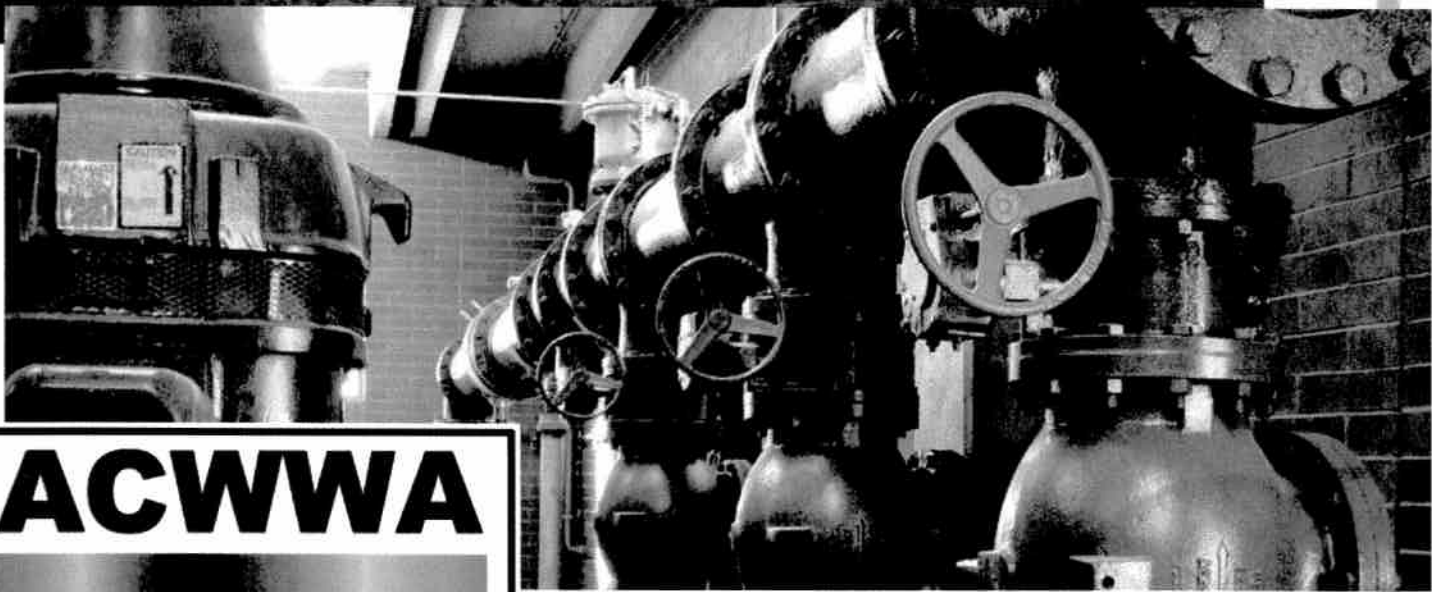
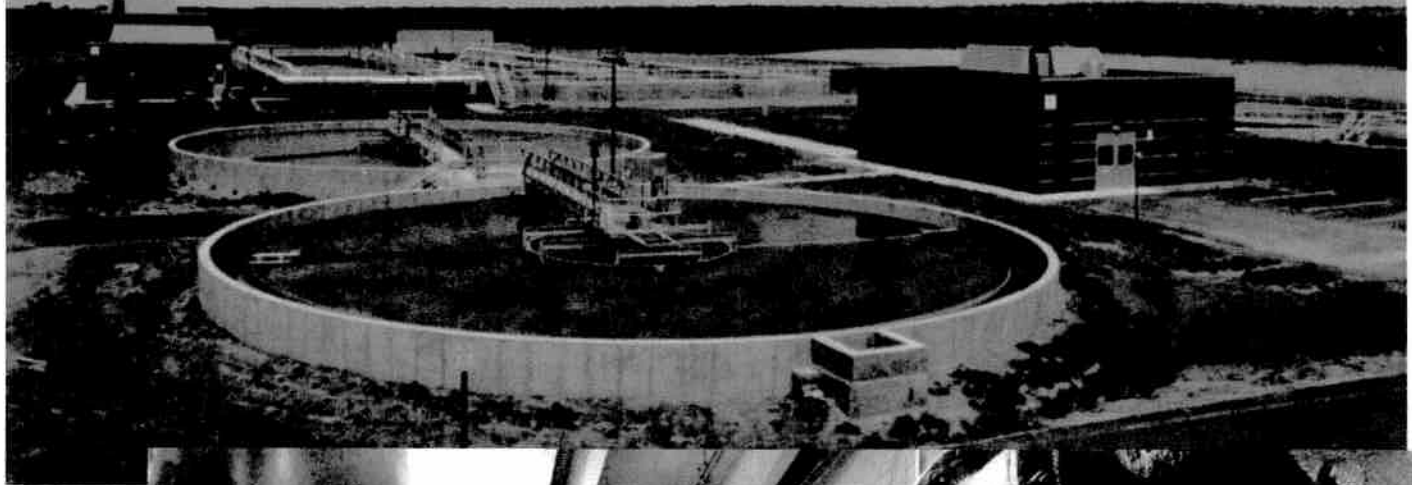
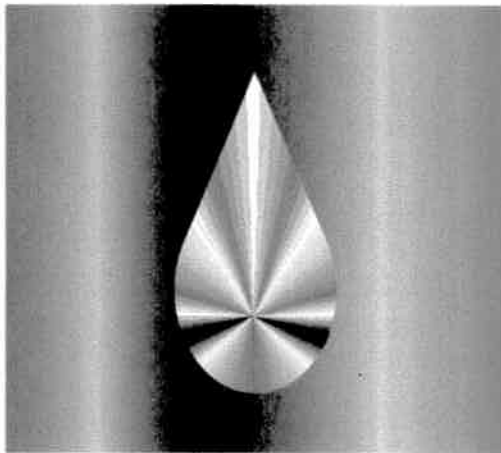


**Arapahoe County Water  
& Wastewater Authority**

# 2012



**ACWWA**



# Annual Budget

# ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY (ACWWA)

## FY 2012 BUDGET

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# **Budget Summary**

## **Budget Message**

December 14, 2011

ACWWA Board of Directors

Arapahoe County Water and Wastewater Authority

Your Management team is pleased to present the Arapahoe County Water and Wastewater Authority (ACWWA) 2012 Draft Budget. The purpose of this budget is to provide citizens, investors, and other interested parties with reliable financial information about ACWWA. This budget represents our best effort to predict business activity for the year 2012 and beyond.

ACWWA's budget is one of the most important documents prepared by ACWWA. Through the process of planning and preparing the budget, ACWWA is given the opportunity to reassess its plans and goals for the coming and future years. The process also provides direction for management and staff.

The budgetary process is designed to determine ACWWA's activities and projects to be undertaken and to identify resources and revenues available. In addition, the budget is more than a financial document because it represents a process through which ACWWA's goals for the ensuring year are established.

It is important to note that while the adoption of this budget focuses on identifying and estimating the spending of financial resources it is also a policy-setting document. It makes decisions on the use of ACWWA's facilities, the use of staff time and drives management decisions for 2012. As ACWWA's policy makers, you play a critical role in making decisions regarding ACWWA's future.

The 2012 Budget is designed to meet the goals of ACWWA's mission and vision statements including the objective of providing the highest quality service to our customers at the lowest reasonable cost. This budget provides for planning and development of additional water resources, as well as the operation and maintenance of existing production, distribution, collections and treatment facilities to support the economic growth of ACWWA. This Budget is organized and structured to meet external and internal managerial needs.

To aid the reader in finding specific information quickly, a Table of Contents is provided at the beginning of this document.

As an enterprise fund, ACWWA maintains a self-balancing set of accounts established to record the financial position and results that pertain to each service. The activities of enterprise funds are similar to regular businesses whereby a governmental agency collects sufficient revenues through user charges to pay for on-going operating expenditures and maintaining infrastructure in order to sustain operations.

ACWWA utilizes a Capital Improvement Plan (CIP) as a long-term capital planning tool to address existing and future facilities needs within the two enterprise areas: water and wastewater.

In summary, this budget reflects three key areas of emphasis for the coming year: capital improvements project needs as identified in the CIP, proactive maintenance of the water and wastewater infrastructure, and operating costs required in sustaining and enhancing service levels during the budget year 2012.

The 2012 Budget document has been prepared after analyzing, evaluating and justifying both the financial and non-financial objectives and goals of ACWWA for the current and future years. ACWWA's budget is a comprehensive document that enables the Governing Board and staff to evaluate where ACWWA has been in the past and where it is going in the future.

In summary, the 2012 Budget:


- Balances revenue requirements with available revenues and other funding sources.
- Provides for:
  - Continued planning, development and investment into additional water resources :
  - Continued funding for operation and maintenance of existing production, distribution, collection and treatment facilities to support expected economic growth;
  - Improvement and maintenance of existing infrastructure; and
  - Long-term financial stability
- Includes estimated total sources of funds of \$18,937,852 which is \$2,973,353 less than the prior year's budget of \$21,911,205. This decrease is largely due to the one time collection of a water shortage fee of \$2,500,000 in 2011.
  - Operating revenues and non-operating revenues totaling \$18,937,852;
  - An assumption of the sale of 30 tap equivalents; and
  - Assumes 3% for rate increase for water, irrigation, and sewer services.
- Provides for \$4,726,928 in capital improvement projects;
- Provides for \$8,166,179 in operation and maintenance expenditures;
- Provides for \$80,121 in capital equipment;
- Provides \$10,230,309 for servicing existing debt;
- Assumes the use of ACWWAFLOW Project bond funds in the amount of \$3,435,368;
- Assumes the use of \$1,125,317 of Capitalized Interest to be used for debt service:
- Assumes an irrevocable pledge of \$1,500,000 for debt service in 2012; and
- Assumes a 4.85% increase in tap fees.

The 2012 Budget will allow ACWWA's system to continue providing high quality and reliable water and wastewater at reasonable costs while also maintaining a healthy financial position. In developing the budget for 2012, effort was made to ensure that rates remain affordable for ACWWA's customers while ensuring the continued stability of the system. It is critical to ACWWA's economic well being that future growth has a reliable water supply, as well as a well-maintained distribution and collections system.

## Special Thanks

We would like to thank the Board of Directors for their leadership and foresight in adopting policies and priorities to guide the development of ACWWA's 2012 budget. Also our sincere appreciation goes to the Finance Committee for their strategic thinking and tactical execution of developing this budget. We would also like to extend our gratitude to the ACWWA employees, who through their hard work and dedication have enabled ACWWA to meet its goals and objectives for 2011. The preparation of this document would not have been possible without the support and input from all departments.

Respectfully submitted,



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Gary Atkin

General Manager



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Jennie Achée

Assistant General Manager

## **Resolution 2011-06**

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES FOR EACH FUND, ADOPTING A BUDGET, AND APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY, ARAPAHOE COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2012, AND ENDING ON THE LAST DAY OF DECEMBER 2012.

WHEREAS, the proposed 2012 budget has been submitted to the Board of Directors of the Arapahoe County Water and Wastewater Authority for its consideration; and

WHEREAS, upon due and proper notice, published in the Aurora Sentinel and the Douglas County News Press in accordance with the law, and said proposed budget was open for inspection by the public at a designated place, a public hearing will be held on December 14, 2011, and interested persons were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues so that the budget remains in balance, as required by law,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY, ARAPAHOE COUNTY, COLORADO:

Section 1: 2012 Budget Revenues. That the estimated revenues for each fund set out in the budget are accepted and approved.

Section 2: 2012 Budget Expenditures. That the estimated expenditures for each fund set out in the budget are accepted and approved.



Section 3: Designation of Ending Fund Balances as Reserves. That pursuant to Const. Colo. Article X, Section 20, the December 31, 2012, ending fund balance of the Operating Fund, the exact amount to be determined as part of the audit of the December 31, 2012 financial statements, is designated as a general reserve for future contingencies.

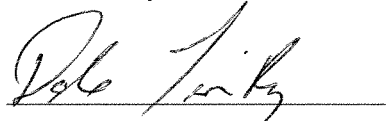
Section 4: Adoption of Budget for 2012. That the budget as submitted and if amended, then as amended, is hereby approved and adopted as the budget of the Arapahoe County Water and Wastewater Authority for calendar year 2012.

Section 5: Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget does not result in a violation of any applicable fiscal year spending limitation.

Section 6: Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

Section 7: Discretion: The General Manager may exercise discretion in administration of the Operating Budget to respond to changed circumstances, provided that any modification in excess of \$25,000 requires approval by the Board.

ADOPTED AND APPROVED this 14 day of December, 2011.



President

ATTEST:



Secretary

## **Budget Highlights**

The 2012 Budget for ACWWA includes an operating budget and a capital budget. This budget was prepared by ACWWA's Finance Department in accordance with Generally Accepted Accounting Principles (GAAP). We believe the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position of ACWWA.

In total the operating Budget has decreased from \$9,264,983 in 2011 to \$8,166,179 in 2012 for an overall decrease of \$1,098,804 due to operating changes at the RO Plant and a reduction in workforce. The non-operating budget has been reduced from \$58,435,809 in 2011 to \$15,332,358 in 2012 due to the completion of all water rights in 2011 for ACWWA Flow Project.

### **Board of Directors' Priorities**

The Board's Priorities are organized into three areas including Water Supply, Water Facilities, and Core Business Programs. Fundamentally these priorities are organized around water supply diversification, the need for facilities to support, treat and transport water supply, and ACWWA's ability to provide services with sensitivity to the cost impacts to customers and other member agencies.

### **Other Budget Highlights**

ACWWA's management believes that a successful budget should contain the following ingredients for it to be useful to the individuals using the information:

Worthy Purpose – There should be clear goals for the budget. The goals and objectives of ACWWA should dictate ACWWA's budget.

Participative Ownership – Budget ownership and the motivation to make it work will only occur when there is significant decision making involvement at the levels of implementation.

Reporting System – A good budget system must be fully integrated with ACWWA's reporting system. That is, the accounting system and the budgeting system should be consistent in account classification and methods of accounting for data, time periods, etc. Ease of understanding is enhanced when the budgeted data and the accounting system mirror each other.

Support of Management - In any well-organized budgeting system, support from top management is essential for the system to be effective. By being involved in establishing the budget concepts and procedures as well as reviewing budget variations the Governing Board will lend support to the rest of ACWWA and create acceptance and promote effective use of the budgeting system by all.

### **Highlights of the 2012 Budget**

- A Capital Project Budget of \$4,726,928 which includes the continued renewal and replacement of aging infrastructure and the ACWWAFLOW Project.
- An operating budget of \$8,166,179, a decrease of \$1,098,804 from the prior year of \$9,264,983
- There are no salary adjustments budgeted in 2012
- There is no additional staff budgeted for 2012

## **2011 Accomplishments**

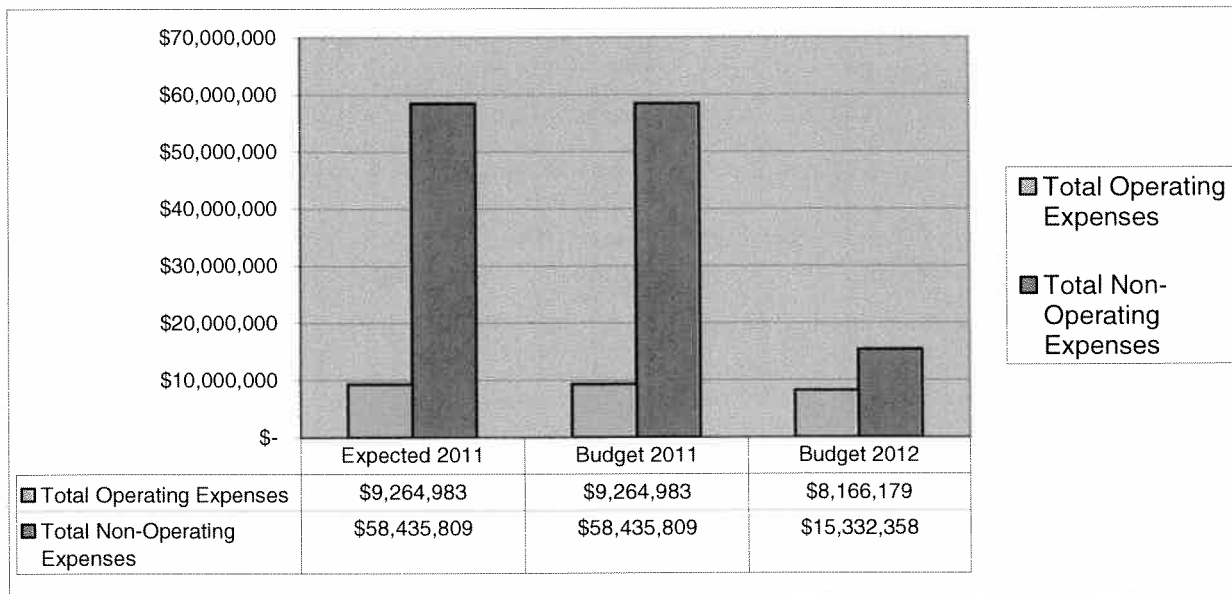
- Integrated the Joint Water Purification Plant (JWPP) into the ACWWA distribution system.
- Developed and implemented an on/off aeration program to aid in energy savings and facilitate a better biosolids product.
- Implemented a Decant System to reduce Thickener Polymer Usage
- Completed the Chambers Reservoir Project
- Developed Substitute Water Supply Plan to allow usage of ACWWA Flow water in 2012.

## **Major Changes in 2011-2012 Budget**

### **Expenditures**

Operating Expenditures were budgeted at \$9,264,983 in 2011 vs. \$ 8,166,179 in 2012 –this is a decrease of \$1,098,804. While operating expenditures decreased there was an increase in debt service of \$1,132,539

Figure 1: Expenditures 2011 vs. 2012

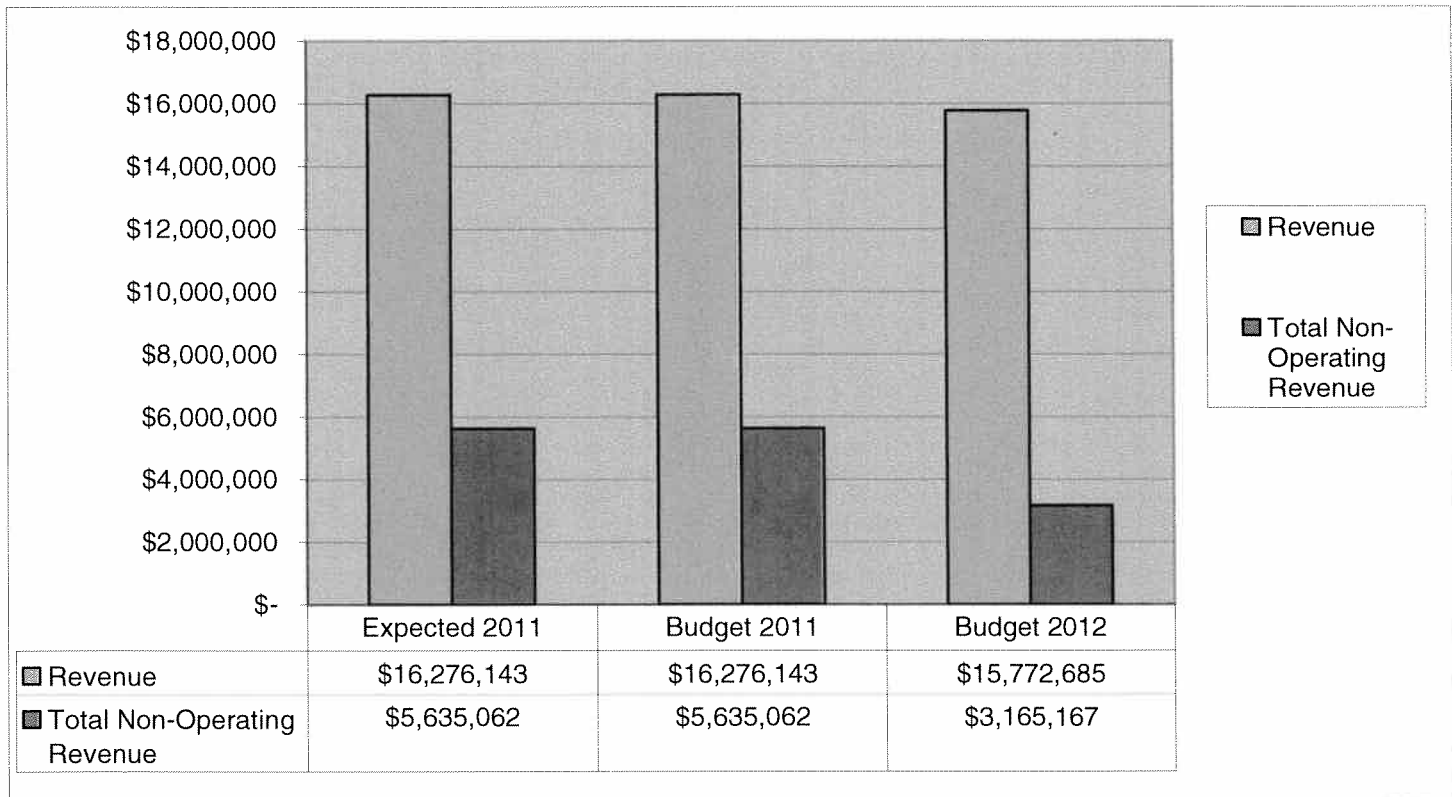


## Revenues

Operating revenue is budgeted at \$16,276,143 for 2011 vs. \$15,772,685 in 2012. This decrease is due to a lower generation of water and wastewater revenue from the two plants.

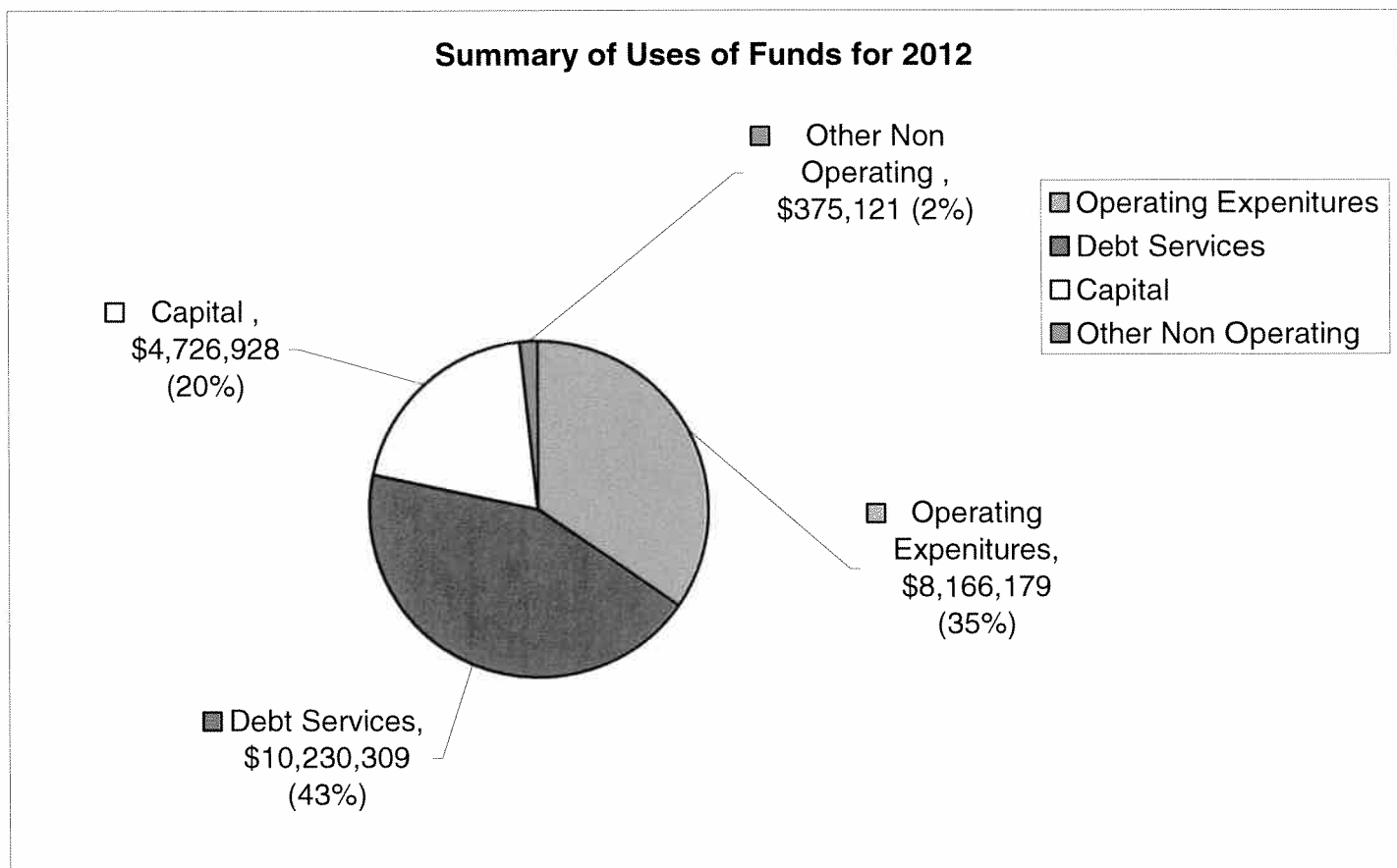
Non-operating revenue is budgeted at \$5,635,062, in 2011 vs. \$3,165,167 in 2012. This decrease in revenue is largely the result of a one-time water shortage fee in 2011 and reduced tap fee sales.

**Figure 2: Revenues 2011 vs. 2012**



## Uses of funds

Figure 3: Summary of Uses of Funds for 2012



Operating and maintenance costs are projected to decrease to \$8,166,179, a decrease of \$1,098,804. The largest drivers behind this decrease are the reduction in workforce and a reduction in operating costs relating to the RO Plant.

Debt service related costs are projected to increase by \$1,132,539 to \$10,230,309 in 2012 compared to \$9,048,309 in 2011

## **Priorities and Assumptions**

- ACWWA must prepare and adopt a balanced budget in accordance with Colorado State Law;
- The ACWWA Board of Directors is empowered to fix and revise rates, fees, and other charges for services furnished or to be furnished by the Authority. Such rates and fees and charges are not subject to supervision or regulation by any bureau, board, commission or other agency of the State or by any political subdivision;

- Rates, fees and charges shall be fixed and revised so that revenues, together with any other available funds, shall be sufficient at all times;
  - To pay the cost of maintaining, repairing, and operating the water and wastewater systems including reserves for such purposes;
  - To pay all of the principal and interest on all bonds issued by the Authority; and
  - Fees and charges are applicable throughout the service area.

## **Staffing and Resource Requests**

There is no additional staff budgeted for 2012.

## **Containing Costs and Maximizing Existing Resources**

The Water Authority is constantly seeking to contain costs and maximize the value of existing resources. In developing the adopted budget, we have reassessed existing consulting contracts, memberships, services, and business practices. We have thoroughly reviewed existing consulting contracts and memberships for value and vendor dependency.

## **Conclusion**

The Budget for Fiscal Year 2012 embodies the strategies of the Board's priorities and strives to fulfill ACWWA's mission. The overall plan is balanced and well organized. Rates required to support the budget are at a level consistent with previous Board direction. The Capital Plan for 2012 includes only those projects that are necessary to meet the challenges ahead of ensuring an adequate supply of water. The budget document reflects the progressive nature of ACWWA and promotes accountability, prudence and fiscal conservatism.

As we move into 2012, we will continue to our commitment to provide the highest quality water and wastewater services for our customers while keeping rates as low as possible. We will implement our business plans to ensure that the priority projects and tasks we have identified are accomplished, and we will continue to measure our results against a set of key performance indicators. We will update the Strategic Plan to reflect our changing times as we will begin to plan for future years. By continuing to invest in new technologies, looking for ways to be more efficient and effective, and challenging ourselves to be the best in the industry, we believe we can achieve continued success.

# **Budget Forward**

## **Background**

### **Description of Arapahoe County Water and Wastewater Authority (ACWWA)**

The Arapahoe County Water and Wastewater Authority (ACWWA) represents a cooperative effort among public entities to provide water and wastewater service. ACWWA is a political subdivision formed in 1988 pursuant to an intergovernmental agreement between Arapahoe County and the Arapahoe Water and Sanitation District (AWSO) for the purpose of developing water resources, systems and facilities and wastewater treatment and disposal systems and facilities in whole or in part for the benefit of the Members and their inhabitants, and others.

### **History**

On January 1, 1989, the IGA granted to ACWWA all responsibility for and control over the District's operating system including relating operating assets, tap fees, contributions, revenues and expenses. The agreement provided for a lease of the District's property, plant and equipment, which expired upon the earlier of December 1, 2010, or the dissolution of the District or ACWWA. Pursuant to the IGA dated July 7, 1995, the District and ACWWA entered into a plan to dissolve the District. The voters of the District approved the plan and the Arapahoe County District Court, signed the Order of Dissolution March 4, 2000 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 ACWWA enter into an IGA with the Arapahoe county Water and Wastewater Public Improvement District (the PID). The PID was organized in 2001, pursuant to the provisions of Title 30, Article 20, Part 5, and CRS for the purpose of constructing certain public improvements to serve customers within and without its jurisdiction 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 an independent contractor to serve as its management agency. In consideration for ACWWA's commitment to provide management services, the PID agreed to issue general obligations 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.

## **Organizational Structure**

### **Authority Powers**

The Authority is a political subdivision and a public corporation of the State of Colorado, separate from the Members of the Establishing Contract. The rights, powers, privileges, authorities, functions, and duties of the Authority are established by the laws of the State of Colorado, particularly Section 29-1-204.2, C.R.S., which provides that the Authority has the power: to enter into contracts; to sue and be sued; to hire employees and agents; to incur debts, liabilities, or obligations; to issue revenue obligations or refund outstanding indebtedness; to acquire, hold, lease, or dispose of real and personal property utilized

only for the purposes of water treatment, distribution, and wastewater disposal; to develop water resources, systems, or facilities or drainage facilities for the benefit of the inhabitants of the Members or others; to condemn non-public utility property for use as rights-of-way; and to fix, maintain, and revise fees, rates, and charges for functions, services, or facilities provided by the Authority. The Authority does not have the power to tax.

### **Governing Board**

There are nine (9) authorized positions for the Board of Directors of the Arapahoe County Water and Wastewater Authority. These board positions are appointed at the discretion of the Arapahoe County Commissioners. One of the five County Commissioners currently serves on the Arapahoe County Water and Wastewater Authority's Board of Directors. ACWWA does not have taxing powers.

ACWWA's Board sets policy and direction for ACWWA. These nine individuals serve for a term of three years and appointments are made as vacancies occur. The Board elects its own officers, including a Chair and Vice Chair.

#### **The current Board of ACWWA is:**

Doyle Tinkey, Chair, owns a home in the ACWWA service area. Mr. Tinkey is retired from CH2M Hill. Ralph Henderson is a member of Valley Country Club, which is an ACWWA customer.

Rod Bockenfeld is an Arapahoe County Commissioner, a Director of the ACWW Public Improvement District, and 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.

Steven Hunt has an interest in a company that purchases and sells homes, certain of which properties may be in the ACWWA service area.

Mikkel Anderson's form has been filed; no conflicts to report.

Steven Davis has a brother-in-law who is an engineer employed by Anadarko Petroleum.

Linda Lehrer is a Board member of the Southeast Metro Stormwater Authority and the Antelope Property Owners Association. Ms. Lehrer's spouse is a geologist employed by Anadarko Petroleum.

Geri G. Santos-Rach's conflict form has been filed; no conflicts to report.

Phyllis Thomas is the owner and President of Phyllis Thomas Consulting.

### **ACWWA's Management Team**

#### **General Manager**

Garrold E. Atkin, Jr., a veteran water manager, was appointed General Manager of ACWWA in October 2001. The General Manager is the chief executive officer and administrative head of ACWWA. As Manager, he is responsible for carrying out policies set by the Governing Board, performing overall executive management and leading ACWWA toward the successful accomplishment of its mission.



### **Assistant General Manager**

Jennie Achée – Assistant General Manager

The Assistant General Manager ensures that ACWWA's implementation of the Strategic Plan and annual Business Plan complies with guidance from the General Manager and the policies established by the Governing Board.

### **Department Managers**

Martin Stegmiller –Operations Manager

Steve F. Witter - Water Resources and Planning Manager

The Department Managers provide input on Strategic Plan policy and strategy development, and coordinate implementation of policy directives within and across their respective resource areas.

### **Committees**

ACWWA currently has seven (7) committees:

- **The Finance Committee** whose purpose is the oversight of the financial position of ACWWA.
- **Project, Development and Construction Committee** that has responsibility for the oversight of the Capital Improvements Program.
- **The Personnel Committee** whose focus is to support ACWWA's process in the areas of staffing needs and personnel policies and programs.
- **The Water Supply Committee** whose function is to evaluate the long-term water supply needs, and the planning and development of needed water resource development projects.
- **The Development/Public Relations Committee** whose function is to respond to customer concerns, provides public training, and meets the needs of the Development community.
- **The Budget Committee** whose purpose is the oversight of the Budget.
- **The Audit Committee** whose purpose is the oversight of the Audit process.

## **Mission, Vision, and Values**

### **Our Mission**

It is our goal to provide unparalleled service and accountability to our customers while furnishing the highest quality water.

### **Our Vision**

Our vision is to consistently meet or exceed customer expectations.

### **Our Values**

- ☆ Honesty – we never compromise our honesty
- ☆ Customer Service – we provide superior service to both our internal and external customers with professionalism and integrity
- ☆ Sustainability – we will be proactive in planning, constructing, operating, maintaining, and financing our system in a manner consistent with the principles of environmental, social and economic sustainability.
- ☆ Focus –we stay committed to our goals and strive to make the best use of our local water resources and adopt practices which encourage conservation of water, energy, and other natural resources.
- ☆ Communication- we value open honest and timely communication
- ☆ Teamwork – we value our employees as our most important resource and we are committed to the success of every member of the team
- ☆ Excellence – we are passionate about our knowledge and experience that sets us apart and makes us good stewards of the public’s resources
- ☆ Integrity- Teamwork is the foundation of our excellence

## **Guiding Principles**

Accomplishing ACWWA’s mission and implementing the programs and projects identified in the 2008 budget requires a unified effort by the members of the Governing Board, ACWWA staff, other agencies and groups, and the public. Such unity can be achieved only when each group understands the guiding principles that reflect the culture of ACWWA. The following principles reflect these core beliefs:

ACWWA will balance the needs of water and wastewater systems all within the context of a regional ecosystem.

ACWWA maintains accountability in the following areas:

- Purchase of goods and service
- Preparation of financial reports
- Management of cash, debt and reserve funds
- Preparation of operating and capital budgets

- Maintenance of sound internal controls and audit functions

ACWWA recognizes the value of cooperative relationships with the public and private sectors and other members of the community, and the need to communicate strategic decisions to these audiences.

ACWWA will achieve the budget implementation through effective communications of priorities, multidisciplinary teamwork and inter-departmental coordination.

ACWWA values the diversity of its workforce for the varied perspectives its members bring in accomplishing our mission.

By following these guiding principles, ACWWA will maintain its reputation and position as a recognized steward of water resources.

### Philosophy

The following philosophies guide the formulation of strategic goals, objectives, programs and operations of ACWWA. It is the basic policy of ACWWA's employees to:

#### Customer Service

Provide a safe, reliable, high quality water supply to each customer in a cost effective manner. ACWWA strives to provide excellent customer service to our customers.

#### Management Work Ethic

ACWWA management strives to provide the highest degree of care in handling public funds to ensure that these funds are utilized and managed for the best interest of its customers

#### Environmental Policy

Develop programs that are environmentally safe and exceed all Federal, State, and local regulatory requirements.

#### Employee Relations

Provide a safe, healthful, and rewarding work environment which encourages communication, values employee participation and personal achievement. Promote a team-work environment to successfully achieve ACWWA's goals and objectives both internally and externally with other agencies.

#### Public Relations

Maintain open communication with the public, participate in active educational programs with other member agencies through interagency cooperative agreements and continually seek input from customers and establish and maintain interactive relationships with other government agencies through the creation of partnerships which promote positive public relations which enhance service and reduce costs.

### **Risks**

#### Environmental Risks

The Authority uses hazardous materials in the water and wastewater treatment process and is required to properly dispose of such hazardous materials. These hazardous materials can be a threat to human health

or to the environment if not properly handled, stored or disposed. ACWWA's employees are trained in the proper handling of hazardous materials. Other environmental issues, such as water contamination to the water supplies, flooding and drought conditions could impact the operations of the System, although to the best of ACWWA's knowledge, none of these factors pose a significant risk to the System at this time.

### **Regulatory Risks**

The System is subject to numerous Federal and State regulatory requirements. Those regulations are subject to change at any time. ACWWA works with all applicable regulatory agencies and personnel to monitor future regulatory requirements, as failure to comply with regulatory changes, or the inability to comply with them in a timely manner, could cause portions of the System to be unavailable. Any disruption of service could negatively impact Net Revenue.

### **Changes in Law**

Various Colorado laws and constitutional provisions apply to the imposition, collection and expenditure of the Net Revenue and the operation of ACWWA. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of ACWWA and the imposition, collection, and expenditure of the Net Revenue.

### **Risk Management**

ACWWA's risk management program is designed to manage the Authority's insurance programs and provide support to all departments regarding identifying, controlling, transferring, or eliminating exposure to loss from general liability, property loss, and worker's compensation claims. ACWWA is currently insured for its liability and property damage coverage and worker's compensation coverage through the Special District Association (SDA) of which ACWWA is a member. The SDA is a risk pooling joint powers district formed under the Colorado Special Districts Code to provide coverage for member agencies.

## **ACWWA Flow Project**

ACWWA's management believes that the current water rights are sufficient to serve the current customers of ACWWA. However, ACWWA has determined that additional water supply will be necessary to accommodate projected build-out within the service area, future potential additions to the service area and the potential reduction in production of ACWWA's non-tributary groundwater rights. Accordingly, ACWWA is implementing a project to secure additional water supplies. This project is called the "ACWWA Flow Project" and includes the purchase and adjudication of 4,400 acre-feet of average yield consumptive use surface water rights from the South Platte Basin and the necessary infrastructure to store, treat and deliver that water to the Service Area.

The ACWWA Flow project will be adjudicated in the District Court in and for Water Division No.1 in Greeley, Colorado (Water Court). The ACWWA Flow Water Rights are expected to provide water supply for over 17,000 tap equivalents, due to ACWWA's ability to reuse its water supply. ACWWA expects this water to provide a secure water supply to meet future demands. However, unlike non-tributary groundwater, surface water rights are impacted by the hydrologic cycle that varies annually. ACWWA's portfolio of non-tributary groundwater rights and Cherry Creek water rights are expected to be utilized to provide water in drought years to supplement surface water rights.

ACWWA used the net proceeds of the 2009 Bonds to acquire these water rights. As purchased, these water rights will not be capable of use by ACWWA. Prior to their use as a municipal water supply, the water rights must be successfully adjudicated in Water Court, and there is no guarantee as to the outcome of such litigation. In addition, infrastructure must be constructed which will provide a treatment, storage and delivery mechanism for the new water rights. Several of the facilities will require environmental and other permits which have not yet been issued, and ACWWA cannot guarantee that such permits will be issued.

### **Current Water Rights Litigation**

ACWWA is currently a party in 36 cases pending in the Water Court. Four of these cases are matters in which ACWWA is an applicant for the approval of water rights claims. The remaining 32 cases are matters in which ACWWA is an objector to applications filed by third parties to adjudicate water rights or plans for augmentation or exchange. ACWWA is also a party to one consolidated appeal currently pending in the Colorado Supreme Court related to a group of applications filed by the Farmers Reservoir and Irrigation Company and others. The outcome of these water litigation matters may affect the efficiency with which ACWWA provides water supply to its service area, and may affect the capital and operating costs associated with providing such service. However, ACWWA's water rights portfolio and existing decrees are expected to be adequate to provide the anticipated level of water service, regardless of the outcome of the pending water cases.

The numerous statements of opposition filed by ACWWA in other cases are directed at proposed projects filed by many third parties. Several of these matters are in the final stages of settlement negotiations. All of the Water Court matters are actions to adjudicate property status in the form of water rights decrees. The title to the ACWWA's water rights is not at issue in any of these matters. Similarly, no money damages are at issue in these matters. The ACWWA's financial exposure is limited to attorney's fees, expert witness fees, discovery costs, and other normal litigation expenses.

## **ACWWA's Service Area**

ACWWA encompasses approximately 5,000 acres in the southeastern Denver metropolitan area and is located approximately 10 miles south of downtown Denver in the southern part of Arapahoe County generally bounded by Parker Road on the east, Cherry Creek Recreation Area on the north, and Havana Street on the west, and the Arapahoe/Douglas County line on the south.

ACWWA's service area is primarily comprised of office complexes, commercial and light industrial areas. Recently, significant multi-family residential development has been added with more units planned especially in the eastern part of the service area. By intergovernmental agreement, ACWWA also provides wholesale wastewater treatment services for the Cottonwood Water and Sanitation District located south along Jordan Road in Douglas County, and retail water service to the Town of Foxfield located east of Parker Road and south of Arapahoe Road. Unlike the ACWWA service area, these areas are predominantly residential.

ACWWA's core mission is to provide for water and wastewater service within its service area. ACWWA was established in 1988 as a separate governmental entity to develop water resources, systems and facilities, and wastewater treatment and disposal systems and facilities in whole or in part for the benefit of its customers. ACWWA complies with a number of regulatory programs designed to protect the region's water resources. The Safe Drinking Water Act (SDWA) and Clean Water Act (CWA) are examples of a number of forces that will remake the municipal water and wastewater industry in the near future. Other regulatory compliance requirements, increasing customer awareness, aging infrastructure, and a growing scarcity of high-quality water sources will require greater creativity and innovations.

To maximize use of available supplies, ACWWA is installing and extending a separate non-potable distribution network in the eastern part of its service area. This separate system will utilize reclaimed wastewater and lesser quality alluvial and/or non-tributary groundwater.

### **Philosophy**

ACWWA uses a programmatic, outcome-oriented approach when developing and presenting its budget. This budgeting method is based on program performance, and emphasizes the link between strategic plans, program goals and objectives, outcomes, and annual funding allocations. This process requires close communication between program coordinators and management; awareness of agency strategic goals, objectives and outcomes; identification of strategies to achieve these outcomes; and the development of performance measures.

ACWWA's broad mission and mandates were organized into long and short-term goals. Objectives and success indicators were established to allow a more thorough review and understanding of major ACWWA projects and programs. It also allows for better programmatic comparisons and choices regarding the allocation of limited resources.

### **Budget Preparation**

ACWWA will prepare an annual budget document that provides a basic understanding of ACWWA's planned financial operations for the coming year. Copies of the draft and final budget will be made available to all interest parties and opportunities will be provided for public input prior to final adoption.

### **Annual Budget Statutory Requirements**

ACWWA's annual budget is prepared and adopted under the provisions of section 29-1-113 C.R.S. ACWWA's fiscal year is January 1 through December 31.

On or before October 15 of each year, ACWWA's budget officer submits a draft budget to the Governing Board. The budget covers proposed operations and funding requirements for the ensuing fiscal year. On or before December 31 the Governing Board adopts the budget. ACWWA advertises all required meetings of budget discussions along with the intent to adopt the budget.

A resolution adopting the budget and appropriating the funds is filed with ACWWA's budget officer whose duty it is to disburse moneys or issue orders for the payment of moneys as required by statute. The final adopted budget for ACWWA is the operating and fiscal guide for the ensuing year.

## **Budget Update Process**

Every year as part of the budget process, ACWWA's short-term goals and objectives will be reviewed and updated, as necessary, to reflect current challenges as well as changed conditions. Staff also seeks direction from the Board of Directors. The strategic plan is reviewed and updated as necessary. This budget incorporates the implementation plan for the current goals and objectives.

### **Budget Amendments**

A budget amendment is defined as any action that increases or decreases total appropriated fund amounts in ACWWA's adopted budget. Budget amendments could be caused by various reasons, such as:

- The discovery of more accurate information after the budget is adopted
- Modified operating requirements
- Year end accounting adjustments

Budget amendments must follow strict statutory guidelines. The intent to amend the budget and the notice of the Governing Board meeting at which the amendment will be considered and potentially receive approval must be published in a newspaper that has general circulation within the ACWWA service area.

### **Lapse of Appropriations**

All unexpended appropriations expire at the end of the fiscal year. (C.R.S. 29-1-108 (6))

### **Budget Transfers**

Budget transfers are defined as any action that changes the budget amount associated with a service, as adopted by the Governing Board. Budget transfers change budget amounts from one line item to another. It is important to note that budget transfers, unlike budget amendments, do not change total overall budget appropriation levels. Budget transfers may be processed by action of the General Manager.

### **Filing of the Budget**

No later than thirty days following the beginning of the fiscal year of the budget adopted, the governing body shall cause a certified copy of the budget, including the budget message, to be filed with the State of Colorado. (C.R.S. 29-1-113 (1))

## **Financial Structure**

The State of Colorado and Generally Accepted Accounting Principles govern the use of funds and the budgeting, accounting and auditing associated with this fund structure, as determined by the Governmental Accounting Standards Board.

ACWWA works in concert with Arapahoe County to accomplish water management objectives. The primary authority for the operation of ACWWA is an Intergovernmental Agreement between Arapahoe County and Arapahoe County Water and Wastewater Public Improvement District. ACWWA's budget includes all operations over which ACWWA is financially accountable.

There are no component units required for inclusion in the Arapahoe County Water and Wastewater Authority's budget.

## **Budget Goals**

The primary budgetary objective is to provide the highest possible level of service to ACWWA's project participants without impairing ACWWA's sound financial condition. Continual efforts will be made to improve productivity, lower costs and enhance service.

ACWWA will endeavor to keep current expenditures less than current revenues. Current expenditures are defined as operating expenses, debt payments and capital improvement expenditures.

ACWWA will maintain a budgetary control system to ensure adherence to the budget and will prepare regular reports comparing actual revenues and expenditures to the budgeted amounts.

Law and policies limiting revenue sources and expenditures must be explicitly addressed in the budget process.

The Governing Board will not establish a goal or policy without also providing the necessary funding to accomplish those goals or policies.

The adopted budget may only be changed by Board action. Staff may make budget change requests to the Governing Board at a regularly scheduled Board meeting. The Governing Board will then consider the requests based on staff's recommendations and approve or deny the requests by a majority vote.

## **Budgetary Control**

The Finance Department prepares budget summary reports and the unaudited financial statements on a monthly basis for review by the Governing Board.

## **Departmental Estimates**

During the budget development process, the Budget Officer relies heavily on the knowledge and experience of Department and Project Managers to forecast expected revenues and expenditures from various sources. The Managers submit their estimates along with supporting documentation and an explanation of how the revenues and expenditures were calculated to the Budget Officer.

## **Contacting ACWWA's Finance Department**

This financial report is designed to provide the Board, customers, creditors and investors with a general overview of the Authority's financial condition. Should you have any questions regarding the content of this document, please contact Jennie Achee, Assistant General Manager, at (303) 790-4830 Ext 312.



## **Financial Policies**

### **Basis of Accounting**

*For budgetary reporting purposes, ACWWA uses the modified accrual basis of accounting and budgeting for all funds.*

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred. Non-cash expense items such as depreciation expense for fixed assets and accrued compensated absences are excluded from the budget. All annual appropriations lapse at the end of the fiscal year.

*ACWWA operates under one fund for budgetary purposes. However, ACWWA’s various departments and budget preparation are segregated by service type- water and wastewater.*

The costs of vacation and sick leave benefits (compensated absences) are budgeted and expended when payments are made to employees. The liability for all accrued and vested vacation and sick pay benefits, plus sick leave benefits expected to become vested, however, is recorded as a long-term liability.

### **Revenue and Expenditure Classifications**

ACWWA distinguishes operating revenues and expenditures from non-operating items. Operating revenues and expenditures generally result from providing services and delivering water in connection with the principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenditures include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenditures not meeting this definition are reported as non-operating revenues and expenditures.

### **Revenue Policies**

#### **Introduction**

The revenue policy is used as an aid in providing consistent provision of essential public services since revenues and expenditures are the key drivers of ACWWA’s operations. The goal of this policy is to help ensure financial stability regardless of economic situation and to provide information to the Board that Staff revenue and expenditure practices are consistent with ACWWA’s mission and goals.

#### **Revenue Policy**

ACWWA staff is allowed to estimate revenues conservatively using an objective and analytical approach using certain techniques such as historical trends, current information, and economic indicators to maintain consistency, reliability and reasonableness. ACWWA’s revenues are projected into the future and updated annually to reflect emerging issues to ensure that the plan reflects the current fiscal environment. ACWWA’s long-term financial plan is developed to assess long-term financial implications of current and proposed policies and programs. It also serves as a financial tool for early detection that allows staff to deal with budgetary issues proactively.

- ACWWA shall maintain a diversified and stable revenue base. Existing and potential revenue sources shall be reviewed annually for stability, equity efficiency and capacity to finance future operations.
- An objective, analytical process that recognizes the sensitivity of each revenue source shall be used to estimate revenues.
- Whenever authorized and appropriate, user fees and charges shall be established to recover the full costs of all programs and services.

### **Rates and Charges**

Rates and charges are the most important component of ACWWA's revenue portfolio. User fees are used to fund the provision of services provided to ACWWA's customers. ACWWA utilizes cost recovery concept to determine how much costs need to be recovered from various customers. The full cost of providing various services is used as the basis for setting rates and fees. Full cost incorporates direct and indirect costs, including operations and maintenance, overhead and charges for the use of capital facilities. Examples of ACWWA's overhead include payroll processing, accounting and administrative services, computer support, office supplies, and other central administrative charges.

ACWWA's Board of Directors established the following guidelines for the user rate and charge setting process.

- Rates and charges are established utilizing a generally accepted cost recovery methodology that is consistent and legally defensible using the following approaches: revenue requirement analysis, cost of service analysis, and rate design analysis.
- Rate design shall be reflective of ACWWA's Board of Directors' rate setting objectives.
- Rates shall be set at a level so that ACWWA will increasingly collect more reliable revenues through a combination of system access charges and low to medium users' commodity rates to meet ACWWA's revenue requirement.
- Rates and charges will be reviewed and updated annually based on factors such as the impact of inflation, other cost increases, and the adequacy of coverage of costs.
- Produce revenues sufficient to pay
  - a) A minimum of 1.25 times the Annual Debt Service Requirements and
  - b) The amounts required to be deposited in any reserve or contingency fund created for the payment and security of obligations
- ACWWA will make adjustments to rates and charges as the Board deems necessary and shall adjust rates and charges so that net system revenues from such adjusted rates and charges will be sufficient at all times to meet the requirements.

### **Recognition of Revenues**

Revenues are recorded when earned. Customers' meters are read and bills are prepared monthly based on billing cycles.

## **Expenditure Policy**

ACWWA's expenditures reflect the Board of Directors and Staff commitment to service present and future customers with reliable public service. The Board and Staff believe that prudent expenditure planning and accountability will ensure fiscal stability. Expenditures are projected conservatively using an objective and analytical approach as well as certain techniques such as historical trends, current information, and economic indicators to maintain consistency, reliability, and reasonableness. ACWWA's capital and operating expenditures are projected into the future as part of the long term financial plan. The long term financial plan is developed based on the Comprehensive Master Plans and revised annually during the budget process to reflect current changes in construction costs, project estimates or key financial assumptions. ACWWA used the long term financial plan as a tool for early detection that allows ACWWA's staff to deal with project financing issues proactively.

The basic components of ACWWA's expenditure policies are broken down into two functional areas: Maintenance of Capital Assets and Review of Service.

### **Disbursements**

Disbursement of Authority funds must be for a legitimate purpose and within budgetary limits.

Payment for Authority contracts and purchase orders are contingent on evidence of the receipt or acceptance of the specific deliverables.

### **Maintenance of Capital Assets**

Maintaining a reliable transmission and distribution system and a sustained capital program are not possible without reliable funding sources. Prudent financial planning is imperative to an effective capital improvement program. ACWWA uses a combination of debt financing and "pay as you go" methods to fund the capital improvement program and maintenance of capital assets. A fixed annual amount is projected by staff and included in the annual requirement to be collected from rates and charges.

The following elements of the expenditure policy reflect ACWWA's philosophy to perform ongoing maintenance of capital investments once they are purchased or capitalized:

- Consistency with Board approved Master Plans, and long term Capital Improvement Plan
- Maintain consistency of allocation of resources for programs to carry out ACWWA's mission and goals to its customers
- Within the resources available each fiscal year, ACWWA shall maintain capital assets and infrastructure at a satisfactory level to protect its investment, to minimize future replacement and maintenance costs, and to continue service levels.

### **Review of Service Policy**

These expenditure policies are used by Staff to prompt review of services to see if they are being provided as effectively and efficiently as possible. ACWWA's review of service policies are as follows:

- Encourage greater efficiency and effectiveness of the delivery of services by sharing resources and coordinating with other public and private organization through partnerships.
- Utilize technology and productivity advancements that will help reduce or avoid increasing personnel costs, when practicable.

- Control personnel costs as a proportion of total budget, to more productively and creatively use available resources.

## **Cash Management Policies and Practices**

ACWWA has an investment policy with objectives to (1) maximize its cash position, (2) Accelerate collections and control disbursements to optimize cash availability, (3) meet its financial obligations on a timely basis in order to maintain public trust and productive relations with employees, suppliers, and contractors, (4) develop monthly cash flow projections to help formulate investment strategies for the most effective use of resources, (5) manage funds in a prudent and diligent manner that meets the criteria of legality, safety, liquidity and yield, in that order of importance.

### **Cash Management and Investment**

- ACWWA shall maximize its cash position.
- ACWWA shall accelerate collections and control disbursements to optimize cash availability.
- ACWWA shall meet its financial obligations on a timely basis in order to maintain public trust and productive relations with employees, suppliers, and contractors.
- ACWWA shall develop monthly cash flow projections, which help formulate investment strategies for the most effective use of resources.
- Funds shall be managed in a prudent and diligent manner that meets the criteria of legality, safety, liquidity and yield, in that order of importance.

### **Reserves**

Each year ACWWA evaluates the operating system and established an Operations and Maintenance Reserve Fund. Monies held in this account may be expended for any purpose upon authorization of the Governing Board.

### **Debt Financing**

ACWWA will use debt financing when it is judged to be appropriate based on the long-term capital needs of ACWWA and ACWWA's ability to repay the indebtedness has been evaluated in light of all sources and uses of cash.

ACWWA will only incur long-term debt for the financing of capital improvements that are not expected to recur and are long-lived. Conversely, if the capital requirements are recurring, of relative small scale or are for short-lived improvements, the costs of these improvements should be paid from current revenues.

## **Restricted Fund Balance Policies**

### **Reserve Funds**

ACWWA has a Reserve account that is funded specifically from user fees. During the 2012 budget process ACWWA pledged \$1,500,000 of this reserve to be used for debt service if needed in 2012.

ACWWA in partnership with Inverness Water and Sanitation District (IWSD) maintains a Repair and Maintenance Reserve for the Wastewater Treatment Plant of which ACWWA contributes 69.44% and IWSD contributes 30.55%. At the end of 2011, the balance in this account was approximately \$1,000,000 of which \$694,440 belongs to ACWWA. ACWWA contributes \$300,924 into this reserve annually.

## Independent Audit

ACWWA shall provide for an annual independent audit of its financial statements. This provides evidence of ACWWA's financial accountability to the public and other interested parties.

## Revenue Bonds

ACWWA does not collect taxes and can not issue General Obligation Bonds. ACWWA may issue Revenue Bonds secured by a pledge of revenues. Revenue bonds are limited liability obligation that pledge net revenues of ACWWA to debt service. The net revenue pledge is after payment of all operating costs. The financial markets require coverage ratios of the pledged revenue stream and a covenant to levy rates and fees sufficient to produce net income at some level in excess of debt service.

Also, there may be a test required to demonstrate that future revenues will be sufficient to maintain debt service coverage levels after any proposed additional bonds are issued. ACWWA will strive to meet industry and financial market standards with such ratios. Annual adjustments to ACWWA's rate structure may be necessary to maintain these coverage ratios.

The underlying credit of revenue bonds is judged on the ability of ACWWA's existing rates to provide sufficient net income to pay debt service and the perceived willingness of ACWWA's Board of Directors to raise rates and fees in accordance with its rate covenants. Actual past performance also plays a role in evaluating the credit quality of revenue bonds, as well as the diversity of the customer base.

## Capital Leases

Capital lease agreements and installment sale agreements shall be considered as an alternative to long-term debt. Although these forms of alternative financing are subject to annual appropriation, they shall be treated as long-term debt until maturity.

ACWWA currently has no Capital Lease Obligations.

## Long Term Debt

Long-term debt is defined as bonded indebtedness whose maturity is at least ten years from issue date.

When developing funding strategies for projects; ACWWA will first consider revenues unique to such projects, e.g.; water funds for water projects, and wastewater funds for wastewater projects.

Projects will be funded with Revenue Bonds only if no other revenue source can be utilized.

When appropriate, ACWWA will use long-term debt financing to: achieve an equitable allocation of capital costs/charges between current and future system users, provide more manageable rates in the near and medium term, and to minimize rate volatility.

For growth related projects, debt financing will be utilized as needed to better match the cost of anticipated facility needs with timing of expected new connections to the system and spread the costs evenly over time.

Every effort will be made to schedule even principal and interest payments for the repayment of debt so as to avoid fluctuations in debt service requirements and fluctuations in user fees. Only in exceptional circumstances where it is an advantage to the ratepayers and ACWWA, will debt be scheduled on a non-even repayment basis. Because debt financing involves long-term commitments, the projects, which are financed through debt financing, must be ones, which have a useful service life at least equal to the debt

amortization period. Therefore, debt financing shall be used only for capital expenditures, and not for addressing maintenance items.

A rate review will be conducted when appropriate to ensure predictable and affordable changes to utility system rates. ACWWA will maintain rates to confirm that it meets bond coverage requirements. Exceptions to this strategy may be made by the Governing Board for projects that are mandated by judicial or regulatory bodies, or for emergency situations.

### **Short Term Debt**

User fees should support needed capital improvements on a pay-as-you-go basis to the greatest extent possible. In the event short term debt financing is required lease-purchases, operating leases or other debt instruments may be used as a short-term (1 to 10 years) method of borrowing for the financing of various needs, such as fleet equipment, renovation or reconstruction of capital assets, specialized types of equipment purchases, communications, and data transmission systems.

ACWWA may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.

Each proposal for short term financing shall be evaluated on a case-by-case basis with findings presented to the Finance Committee prior to authorizing financing. Examples of issues to be addressed in the case-by-case analysis may include, but not necessarily be limited to the following:

The extent to which the proposed improvement(s) either (a) extends the useful life of the facility(s) by greater than five years or (b) adds to the long term value of the underlying asset by an amount equal to or in excess of the cost of the improvement. Improvements may be one project or a series of projects, when performed as a package, extend the useful life by the required minimum.

The extent to which a permanent, ongoing additional maintenance commitment is required in order to not lose the value and utility of the financed improvements during the time period in which the financing is outstanding.

The extent to which an improvement(s) provides a long term solution to a problem or effectively arrests deterioration which might lead to structural failure, beyond which the process should not have to be repeated if there is appropriate preventative maintenance.

The extent to which financing spreads the cost of the improvements between present and future users.

### **Debt Authorizations**

All long and short-term debt shall require Board authorization prior to issuance.

### **Current Debt**

In 2006, ACWWA issued \$23,025,000 in Revenue Refunding Bonds. The proceeds from the 2006 Series Bonds were used to refund the Water and Wastewater Revenue Variable Rate Refunding and Improvement Bonds, Series 2003A and the Taxable/Tax-Exempt Water and Wastewater Revenue Variable Rate Refunding Bonds, Series B.

In 2007, ACWWA issued \$18,760,000 in Revenue Refunding Bonds. The proceeds from the 2007 Series Bonds were used to refund the Water and Wastewater Revenue Variable Rate Refunding and Improvement Bonds, Series 2003C and \$10 million of new money to be used for capital projects.

In 2009, ACWWA issued \$91,545,000 in Taxable Water and Wastewater Revenue Direct Pay Build America Bonds and \$5,625,000 in Water and Wastewater Revenue Bonds. The proceeds from the 2009 Series Bonds will be used to purchase a renewable water source, infrastructure, and water storage. This project is identified as the ACWWA Flow Project.

The current Bond Debt as of December 31, 2012 includes the following debts:

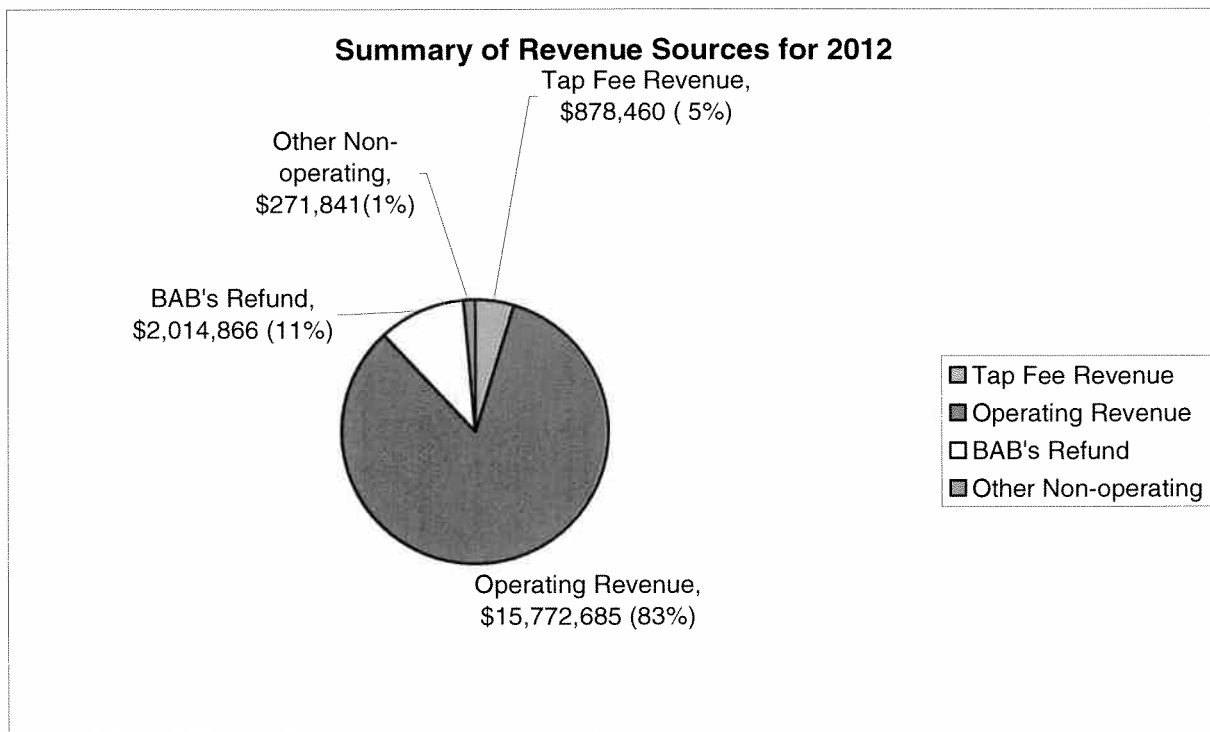
- Water and Wastewater Revenue Refunding Bonds, Series 2006 Bonds, original amount \$23,025,000
- Water and Wastewater Revenue Refunding Bonds, Series 2007 Bonds, original amount \$18,760,000
- Taxable Water and Wastewater Revenue Direct Pay Build America Bonds, Series 2009A Bonds, original amount \$91,545,000
- Water and Wastewater Revenue Bonds, Series 2009B Bonds, original amount \$5,625,000

### Debt Limits

ACWWA is not legally restricted as to the amount of debt that can be issued.

## Sources of Revenue

Figure 4: Summary of Revenue Sources for 2012



The chart above depicts ACWWA's revenue sources and the percent of total revenue each represents. The financial projections in this budget are based on in-depth analysis of each revenue source. The estimated revenue for 2012 is \$18,937,852.

In providing essential public water and wastewater services to its customers, ACWWA incurs substantial operating and capital expenditures. ACWWA operates as a nonprofit enterprise fund and has no legislative authority to levy taxes nor does ACWWA receive tax revenues from local governments for ongoing operations. ACWWA finances its ongoing water and wastewater operations and extensive capital improvements almost entirely through customer paid fees and charges. ACWWA establishes rates sufficient to generate revenue to meet operation and maintenance costs and pay debt service. Rates and fees are reviewed annually and adjusted as needed to respond to resource needs.

ACWWA strives to maintain an adequate level of revenue, which is collected equitably from all classes of customers that use the service. Other secondary considerations include using the revenue rate-making process to promote water conservation. Rates are set to insure that ACWWA's revenue provides customer service to maintain and perpetuate the system. Adequate revenues result from establishing and charging appropriate rates and fees for each service provided.

Revenues are categorized as operating or non-operating, depending on their source. Operating revenues include revenues derived from the sale of water and wastewater service and other activities closely allied to providing these services. Non-operating revenues are not derived from the normal business of supplying water and wastewater service. Non-operating revenues may include fees from rendering management and engineering services to other organizations, connection fees, interest earned and similar services.

ACWWA's primary revenue and sources of cash are summarized below.

**Base rate charges:**

Calculated to recover costs related to direct and indirect customer service efforts and meter maintenance associated with supplying water to and collecting wastewater from the customers' property and is based on the water meter size.

**Commodity charges:**

Commodity charges are calculated to recover the remaining direct and indirect costs of water supply and treatment, water distribution, wastewater collection and treatment, and general administration. This charge is applicable to all water accounts based on meter readings in thousand gallon increments of water consumed.

**Connection Fees:**

Connection fees represent those amounts paid by property owners within ACWWA's service area for the right to connect to ACWWA's water and wastewater system and represent the customer's investment in the capital value of the system. ACWWA uses single-family equivalents ("tap equivalents") to measure its connection fees.

Connection fees should insure that future users fully fund the facilities that were built for their benefit by prior customers and cover future costs including but not limited to planning, design, construction, and financing. When accumulating such costs, consideration should be given to general and administrative costs, inspection costs, emergency oversizing, excess or idle capacity, and any other costs related to the borrowing of funds to build facilities including the time value of money.



### **Uniform User Fees**

The base user fee for water and wastewater are uniform throughout ACWWA's service area. This policy reduces any possible misunderstanding that might occur among customers if rates varied between geographical areas. It also provides for an administratively straightforward billing process.

ACWWA serves customers outside the defined service area through contracts or IGA's. When this happens user fees are negotiated on a case by case basis to insure that ACWWA's current customers do not pay for these new customers.

Customers defined as "extra-territorial" pay fees and charges equal to 150% of the fees in effect for customers in ACWWA's defined service area.

The base user fee for water and wastewater are uniform throughout ACWWA's service area. This policy reduces any possible misunderstanding that might occur among customers if rates varied between geographical areas. It also provides for an administratively straightforward billing process.

### **Investment Income**

Interest is calculated based on projected cash, investment of funds and economic market conditions.

A key assumption in developing the budget relates to growth. Revenue projections are calculated using this assumption, combined with the known historical number of accounts and applying the various rates to these known and assumed demand levels. Historically, ACWWA has enjoyed a steady and predictable rate of growth of about 200 new connections per year. The state of the economy is also factored into short and long term growth assumptions, resulting in a revised growth projection of 30 new connections for 2012.

### **Pass-Through Expenses**

Certain amounts paid to ACWWA by the project participants are treated as "pass-through" expenses for purposes of this budget. As these amounts are paid they are passed through to the respective project participants. They are not considered revenues.

**Review and Inspection Fees** - The purpose of this charge is to recover the operating cost for providing review of construction plans for the extension of water and wastewater facilities. This charge also recovers the operating cost for providing field observation on the installation of these facilities. The plan review and construction observation fees are applicable to all extension of the public water and wastewater system regardless of the party which may be undertaking the improvements. The fees are applied separately to water main or wastewater main extensions.

### **Projecting Operating Revenues**

The revenue requirements are projected based on expected cash needs and include operation and maintenance expenses, debt service, and capital outlays for normal system replacements, extensions, and improvements. Revenues will be projected by major components and forecasted for one budget year.

Operating revenues are forecasted by customer class as single-family houses, multifamily houses, and commercial customers. The extent to which revenue forecast is made by separate customer classes depends on the differing consumption characteristics of each class.

The estimated operating revenue is a two-step process. The first step is an estimate of the quantity of service required by each customer class and the projected number of accounts in each customer class. The

second step is applying the estimated quantity components to determine the estimated revenue obtainable from each customer class.

### **Legal or Mandated Requirements**

Some expenditure and revenue sources are defined by specific legal requirements or restrictions. For example ACWWA's Bond Documents require ACWWA to collect user fees sufficient to cover operating expenditures.

### **Balanced Budget**

Colorado statutes and ACWWA's financial policies require an annual budget that is balanced. A balanced budget is one in which the budget has sufficient projected revenues to equal anticipated expenditures. Throughout the budget development process, projected revenue estimates are updated and compared against proposed expenditures.

ACWWA developed a series of revenue and expenditure assumptions, based on current and projected economic indicators, and historical trends. Expenditure and Revenue collection history for the last five years and information supplied by various departments were used to determine revenue sources and uses.

As part of the strategic-priority-setting process, ACWWA prepares a 5-year financial forecast, based on the established revenue and expenditure assumptions. The revenue and expenditure assumptions in the financial forecast provide a framework for development of ACWWA's budget. FY 2012 programmatic budget targets were established based on projected funding source availability. Each program prepared an annual business plan that reflected ACWWA's strategic priorities and delivers a balanced budget. The overall budget is then finalized by ensuring that proposed budget expenditures are balanced with projected revenue estimates.

## **ACWWA's Funds**

*ACWWA describes a funds as a self-balancing accounting entity segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restriction or limitation such as water or wastewater.*

### **Fund Balance**

*ACWWA describes a fund balance as resources remaining from prior years, which are available to be budgeted in the current year.*

### **Restricted Cash Funds**

Restricted cash funds are those that are legally set aside for a particular purpose and cannot be used for any other purpose. These are funds whose use is not at the discretion of the Board. The only restricted cash funds that ACWWA maintains is a debt reserve account which is a requirement of bond covenants.

### **Designated Cash Funds**

Designated cash funds are general use funds that have been set apart by Board action for a specific purpose. These funds can only be used for those purposes. However, these funds are at the discretion of the Board and can be used for any other purpose by an action of the Board. ACWWA maintains designated funds to provide for the repair and replacement of facilities.

### **General Use Cash Fund**

General use cash funds are funds that are not restricted or designated. ACWWA maintains a general cash fund to provide cash for:

- Operational Needs
- Any ACWWA Purpose

The General Fund is used to smooth out potential rate spikes as well as provide for the general operating needs of ACWWA. This fund has a long term focus which is supported by the annual update of the five-year financial plan. In addition, this fund has a short term annual focus as it serves to hold the working capital and emergency operating reserves.

The General Fund is ACWWA's primary operating fund. It accounts for all financial resources except those that are required to be accounted for in another fund. This fund accounts for Authority-wide expenditures and is supported primarily by rates and fees.

### **Authority Funds Subject to Appropriation**

ACWWA operates as an Enterprise Fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, in that the costs of providing goods or services to the general public are financed through user charges.

### **Future Debt**

While there are no plans to issue additional bonds in FY 2012, substantial capital requirements are anticipated for the completion of a renewable water supply and ACWWA anticipates that additional debt will be needed in the future.

### **Capital Expenditures**

ACWWA defines a capital expenditure as the acquisition of or addition to fixed assets, generally consisting of machinery and equipment, furniture and fixtures costing more than \$5,000 and lasting more than one year or expenditures that result in the construction of or major improvements to ACWWA's building and infrastructure, generally consisting of projects costing more than \$5,000 and lasting more than three years.

## **Water Supply**

Set forth in the following table is a summary of ACWWA's current water rights portfolio and planned future supply. At full build-out of the service area, ACWWA estimates that demand will be approximately 10,500 acre-feet per year. ACWWA is currently pursuing the acquisition of additional water rights as part of its long-term capital improvements plan. Stated in terms of tap equivalents, ACWWA has the capacity to supply approximately 9,000 tap equivalents with its current water supplies. Currently, ACWWA is serving about 7,000 tap equivalents.

In November 2005, ACWWA acquired certain water rights on the Cherry Creek (the "Western Water Rights"). The Western Water Rights are projected to have an average annual yield of approximately 800 acre-feet and are derived from both groundwater and surface water sources. ACWWA presently has a project called the "ACWWA FLOW" that includes the purchase and adjudication of 4,400 acre-feet of consumptive use surface water rights from the South Platte Basin. A delivery system is also required to enable this water to be delivered to ACWWA. Accordingly, ACWWA considers these water rights as part of its long-term supply, but not part of its currently accessible water rights portfolio.

**Figure 5: Water Supply Summary (Dry Year Estimate)**

Type of Water	Current Supply in acre-feet	Planned Future Supply in acre- feet	Total
Surface water	410	800	1,210
Surface water through reuse	1,600	1,440	3,040
Nontributary Groundwater	1,930	1,000	2,930
Reuse Water	270	0	270
Proposed New Water Rights		2,930	2,930
Proposed New Water Rights through reuse		2,350	2,350
Total	4,210	8,520	12,730

The diversification of water supply sources reduces the potential regional impacts from unknown and undefined future risks to any single source as well as operational risks and reliance on ground water thus enhancing reliability. A sustained commitment to this diversification priority will result in a supply portfolio delineated on the graphic above.

### **Water Rights Priorities**

Securing a renewable water supply will be the biggest capital expenditure that ACWWA will have over the next 20 years. The ACWWA Flow Project is a very large component of this expenditure with a majority of its expenditures occurring in the next 3 years and will require additional projects in the future to further enhance the yield of the ACWWA Flow Project as well as securing other renewable water supply sources.

### **Key Water Supply Programs**

Key Water Supply Programs that ACWWA's is involved with include the ACWWA Flow Project, Cherry Creek Project Water Authority, Colorado Water Partnership, South Metro Water Supply Authority, ACWWA's Non-potable Irrigation Program, water conservation, and the protection and operation of ACWWA's existing surface and groundwater supplies.

## **Debt Financing**

ACWWA will use debt financing when it is judged to be appropriate based on the long-term capital needs of ACWWA and ACWWA's ability to repay the indebtedness has been evaluated in light of all sources and uses of cash.

ACWWA will only incur long-term debt for the financing of capital improvements that are not expected to recur and are long-lived. Conversely, if the capital requirements are recurring, of relative small scale or are for short-lived improvements, the costs of these improvements should be paid from current revenues.

## **Non-Routine Capital Expenditures**

In 2011, ACWWA had \$40,000,000 of water rights purchases which were considered non-routine capital expenditures. In 2012, ACWWA does not anticipate any non-routine capital expenditures relating to the water rights, storage, and infrastructure. However, ACWWA is always open to the purchase of a renewal water source.

## **Acronyms and Abbreviations**

ACWWA	Arapahoe County Water and Wastewater Authority
CIP	Capital Improvement Plan
FTE	Full Time Equivalent
FY	Fiscal Year
IWSD	Inverness Water and Sanitation District
O&M	Operations and Maintenance
PID	Public Improvement District
TBD	to Be Determined
TE's	Tap Equivalents

## **General Information**

Form of Government	Authority
Government Code Section	Colorado Revised Section 29
Date of Organization	November 1989
Fiscal Year End	December 31
Number of FTE's	40
Number of Accounts	3,150
Average Daily Customer Population	32,000

## **Operational Information**

Lone Tree Creek Water Reuse Facility	
Average Daily Wastewater Flow	2.6 million gallons
Peak Day Wastewater Flow	3.5 million gallons
Total Capacity	3.6 million gallons
Sewer Collection Pipeline (in miles)	102.44
Water Pipeline (in miles)	227.29
Number of Water Storage Tanks	4
Number of Fire Hydrants	1467
Number of Valves	5978
Number of Meters	4271

Number of Operational wells	26
Number of Booster Stations	3
Number of Lift Stations	3
Number of Manholes	3115
Number of Interceptors	5
Number of Water Tap Equivalents	7000
Number of Wastewater Tap Equivalents	5980

## **Glossary**

- Accrual Basis – The basis of accounting under which revenues are recorded when earned and measurable expenditures are recorded as soon as they result in liabilities for benefits receive.
- ACWWA – Arapahoe County Water and Wastewater Authority
- ACWWA Flow Project – A renewable water source project.
- Adopted Budget – ACWWA’s adopted budget is fiscal years financial plan that details the Governing Board approved revenues and expenditures.
- Alternate Water Supply – The Alternative Water Supply is a search for new methods to meet current and project demands for water. These may include aquifer storage and recovery, wastewater reuse projects and the acquisition of water through the purchase of water rights.
- Amendment – An amendment is a change to an adopted budget. It can increase or decrease a fund total.
- Appropriation – An authorization granted by the Governing Board to make expenditures and to incur obligations for specific purposes.
- Aquifer – An aquifer is an underground bed or layer of earth, gravel or porous stone that yields water.
- Aquifer Storage and Recovery – This is the practice of injecting water into an aquifer through wells and then pumping it out as needed.
- Assets – Property owned by ACWWA, which has monetary value.
- Audit – The examination of documents, records, report, systems of internal control, accounting and financial procedures, and other evidence for the purpose of ascertaining fair presentation of financial statements, determining propriety, legality and accuracy of transactions.
- Bond – A written promise, generally under seal, to pay a specified sum of money, called the face value or principal amount, at a fixed time in the future, called the date of maturity, and carrying interest, usually payable periodically.
- Budget – A budget is a resource allocation plan for the accomplishment of programs related to established objectives and goals within a definite period.



- Budget Message – The opening section of the budget, which provides the reader with a general summary, and description of the most important aspects of the budget, changes from the current and previous years, and the views and recommendations of management.
- Capital Improvement Plan (CIP) – A plan for capital expenditures to be incurred each year over a fixed period of years to meet the capital needs of ACWWA.
- Capital Outlay – Expenditures which result in the acquisition of or addition to fixed assets. Generally consists of machinery and equipment, furniture and fixtures costing more than \$1,000 and lasting more than one year.
- Capital Project – Expenditures which result in the construction of or major improvements to ACWWA’s buildings and infrastructure. Generally consists of projects costing more than \$5,000 and lasting more than three years.
- Cash Basis – The basis of accounting under which revenues are recorded when received in cash and expenditures are recorded when paid.
- CIP – Capital Improvement Plan
- CWSD – Cottonwood Water and Sanitation District
- Debt – An obligation resulting from the borrowing of money or from the purchase of goods and services.
- Debt Service – Cash outlays in the form of debt principal payments, periodic interest payments and related services charges for debt incurred in prior periods.
- Deficit – This is primarily the excess of expenditures over revenues during a fiscal year.
- Department – An organizational unit such as Water or Wastewater.
- Depreciation – The expiration in the service life of an asset generally attributable to wear and tear through use, lapse of time or obsolescence. Depreciation is generally not budgeted; however, it is accounted for on the financial statements.
- Disbursement – A disbursement is cash payment for goods or services procured by ACWWA.
- Enterprise – An entity that qualifies under the Taxpayer’s Bill of Rights (TABOR) as being a government-owned business authorized to issue its own revenue bonds and receiving under 10 percent of its annual revenue in grants from all Colorado state and local governments combined.
- Enterprise Fund – A fund established to finance and account for the acquisition, operation, and maintenance of governmental facilities and services, which are entirely or predominantly self-supporting, by user charges.
- Expenditure – Under the accrual basis or modified accrual basis, this term designates the cost of goods delivered or services rendered, whether paid or unpaid. This expression is generally used for governmental type funds.
- Expenses – Charges incurred, whether paid or unpaid for operation, maintenance, and interest, and other charges, which are presumed to benefit the current fiscal period. This expression is generally used for proprietary type funds such as enterprises, trust and agencies.

- Fiscal period – Usually consists of twelve months. At the end of the fiscal period a governmental unit determines its financial position and the results of its operations. ACWWA’s fiscal period is January 1 to December 31.
- FTE – An FTE is a “Full-Time Equivalent” which is equivalent to one full time employee who works 40 hours per week for 52 weeks, for a total of 2,080 work hours.
- Fund – A self-balancing accounting entity segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restriction or limitation such as Water, Wastewater and Stormwater.
- Fund Balance – Resources remaining from prior years, which are available to be budgeted in the current year.
- FY – Fiscal Year
- Generally Accepted Accounting Principles – Generally Accepted Accounting Principles are uniform minimum standards and guidelines for financial accounting and reporting. Currently, the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB) and the Federal Accounting Standards Advisory are authorized to establish these principles.
- Gross Revenue – All income and revenues directly or indirectly derived from the operation and use of the System, or any part thereof.
- IWSD – Inverness Water and Sanitation District
- Internal Controls – A plan of organization under which employee’s duties are so arranged and records and procedures so designed as to make it possible to protect and exercise effective accounting control over assets, liabilities, revenues and expenditures.
- Long Term Debt –debt that is legally payable from revenues and backed by the credit of ACWWA.
- Mgd – million gallons per day
- Operating Budget – A budget, that applies to all other outlays other than capital projects.
- Operation and Maintenance Expenses – All reasonable and necessary current expenses paid or accrued for operating, maintaining, and repairing the System.
- O&M – Operations and Maintenance
- Performance Measures – A performance measure is a specific quantitative measure of work performed, outputs and inputs.
- PID – Public Improvement District
- Program – A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible.
- Pump Stations – A pump station is a manmade structure that uses a pump to transfer water from one location to another.
- Refunding Bonds – Bonds issued solely to retire bonds already outstanding.

- Reserve – An account which records a portion of the fund balance which must be segregated for some specific use and which is, therefore, not available for other expenditures.
- Resolution – A special or temporary order of the legislative body requiring less legal formality than an ordinance or statute.
- Retained Earnings – The cumulative earnings of an operation that generally have been invested in property, plant and equipment or current assets.
- Revenue – for those revenues, which are recorded on the accrual basis, this term, designates additions to assets, which do not increase any liability, do not represent the recovery of expenditure, and do not represent the cancellation of certain liabilities.
- Revenue Bonds – Bonds whose principal and interest are payable exclusively from earnings of a public enterprise.
- SDWA – Safe Drinking Water Act
- Surplus – The excess of the assets of a fund over its liabilities or its resources over its disbursements.
- System – All water and wastewater facilities and properties, now owned or hereafter acquired, whether situated within or without ACWWA's boundaries.
- TBD – To be determined
- Taxpayer's Bill of Rights (T.A.B.O.R.) – An amendment to the constitution of Colorado enacted in 1992 that limits the powers of governments in Colorado to levy taxes and incur debt. It also sets forth revenue limits for non-enterprise systems.

## **Financial Summaries**

- Detailed Operating Budget
- Detailed Non-operating Budget
- Segment Budget
- Capital Equipment

**ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY**  
**2012 DRAFT BUDGET**  
**BUDGETARY BASIS**

	2011 Budgeted Vs. 2012 Budgeted						
	2010 ACTUAL	2011 ADOPTED BUDGET	2011 ESTIMATED	PROPOSED 2011 AMENDED	2012 PROPOSED BUDGET	\$ Change In Budget Incr (Decr)	% Change In Budget Incr (Decr)
<b>OPERATING REVENUE</b>							
WATER REVENUE	\$ 4,442,026	\$ 4,571,141	\$ 4,574,311	\$ 4,574,311	\$ 4,711,540	\$ 140,399	3.0%
FIRE LINES	764,638	750,000	950,000	950,000	950,000	200,000	0.0%
SEWER REVENUE	4,959,924	5,668,980	4,658,500	4,658,500	4,798,255	-870,725	3.0%
WATER INVESTMENT FEE	2,116,873	2,134,416	2,219,971	2,219,971	2,219,971	85,555	0.0%
BACKFLOW REVENUE	63,691	45,240	52,823	52,823	54,422	9,182	3.0%
IRRIGATION REVENUE	2,260,060	1,771,560	2,435,590	2,435,590	2,508,658	737,098	3.0%
CWSD RO REVENUE	0	1,329,508	684,948	684,948	484,639	-844,869	-29.2%
OTHER USER FEES	687,400	4,050	50,000	50,000	45,200	41,150	-9.6%
PALL REJECT		0	650,000	650,000	0	0	-100.0%
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 15,294,613</b>	<b>\$ 16,274,895</b>	<b>\$ 16,276,143</b>	<b>\$ 16,276,143</b>	<b>\$ 15,772,685</b>	<b>\$ (502,210)</b>	
<b>OPERATING EXPENSES</b>							
SALARIES & BENEFITS	\$ 3,813,884	\$ 3,901,575	\$ 3,634,644	\$ 3,634,644	\$ 3,344,265	\$ (557,310)	-8.0%
ACCOUNTING AND AUDITING	32,557	35,000	58,000	58,000	52,000	17,000	-10.3%
LEGAL EXPENSE	167,420	300,000	223,563	223,563	170,000	-130,000	-24.0%
PROFESSIONAL SERVICES	439,557	466,000	271,855	271,855	260,000	-206,000	-4.4%
INSURANCE EXPENSE	188,923	212,844	200,000	200,000	190,000	-22,844	-5.0%
VEHICLE EXPENSE	44,746	74,625	59,860	59,860	52,005	-22,620	-13.1%
REPAIR AND MAINTENANCE	805,087	889,690	585,261	585,261	257,000	-632,690	-56.1%
BIO-SOLIDS	96,873	183,697	101,185	101,185	169,000	-14,697	67.0%
COMPUTER SUPPORT	36,730	43,300	43,300	43,300	57,290	13,990	32.3%
PERMITS & FEES	44,842	99,500	50,000	50,000	68,127	-31,373	36.3%
UTILITIES	1,230,789	1,291,877	1,397,871	1,397,871	1,668,811	376,934	19.4%
OFFICE EXPENSE	100,155	120,400	75,000	75,000	58,629	-61,771	-21.8%
STORMWATER EXPENSE	10,117	28,300	13,500	13,500	22,191	-6,109	64.4%
OFFICE EQUIPMENT	6,108	42,551	8,500	8,500	6,940	-35,611	-18.4%
EQUIPMENT RENTAL	34,188	50,597	38,466	38,466	16,404	-34,193	-57.4%
POSTAGE/COURIER	29,495	38,000	19,900	19,900	25,438	-12,562	27.8%
ASSOCIATION DUES	35,644	37,581	19,000	19,000	5,000	-32,581	-73.7%
OUTSIDE SERVICES	2,417	2,400	1,750	1,750	3,600	1,200	105.7%
DUES & SUBSCRIPTIONS	1,316	600	1,000	1,000	1,300	700	30.0%
TRAINING , CERTIFICATION, AND EC	120,694	168,038	58,500	58,500	2,300	-165,738	-96.1%
SAFETY PROGRAM EXPENSE	8,165	31,601	18,000	18,000	7,079	-24,522	-60.7%
DITCH ASSESSMENTS	880	100,000	100,000	100,000	95,000	-5,000	-5.0%
PUBLIC RELATIONS AND ADVERTISI	40,658	20,000	19,898	19,898	10,000	-10,000	-49.7%
COMMUNICATIONS	43,970	46,500	43,300	43,300	37,333	-9,167	-13.8%
TRAVEL EXPENSE	13,143	3,400	3,550	3,550	11,746	8,346	230.9%
UNIFORM AND CLOTHING ALLOWAN	15,319	14,840	15,000	15,000	11,193	-3,647	-25.4%
CHEMICALS	640,845	1,658,323	1,519,543	1,519,543	703,146	-955,177	-53.7%
BAD DEBT EXPENSE	16,400	5,000	5,000	5,000	6,000	1,000	20.0%
WATER CONSERVATION EXPENSE	7,850	5,000	5,000	5,000	5,000	0	0.0%
LANDSCAPING	10,004	63,847	6,858	6,858	4,575	-59,272	-33.3%
PROFESSIONAL MEMBERSHIP DUES	1,520	800	1,534	1,534	1,682	882	9.6%
DIRECTORS EXPENSE	11,000	11,200	14,400	14,400	14,400	3,200	0.0%
WATER SERVICE/REJECT WATER	12,292	472,328	470,000	470,000	391,160	-81,168	-16.8%
WATER RIGHTS MANAGEMENT	0	0	0	0	15,000	0	0.0%
LAB EXPENSES	149,524	226,154	181,745	181,745	122,564	-103,590	-32.6%
ACCWAFLOW WATER TREATMENT/I	0	0	0	0	300,000	300,000	0.0%
	<b>\$ 8,213,113</b>	<b>\$ 10,645,568</b>	<b>\$ 9,264,983</b>	<b>\$ 9,264,983</b>	<b>\$ 8,166,179</b>	<b>\$ (2,494,389)</b>	
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ 7,081,500</b>	<b>\$ 5,629,327</b>	<b>\$ 7,011,160</b>	<b>\$ 7,011,160</b>	<b>\$ 7,606,506</b>	<b>\$ 1,992,179</b>	

**ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY  
2012 DRAFT BUDGET  
BUDGETARY BASIS**

		2011		PROPOSED		2011 Budgeted Vs. 2012 Budgeted		
		2010	2011	2011	2012	\$ Change In	% Change In	
		ACTUAL	ADOPTED	ESTIMATED	AMENDED	Budget	% Change In	
			BUDGET			Incr (Decr)	Budget	
							Incr (Decr)	
<b>NON-OPERATING REVENUE</b>								
INTEREST	\$	148,293	\$ 307,906	\$ 61,375	\$ 61,375	\$ 30,000	\$ (277,906)	-51.1%
CWSD RO PLANT FEES		0	0	0	0	42,855	0	0.0%
BABS REFUND		1,930,913	2,014,866	2,014,866	2,014,866	2,014,866	0	0.0%
TAP FEE REVENUE		1,167,560	3,018,817	832,663	832,663	878,460	-2,140,357	5.5%
MISCELLANEOUS NON-OPERATING REVENUE		817,151	100,000	223,458	223,458	197,136	97,136	-11.8%
RADIO READ METERS		1,800	3,700	2,700	2,700	1,850	-1,850	-31.5%
WATER SHORTAGE FEE		0	0	2,500,000	2,500,000	0	0	-100.0%
<b>TOTAL NON-OPERATING REVENUE</b>		<b>\$ 4,065,717</b>	<b>\$ 5,445,289</b>	<b>\$ 5,635,062</b>	<b>\$ 5,635,062</b>	<b>\$ 3,165,167</b>	<b>\$ (2,322,977)</b>	
<b>NON-OPERATING EXPENDITURES</b>								
DEBT SERVICE EXPENSE	\$	9,455,952	\$ 9,048,309	\$ 9,048,309	\$ 9,048,309	\$ 10,230,309	\$ 1,182,000	13.1%
ASSOCIATION DUES		32,500	0	110,000	110,000	35,000	-75,000	-68.2%
ACQUISITION OF WATER RIGHTS		61,986,747	0	40,000,000	40,000,000	0	-40,000,000	-100.0%
PERMITS AND FEES		0	0	30,000	30,000	150,000	120,000	400.0%
FUNDING FOR DEPRECIATION		1,000,000	1,060,500	0	0	0	0	0.0%
CHERRY CREEK WATER PROJECT AUTHORITY		111,798	100,000	112,000	112,000	110,000	-2,000	-1.8%
PROJECTS		19,709,175	7,832,500	4,737,154	4,737,154	4,726,928	-10,226	-0.2%
CAPITAL OUTLAY		2,168	75,000	75,000	75,000	80,121	5,121	6.8%
ECCV PIPELINE CAPACITY PURCHASE		0	0	2,500,000	2,500,000	0	-2,500,000	-100.0%
<b>TOTAL NON-OPERATING EXPENDITURES</b>		<b>\$ 92,298,340</b>	<b>\$ 18,116,309</b>	<b>\$ 56,612,463</b>	<b>\$ 56,612,463</b>	<b>\$ 15,332,358</b>	<b>\$ (38,780,105)</b>	
<b>NET NON-OPERATING REVENUE/(EXPEND)</b>		<b>\$ (88,232,623)</b>	<b>\$ (12,671,020)</b>	<b>\$ (50,977,401)</b>	<b>\$ (50,977,401)</b>	<b>\$ (12,167,191)</b>	<b>\$ 36,457,128</b>	
<b>NET INCOME/(LOSS)</b>		<b>\$ (81,151,123)</b>	<b>\$ (7,041,693)</b>	<b>\$ (43,966,241)</b>	<b>\$ (43,966,241)</b>	<b>\$ (4,560,685)</b>	<b>\$ 38,449,307</b>	

## Surplus Usage

7,041,693

### Transfer of Funds from PID

51,624,931

## Use of ACWWAFLOW Bond Funds

29,526,192

39,953,370

3,435,368

### Use of Project Bond Funds

3,739,890

### Use of Reserves Funds

272,981

## Use of Capitalized Interest

1,125,317

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

2012 DRAFT BUDGET

Segment Budget

	Proposed Budget	Dept 01 ADMIN BUDGET	Dept 02 RO PLANT BUDGET	Dept 03 BILLING BUDGET	Dept 04 DISTR BUDGET	Dept 05 PRETREATMENT BUDGET	Dept 06 BACKFLOW BUDGET	Dept 07 COLL BUDGET	Dept 08 LTICRF BUDGET
<b>OPERATING REVENUE</b>									
WATER REVENUE	\$ 4,711,540				\$ 4,711,540				
FIRE LINES	950,000				950,000				
SEWER REVENUE	4,798,255								4,798,255
CROSS CONNECTION REVENUE	54,422						54,422		
WATER INVESTMENT FEE	2,219,971				2,219,971				
IRRIGATION REVENUE	2,508,658				2,508,658				
CWSD RO REVENUE	484,639	118,544	366,095						
OTHER USER FEES	45,200	45,200							
TOTAL OPERATING REVENUE	\$ 15,772,685	\$ 163,744	\$ 366,095	\$ -	\$ 10,390,169	\$ -	\$ 54,422	\$ -	\$ 4,798,255
<b>OPERATING EXPENSES</b>									
SALARIES & BENEFITS	\$ 3,344,265	\$ 1,927,294	\$ 273,435	\$ 119,401	\$ 232,573	\$ 87,653	\$ 87,679	\$ 227,753	\$ 388,478
ACCOUNTING AND AUDITING	52,000	52,000							
LEGAL EXPENSE	170,000	125,000		5,000	40,000				
PROFESSIONAL SERVICES	260,000	235,000			25,000				
INSURANCE EXPENSE	190,000	55,000	67,500						67,500
VEHICLE EXPENSE	52,005	12,000	10,500		21,978		147	7,380	0
REPAIR AND MAINTENANCE	257,000		60,000		111,000			66,000	20,000
BIO-SOLIDS	169,000								169,000
COMPUTER SUPPORT	57,290	49,790	2,400	1,500		1,200			2,400
PERMITS & FEES	68,127		20,000		6,127				42,000
UTILITIES	1,668,811	33,319	298,182		747,411			149,127	440,772
OFFICE EXPENSE	58,629	58,629							
STORMWATER EXPENSE	22,191		22,191						
OFFICE EQUIPMENT	6,940	6,640	300						
EQUIPMENT RENTAL	16,404	15,117			1,287				
POSTAGE/COURIER	25,438	8,079		17,359					
ASSOCIATION DUES	5,000	5,000							0
OUTSIDE SERVICES	3,600			3,600					
DUES & SUBSCRIPTIONS	1,300	1,200			100				
TRAINING , CERTIFICATION, AND EDUCATION	2,300	0	590	0	690	0	0	250	770
SAFETY PROGRAM EXPENSE	7,079	900	3,000	100	987	250	355	987	500
DITCH ASSESSMENTS	95,000				95,000				
PUBLIC RELATIONS AND ADVERTISING	10,000	10,000							
COMMUNICATIONS	37,333	20,720	7,920	0	2,570	480	480	2,283	2,880
TRAVEL EXPENSE	11,746	10,000	1,250		0		100	396	0
UNIFORM AND CLOTHING ALLOWANCE	11,193		2,041		2,935	547	547	2,935	2,188
CHEMICALS	703,146		250,000		53,396				399,750
BAD DEBT EXPENSE	6,000			6,000					
WATER CONSERVATION EXPENSE	5,000				5,000				
LANDSCAPING	4,575		2,400						2,175
PROFESSIONAL MEMBERSHIP DUES	1,682	1,682							
DIRECTORS EXPENSE	14,400	14,400							
WATER SERVICE	391,160	2,486	239,689						148,986
WATER RIGHTS MANAGEMENT	15,000				15,000				
LAB EXPENSES	122,564		20,000		24,564				78,000
ACWWAFLOW WATER TREATMENT/DELIVERY	300,000				300,000				
TOTAL OPERATING EXPENSE	\$ 8,166,179	\$ 2,644,255	\$ 1,281,398	\$ 152,960	\$ 1,685,618	\$ 90,130	\$ 89,308	\$ 457,111	\$ 1,765,399
OPERATING INCOME/(LOSS)	\$ 7,606,506	\$ (2,480,511)	\$ (915,302)	\$ (152,960)	\$ 8,704,551	\$ (90,130)	\$ (34,886)	\$ (457,111)	\$ 3,032,856
		32.4%	15.7%	1.9%	20.6%	1.1%	1.1%	5.6%	21.6%
<b>NON-OPERATING REVENUE</b>									
INTEREST	\$ 30,000	\$ 30,000							
CWSD RO PLANT FEES	42,855		42,855						
BABS REFUND	2,014,866				2,014,866				
TAP FEE REVENUE	878,460				699,720				178,740
MISC REVENUE (Chapparral)	197,136	50,000			147,136				
RADIO READ METERS	1,850				1,850				
	\$ 3,165,167	\$ 80,000	\$ 42,855	\$ -	\$ 2,863,572	\$ -	\$ -	\$ -	\$ 178,740
<b>NON-OPERATING EXPENDITURES</b>									
DEBT SERVICE EXPENSE	\$ 10,230,309				\$ 8,823,664				\$ 1,406,645
ASSOCIATION DUES	35,000				35,000				
ACQUISITION OF WATER RIGHTS	-				0				
PERMITS AND FEES	150,000		150,000		0				
FUNDING FOR DEPRECIATION	0	0							
CHERRY CREEK WATER PROJECT AUTHORITY	110,000	0			110,000				
PROJECTS	4,726,928	-	-	-	4,689,928	-	-	-	37,000
CAPITAL OUTLAY	80,121	-	15,000	-	-	-	-	-	65,121
	\$ 15,332,358	\$ -	\$ 165,000	\$ -	\$ 13,658,592	\$ -	\$ -	\$ -	\$ 1,508,766
NET NON-OPERATING REVENUE/(EXPEND)	\$ (12,167,191)	\$ 80,000	\$ (122,145)	\$ -	\$ (10,795,020)	\$ -	\$ -	\$ -	\$ (1,330,026)
NET INCOME/LOSS	\$ (4,560,685)	\$ (2,400,511)	\$ (1,037,447)	\$ (152,960)	\$ (2,090,469)	\$ (90,130)	\$ (34,886)	\$ (457,111)	\$ 1,702,830
TRANSFER FROM CAPITALIZED INTEREST	1,125,317								
TRANSFER FROM ACWWAFLOW BOND FUND	3,435,368								

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY  
2012 DRAFT BUDGET  
BUDGETARY BASIS  
CAPITAL EQUIPMENT LIST

Description	Proposed	Dept 01	Dept 02	Dept 03	Dept 04	Dept 05	Dept 06	Dept 07	Dept 08	Dept 09
	Budget	ADMIN	RO PLANT	BILLING	DISTR	RETREATMENT	BACKFLOW	COLL	LTCRF	STORM
Replacement Impellers for Mixed Liquor Pump Tags	10,696									10,696
Spare BNR Mixed Liquor Basin Fan Mixer	10,935									10,935
Replacement PD blower for solids handling	29,089									29,089
Replacemnt Alum dosing pump for AWT systems	9,255									9,255
Replacemnt PD blower for Siemens Package Blowers AWT	5,146									5,146
Fork Lift for JWPP	15,000		15,000							
OPERATING INCOME/(LOSS)	\$ 80,121	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,121