 to	300,000		300,000	600,000	1,320,000		3,960,000
Block 4	>300,001	>300,001	>300,001	>600,001			

Volume Rate							
Block 1	\$ 3.88	\$ 3.88	\$ 3.88	\$ 3.88	\$ 388.00	\$ 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

WATER ENTERPRISE OPERATIONAL DATA Year Ended December 31, 2013

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%		\$ 4,885	\$ 170	3.6%	
2009	20,700	5,920	40%		5,285	400	8.2%	
2010	21,200	500	2%		5,415	130	2.5%	
2011	22,228	1,028	5%		5,678	263	4.6%	
2012	23,306	1,078	5%		5,950	272	4.6%	
2013	24,725	1,419	6%		6,312	362	5.7%	

History of Water, Sewer And Irrigation Tap Fee Collections

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

Year	Water And 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
2013	112	2,663,298	110	662,180		3,325,478

(1) Represents a tap equivalent.

Current Water And Irrigation Tap Equivalents As Of December 31, 2013

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

Customer Category	Type Of Tap			Percentage Of Total
	Water	Irrigation	Total	
Residential	2,460	1,160	3,620	49
Nonresidential	2,729	1,039	3,768	51
Total	5,189	2,199	7,388	100

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**COMPARISON STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION**
Years Ended December 31, 2013

	Restated				
	2009	2010	2011	2012	2013
Operating Revenues					
Water revenue	\$ 6,764,238	\$ 9,583,597	\$ 10,637,445	\$ 10,964,732	\$ 10,206,846
Sewer revenue	4,800,891	4,959,925	4,895,956	4,826,201	4,959,230
Fees for services	245,629	519,700	684,718	493,616	838,286
Miscellaneous	466,932	231,391	1,109,738	765,644	1,057,681
Total	12,277,690	15,294,613	17,327,857	17,050,193	17,062,043
Operating Expenses					
Salaries, payroll taxes and benefits	3,969,381	3,473,658	3,651,391	3,197,904	3,545,489
Office expense	270,026	282,359	440,575	104,075	139,839
Professional services	963,548	771,713	646,657	899,578	645,150
Insurance expense	168,126	189,024	183,881	177,755	175,199
Operational expense	164,349	112,618	130,706	124,672	773,095
Repairs and maintenance	755,161	894,026	677,583	417,434	500,930
Utilities	914,601	1,147,350	1,887,352	1,405,976	1,776,570
Depreciation and amortization	1,899,074	2,072,291	2,553,548	3,045,818	2,933,136
Miscellaneous	603,464	871,171	1,655,345	675,461	513,923
Total	9,707,730	9,814,210	11,827,038	10,048,673	11,003,331
Operating Income	2,569,960	5,480,403	5,500,819	7,001,520	6,058,712
Nonoperating Revenues					
Interest subsidy	—	1,930,913	2,014,866	2,014,866	1,854,684
Interest	174,825	148,293	78,550	43,518	18,689
Total	174,825	2,079,206	2,093,416	2,058,384	1,873,373
Nonoperating Expenses					
Loss on disposal of capital assets	—	243,210	86,548	—	—
Interest and fiscal charges	3,507,173	7,491,387	7,871,310	7,866,042	7,716,491
Total	3,507,173	7,734,597	7,957,858	7,866,042	7,716,491
Income (Loss) Before Capital Contributions And Transfers	(762,388)	(174,988)	(363,623)	1,193,862	215,594
Tap fees and contributions	2,330,701	1,167,560	969,314	982,959	3,325,478
Transfer of capital assets to SEMSWA	—	(1,357,295)	—	—	—
Water capacity exchange	—	—	2,500,000	—	—
Total Capital Contributions	2,330,701	(189,735)	3,469,314	982,959	3,325,478
Change In Net Position	1,568,313	(364,723)	3,105,691	2,176,821	3,541,072
Net Position Beginning Of Year, Restated	55,533,272	57,101,585	56,736,862	59,842,553	62,019,374
Net Position End Of Year, Restated	\$ 57,101,585	\$ 56,736,862	\$ 59,842,553	\$ 62,019,374	\$ 65,560,446

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**BUDGET TO ACTUAL (NON-GAAP) COMPARISON
OF RESULTS OF OPERATIONS**
December 31, 2013

	2012		2013		2014		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget
Operating Revenue							
Water revenue	\$ 10,917,663	\$ 10,964,733	\$ 47,070	\$ 11,160,375	\$ 10,206,846	\$ (953,529)	\$ 7,732,597
Sewer revenue	4,852,677	4,826,201	(26,476)	4,942,774	4,959,230	16,456	5,091,057
Water plant revenue	—	502,125	502,125	325,219	270,078	(55,141)	279,415
Fees for service	198,986	263,518	64,532	394,794	838,286	443,492	54,422
Interest subsidy	2,014,866	2,014,866	—	2,014,866	1,854,684	(160,182)	1,839,572
Interest	30,000	43,518	13,518	30,800	18,689	(12,111)	18,000
Other user fees	45,200	493,616	448,416	250,898	787,603	536,705	229,238
Tap and territorial fees	878,460	982,959	104,499	903,990	3,325,478	2,421,488	2,327,400
Total Revenues	18,937,852	20,091,536	1,153,684	20,023,716	22,260,894	2,237,178	17,571,701
Expenses							
Salaries and benefits	3,344,265	3,197,904	(146,361)	3,497,655	3,545,489	47,834	3,497,655
Office expense	114,858	104,075	(10,783)	64,000	139,839	75,839	64,000
Professional services	685,223	899,578	214,355	322,500	645,150	322,650	322,500
Insurance	190,000	177,755	(12,245)	210,000	175,199	(34,801)	210,000
Repair and maintenance	329,984	417,434	87,450	639,250	500,930	(138,320)	639,250
Utilities	1,668,811	1,405,976	(262,835)	1,410,000	1,776,570	366,570	1,410,000
Operational expenses	2,128,037	800,133	(1,327,904)	3,727,206	1,287,018	(2,440,188)	3,727,206
Bond payments	14,134,684	14,167,409	32,725	8,688,335	8,826,491	138,156	8,688,335
Acquisition of water rights	—	26,974	26,974	117,370	29,064	(88,306)	7,000
Capital outlay	4,807,049	2,851,964	(1,955,085)	3,677,400	4,176,370	498,970	3,794,770
Total Expenses	27,402,911	24,049,202	(3,353,709)	22,353,716	21,102,120	(1,251,596)	22,360,716
Excess Revenues Over (Under) Expenditures	(8,465,059)	(3,957,666)	4,507,393	(2,330,000)	1,158,774	3,488,774	(4,789,015)
Other Financing Sources And (Uses)							
Bond issuance	5,525,000	5,525,000	—	—	—	—	—
Change in net position (budgetary)	\$ (2,940,059)		\$ 4,507,393	\$ (2,330,000)		\$ 3,488,774	\$ (4,789,015)
Depreciation, depletion and amortization		(3,084,451)			(2,933,136)		
Capital outlay		2,878,938			4,205,434		
Bond issuance		(5,525,000)			—		
Bond principal		6,340,000			1,110,000		
Change in net assets		2,176,821			3,541,072		
Net Position, Beginning Of Year, Restated	59,842,553				62,019,374		
Net Position, End Of Year	\$ 62,019,374				\$ 65,560,446		

**ARAPAHOE COUNTY WATER AND
WASTEWATER AUTHORITY**

**OUTSTANDING REVENUE BONDS
Year Ended December 31, 2013**

Senior Bonds	Amount
Water and Wastewater Revenue Refunding Bonds, Series 2006	\$ 20,055,000
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2007	15,940,000
Subordinate Bonds	
Taxable Water and Wastewater Revenue Direct Pay Build America Bonds, Series 2009A	91,545,000
Tax-Exempt Water and Wastewater Revenue Bonds, Series 2012B	<u>5,525,000</u>
Total	<u>\$ 133,065,000</u>