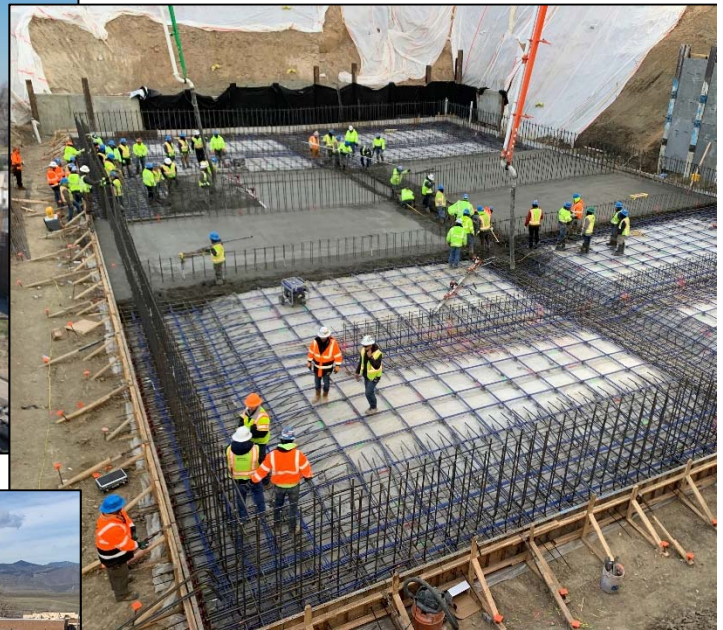




**CENTENNIAL**  
WATER AND SANITATION DISTRICT

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2018 and 2019



Prepared by:  
Department of Finance & Administration  
Highlands Ranch, Colorado

***CENTENNIAL***  
***WATER and SANITATION DISTRICT***  
*Serving Highlands Ranch, Colorado*

**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**For the years ended**

**DECEMBER 31, 2019 and 2018**

**CENTENNIAL WATER and SANITATION DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Years Ended December 31, 2019 and 2018  
 TABLE OF CONTENTS**

---

| <b>INTRODUCTORY SECTION</b>  | <u>PAGE</u> |
|--|-------------|
| Letter of Transmittal  | i-vii       |
| Organizational Chart   | viii        |
| List of Board of Directors and District Officials  | ix          |
| Certificate of Achievement for Excellence in Financial Reporting   | x           |
| <br><b>FINANCIAL SECTION</b>   |             |
| INDEPENDENT AUDITOR'S REPORT   | I-II        |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)   | III-XVII    |
| <br>BASIC FINANCIAL STATEMENTS:  |             |
| Statements of Net Position   | 1-2         |
| Statements of Revenues, Expenses and Changes in Net Position   | 3           |
| Statements of Cash Flows   | 4           |
| Notes to Financial Statements  | 5-20        |
| <br>SUPPLEMENTAL INFORMATION:  |             |
| Schedule of Revenue, Expenditures and Changes in<br>Funds Available, Budgetary Basis - Budget and Actual | 21          |
| Budget Reconciliation  | 22          |
| <br><b>STATISTICAL SECTION</b>   |             |
| 23   |             |
| FINANCIAL TRENDS INFORMATION   |             |
| A-1 Net Position   | 24          |
| A-2 Changes in Net Position  | 25          |
| A-3 Revenues and Reserved Capacity Fees  | 26-27       |
| REVENUE CAPACITY INFORMATION   |             |
| B-1 Water Sold by Customer Type  | 28-29       |
| B-2 History of Water and Wastewater Rates  | 30          |
| B-3 History of Water and Sewer Taps Sold within the Service Area and<br>Current Population Estimate      | 31          |
| B-4 Top Ten Customers by Water Consumption   | 32          |
| DEBT CAPACITY INFORMATION  |             |
| C-1 Ratio of Bonded Debt<br>Net Bonded Debt Per Customer and Per Capita Served                           | 33-34       |
| C-2 Covenant Required Bond Coverage  | 35-36       |
| DEMOGRAPHIC INFORMATION  |             |
| D-1 Demographic Statistics   | 37          |
| D-2 Top 10 Employers   | 38          |
| OPERATING INFORMATION  |             |
| E-1 Operating Information  | 39          |

# CENTENNIAL

## WATER AND SANITATION DISTRICT

July 30, 2020

To: The customers of Centennial Water and Sanitation District  
The Board of Directors

We are pleased to present the comprehensive annual financial report ("CAFR") of Centennial Water and Sanitation District ("District or Centennial") for the years ended December 31, 2019 and December 31, 2018.

This report was prepared by the Finance and Administration Department in conformance with the standards and requirements of the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the Government Finance Officers Association, District resolutions and State statutes. State law requires that the District publish within seven months of the close of year end a complete set of financial statements audited by a firm of licensed certified public accountants.

District management assumes full responsibility for the completeness and reliability of the information contained in the report, based upon a comprehensive framework of internal control that was established for this purpose. Because the cost of internal control should not exceed anticipated benefits the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Disclosures necessary to enable the reader to gain an understanding of the District's activities have been included.

The financial statements have been audited by ACM LLP a firm of licensed certified public accountants. ACM has issued an unmodified opinion that the District's financial statements for the year ended December 31, 2019 are presented fairly. The independent auditor's report is located at the front of the financial section of the report. ACM is in the first year of doing the audit in the original five year engagement. The Board reviews proposals every five years although there is no mandatory rotation.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### **PROFILE, RESPONSIBILITIES AND STRUCTURE OF THE DISTRICT**

Centennial Water and Sanitation District, a water and sanitation district organized as a political subdivision of the State of Colorado and as a quasi-municipal corporation created pursuant to Title 32, Colorado Revised Statutes, as amended, was organized in 1980.



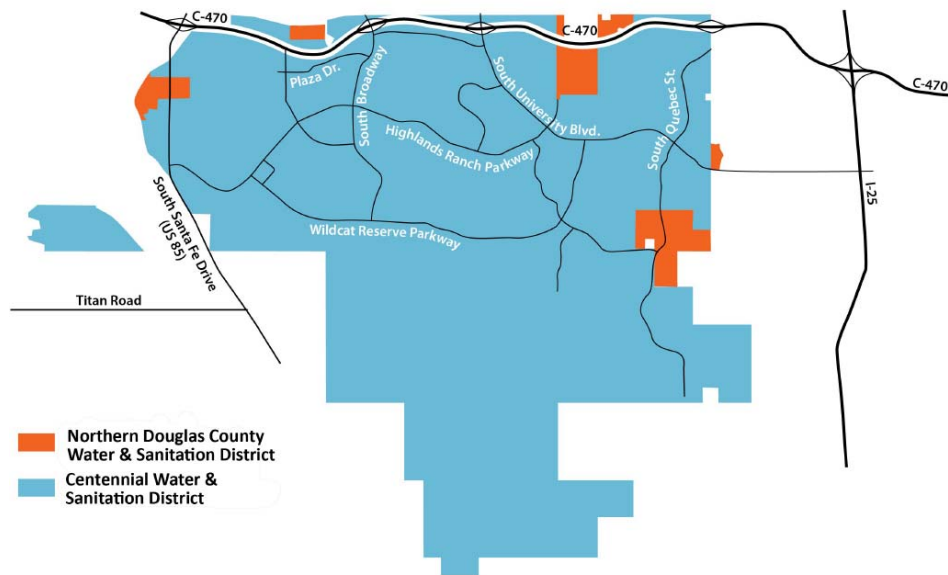
62 West Plaza Drive  
Highlands Ranch, Colorado 80129  
[www.centennialwater.org](http://www.centennialwater.org)

303-791-0430 Telephone  
303-791-0437 Engineering Fax  
303-791-3290 Financial Services Fax

The District provides wholesale water and sewer service to other Colorado special districts within its service area. These districts in turn retail these services to the ultimate user. Centennial's current full service customers are:

- Highlands Ranch Metropolitan District (“HRMD”). HRMD, the primary customer, provides service to Highlands Ranch, a master planned community in northern Douglas County, Colorado.
- Northern Douglas County Water and Sanitation District ("Northern Douglas") who serves certain areas in Douglas County adjacent to Highlands Ranch.

The service area, which encompasses Highlands Ranch as its primary area as well as small adjacent areas to the east and west, is located in Douglas County, Colorado which is located at the southern edge of the Denver metropolitan area. Highlands Ranch enjoys a favorable economic environment in relation to other communities in the Denver Metro area.



The District operates under a Board - General Manager form of government. Policymaking and legislative authority is vested in the Board, which consists of five non-partisan members elected at large. The Board is responsible, among other things, for passing resolutions, adopting the budget, appointing committees and hiring the District's general manager and the District's attorney. Board members are elected to four-year staggered terms with either two or three Board members elected every two years.

The District General Manager is responsible for carrying out the policies and resolutions of the governing board, for overseeing the day-to-day operations of the District, and directly manages three non-statutory departments (headed by appointed department heads) – Water and Wastewater Operations; Engineering; and Finance and Administrative Services.

The basis for determining the reporting entity is established by the Governmental Accounting Standards Board's (GASB) *Statement No. 14, The Financial Reporting Entity*. The financial reporting entity for the CAFR is Centennial Water and Sanitation District as legally defined. The District has no component units (legally separate entities for which the primary government is financially accountable).

## **FACTORS AFFECTING FINANCIAL CONDITION**

### Revenue Base

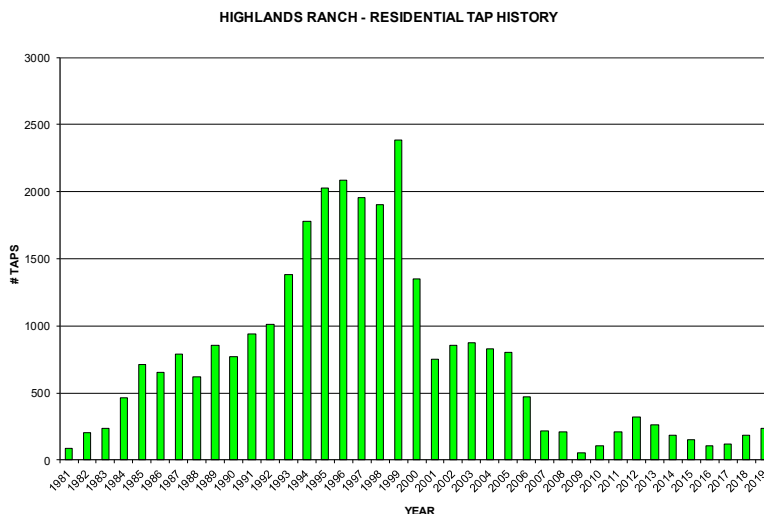
The District's primary revenue sources are rates assessed based on water usage and consumption and reserved capacity fees based on tap fees assessed against new property as it is connected. The rates are designed to fund general operation and maintenance expenses, debt service, major repair reserves and portions of the water acquisition program. Reserved capacity fees pay for capital projects.

The District has historically benefited, especially in funding necessary infrastructure development, by strong growth within the Highlands Ranch community. As the community matures, the District relies more on the rate base that has been developed, complemented by continued growth potential for the remaining housing development and significant opportunities for commercial and retail growth.

Actual growth in 2019 for the two areas the District serves, the Highlands Ranch Metro District and Northern Douglas County Water and Sanitation District, can be summarized on the following table:

|                                 | <b>Highlands<br/>Ranch</b> | <b>Northern<br/>Douglas</b> |
|---------------------------------|----------------------------|-----------------------------|
| In 2019                         |                            |                             |
| Single Family Residential       | 236                        | 0                           |
| Multi Family Residential        | 216                        | 56                          |
| Nonresidential acres            | 0                          | 0                           |
| Nonresidential 3/4" equivalents | 13                         | 28                          |
| 1981 - 2019                     |                            |                             |
| Single Family Residential       | 29,054                     | 1,528                       |
| Multi Family Residential        | 7,648                      | 216                         |
| Nonresidential 3/4" equivalents |                            |                             |
| Indoor Use                      | 3,352                      | 288                         |
| Irrigation Uses                 | 2,507                      |                             |

The annual growth pattern for residential property in Highlands Ranch, the largest share of the service area, since the inception of the District can be summarized on the following table:



With the 2019 development, Highlands Ranch has reached approximately 98% of the current anticipated ultimate development of single and multi-family residential dwelling units. The re-zoning request of the C-470 corridor described below will result in additional single and multi-family units which if approved will allow the overall residential development within Highlands Ranch to maintain a steady growth rate in relation to the Denver Metro area for the foreseeable future as it approaches maturity.

995 of the 1,333 net acres (74.6%) zoned for nonresidential development (and not anticipated to be developed with multi-family product) within the Highlands Ranch service area have been developed. The Highlands Ranch Business Park and C-470 corridor development, located off of Lucent Boulevard and the C-470 interchange will be the primary area for any additional office and retail development. Shea Homes and Shea Properties, the owners and developers of the referenced property requested to Douglas County the re-zoning of the property during 2015 in anticipation of development during the remainder of the decade. The re-zoning was approved by the County in 2016 and construction began in late 2016. There is no material growth anticipated in Northern Douglas County Water and Sanitation District.

Fiscal Policy and Fund Balance

Although the District is an enterprise and reports for financial purposes on that basis, for internal budgeting purposes and bond covenant compliance, traditional governmental funds have been established. The Board has formally adopted and includes as part of the annual budget process, policies related to the maintenance of the ending fund balances and the flow of net revenues in excess of those requirements.

The target ending fund balances for operations and debt service are as follows.

- The ending fund balance for operations will be 6 months of working capital.
- The ending fund balance for debt service will be equal to the next year’s debt service payment.

The District deposits directly to the Water Acquisition Fund an amount equal to \$.69 (increasing to \$.75 in 2020)/ 1,000 gallons of water billed.

The policy for transferring current assets in excess of the above requirements are:

- to the Reserve Fund
  - a transfer of \$2.5 million less any miscellaneous capital expenditures that occurred in the operations fund during the fiscal year
- to the Financial Assurance Fund
  - any remaining net current assets are transferred to a Financial Assurance Fund.
- each year during the adoption of the next year's budget the Board will review the forecasted fund balances and, if necessary, direct transfers from the Financial Assurance Fund to other funds to meet the financial needs of the District.

### *Long Range Capital Improvement Planning and Debt Management*

The District maintains a comprehensive multi-section Capital Improvements Plan that is reviewed on an annual basis and updated as necessary. The plan includes:

- a Facility Plan section details in the base infrastructure necessary to provide basic service at build out of the service area. This amount is funded from reserve capacity payments.
- a look at the short-term requirements for additional surface water acquisition.
- facilities required due to the changing regulatory environment. Funding will be evaluated for these facilities and upgrades as the improvements are required.

In recent years, accumulated reserved capacity fee collections have not only been sufficient to pay for all of the identified base infrastructure capital projects but also the capital projects fund balance which exceeds the identified remaining Facility Plan project costs. In the early years, debt was issued to fund all major capital outlay. In addition, future water acquisition and regulatory improvements may require some additional debt.

During 2018, the design phase of improvements at the wastewater treatment plant to meet regulatory requirements and address aging infrastructure was completed. The estimated cost of the project is \$83 million. Staff recommended, and in January 2019 the Board approved issuance of \$75 million in revenue bonds to fund the project. During debt issuance process, Standard & Poor's confirmed the District's rating at AAA and Fitch confirmed the rating of AA+.

The District achieved this level in part based on:

- Strength of the District's financial performance as indicated by five consecutive years of good debt service coverage and very strong liquidity.
- Overall low debt levels
- Ample water supply which officials believe will be sufficient to meet projected build out demand.

During 2013 the District applied for a Colorado Water Conservation Board Loan for up to 90% of the Chatfield Reallocation Project (described below) costs. In May 2014 the loan was approved by CWCB in 3 tranches with each at a rate of 3%. The proceeds will be distributed similar to a construction loan. Interest may be deferred until construction is complete but the District anticipates making semi-annual payments. Draws began in 2017. As of December 31, 2019 the total amount drawn was \$41,413,818.



### Pension and other employee benefits

The District does not participate in Social Security but does maintain a defined contribution pension plan. All regular District employees are required to participate in the Plan and are eligible on their date of hire. Eligible employees are required to contribute 6.2% of pay, which is matched by the District. The contribution level was established equivalent to the Social Security requirements and total contributions will be capped at the same maximum as established for Social Security contributions. In addition, the District offers all regular employees the option to contribute to a 457 plan. The District matches the employee contributions to the 457 plan up to a maximum of 4%.

The District is a member of the Colorado Special District Association pool that provides medical, dental, vision, short-term disability and life insurance benefits. The health insurance plans allow retirees who have reached age 50 and 15 years of service to retire and stay in the plan until age 65. All premiums are the responsibility of the retired employee. There are five past employees taking advantage of the benefit.

## **MAJOR INITIATIVES**

### Wastewater

The Colorado Water Quality Commission has approved regulations for more stringent standards for treating discharges from wastewater treatment plants across the state. The District awarded a construction contract in January 2019 to begin improvements to address regulatory requirements and address aging infrastructure.

### Water

The District has reviewed the water distribution system for any delivery constraints that may exist and that may be reduced or eliminated with additional capital outlay. The chosen option was another pump station. Construction of the new pump station began in 2017 and was substantially completed in 2019. The cost was \$9.4 million.

In 2018, the District engaged a consultant to complete a utility plan for the water treatment plant. Several improvements were identified to address aging infrastructure and improve efficiency. The capital plan anticipates addressing in phases. The first phase is estimated to be \$20 million and will be completed in the next three to five years.

Additional supplies of renewable surface water to supplement the existing water portfolio are planned through participation in two major regional projects.

- The District is a major participant in reallocating flood storage space to municipal uses in Chatfield Reservoir. The final phase of approval through the US Army Corps of Engineers was approved in October 2014. The District's initial share was estimated to ultimately cost approximately \$50 million. In October 2017 the District was notified of an increase to the cost estimate bringing the total commitment to \$57 million. The District requested an increase in the loan amount and it was approved in May 2018. Funding was placed in an escrow during 2015 with funding coming from cash reserves and from the CWCB loan described above. It is anticipated that repayment will come entirely from the increase in the Water Acquisition portion of the rates.

- The second project involves participation in a regional drinking water supply to several communities in the area in cooperation with Denver Water and the City of Aurora. The “WISE” project will incur capital costs of up to \$8 million for infrastructure, in addition to an annual rate charge per thousand gallons as actual deliveries take place. Multiple agreements were executed in 2014, the capital construction began in 2015 and the District completed the local connection and deliveries began in 2018. The project financing will be through the use of existing cash balances and rates.

### **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Centennial Water and Sanitation District for its comprehensive annual financial report for the year ended December 31, 2018. The District received the Certificate of Achievement for the twenty-first consecutive year.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

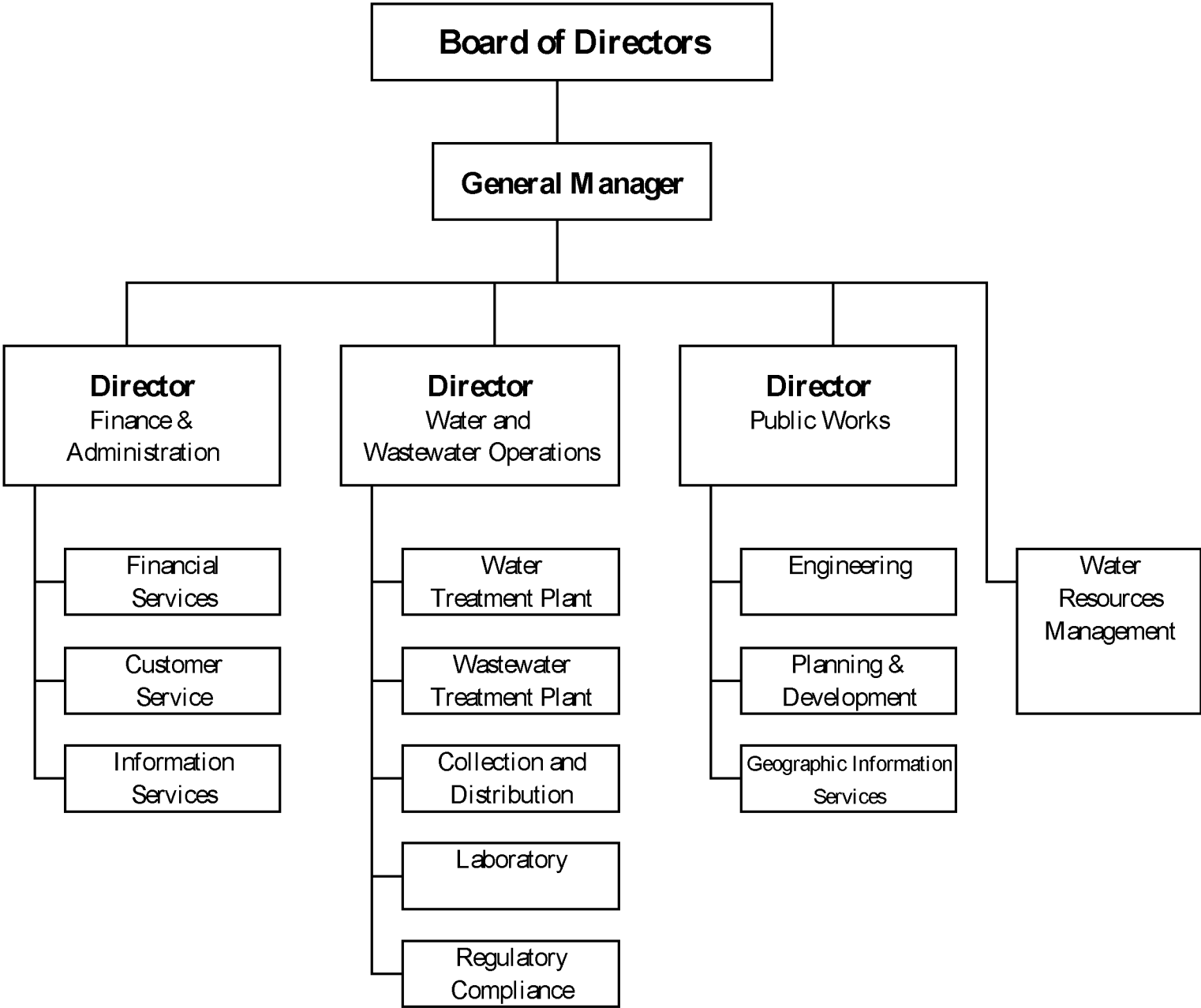
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Financial Services Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Due credit also should be given to the Board of Directors for their interest, support and responsiveness in planning and conducting the operations and financial affairs of the District.

Respectfully submitted,



Stephanie Stanley  
Director, Finance and Administration

# Centennial Water and Sanitation District



CENTENNIAL WATER and SANITATION DISTRICT  
HIGHLANDS RANCH, COLORADO

BOARD OF DIRECTORS AND DISTRICT OFFICIALS

ELECTED BOARD OF DIRECTORS  
AS OF DECEMBER 31, 2019

| <u>OFFICE</u>   |                  | <u>TERM OF OFFICE</u> |
|-----------------|------------------|-----------------------|
| CHAIR           | Jeffrey Kappes   | May 2016 - May 2020   |
| VICE-CHAIR      | John Kilrow      | May 2016 - May 2020   |
| TREASURER       | Terri Kershisnik | May 2016 - May 2020   |
| ASST. SECRETARY | Jeff Donelson    | May 2018 - May 2022   |
| ASST. SECRETARY | Tim Roberts      | May 2018 - May 2022   |

APPOINTED DISTRICT OFFICIALS

GENERAL MANAGER  
John Kaufman

DIRECTOR, FINANCE AND ADMINISTRATION  
Stephanie Stanley

DIRECTOR, WATER & WASTEWATER OPERATIONS  
Ken Lykens

DIRECTOR, PUBLIC WORKS  
Jeff Case



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Centennial Water and Sanitation  
District, Colorado**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2018**

*Christopher P. Morrill*

Executive Director/CEO



## Independent Auditor's Report

Board of Directors  
Centennial Water and Sanitation District  
Highlands Ranch, Colorado

We have audited the accompanying financial statements of the Centennial Water and Sanitation District (the "District") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Centennial Water and Sanitation District as of December 31, 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Emphasis of Matters***

The COVID-19 outbreak in 2020, see Note IV - F, has caused business disruption in a variety of industries, markets and geographic regions, which has resulted in considerable uncertainty as to the financial impact and duration, which cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Prior Year Financial Statements***

The 2018 financial statements of the Centennial Water and Sanitation District were audited by other auditors, whose report dated May 31, 2019, expressed an unmodified opinion on those statements.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III to XVII be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, Schedule of Revenues and Expenditures and Changes in Funds Available, Budgetary Basis - Budget and Actual Budget Reconciliation, and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Revenues and Expenditures and Changes in Funds Available, Budgetary Basis - Budget and Actual Budget Reconciliation is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*ACM LLP*

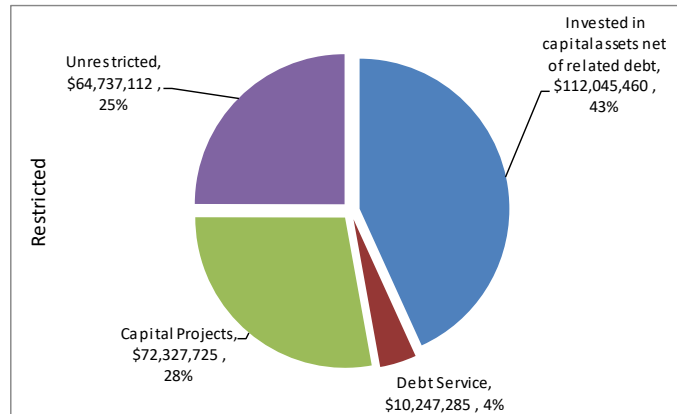
Greeley, Colorado  
July 30, 2020

## Management's Discussion and Analysis

As management of the Centennial Water and Sanitation District we are pleased to provide a discussion and analysis of the District's 2019 financial statements. This narrative overview provides a more detailed and insightful examination of the financial condition and operating results for the fiscal year ended December 31, 2019 as well as information on any financial issues and activities. We encourage readers to consider the information presented here in conjunction with additional information in our letter of transmittal, which can be found on pages i to vii of this report.

### Financial Highlights

Net position represents the amount that assets and deferred outflow of resources exceed liabilities. At the close of the current fiscal year the District had a net position of \$259,357,582, an increase of \$ 7,925,407 or 3.2% over the fiscal 2018 net position. The components of the 2019 net position are categorized as follows:



- Liabilities increased by \$95,735,070 during 2019 to a year-end balance of \$157,105,959.
  - The most significant portion of the liabilities is related to the District's long-term debt consisting of revenue bonds payable and to a lesser extent compensated absences.
  - Revenue bonds payable, increased by \$75,868,025 to a total outstanding balance of \$137,845,462. The District made scheduled principal payments on the outstanding issues. The District issued 2019 Revenue Bonds for improvements at the wastewater treatment plant and drew on the loan with Colorado Conservation Water Board for the Chatfield Reallocation Project.
- Prudent fiscal stewardship by the District continues.
  - The Board monitors its reserve policy to ensure that the District has financial stability during both changing economic times as well as annual revenue fluctuations due to changing water demands. The Board has created reserves for major equipment repair and replacement; funding of additional acquisition of sustainable water supplies and a financial assurance fund. This fund can be used for various Board determined purposes with its primary purpose being rate stability. However it can be used for debt payments and acquisition of water supplies.
  - Employee related costs remain manageable.
    - The District has a performance based pay plan that compares wages with comparable wages in the Denver metro area.
    - The cost of employee benefits remains manageable as the result of maintaining a defined contribution plan and annual review of employee benefits. The base health insurance plan was unchanged during 2019. Employees shared in any premium increases based on the existing premium sharing arrangement with the employees.



## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

The District's financial statements included in this annual report are those of a special purpose government engaged only in a business-type activity. The statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The following **basic financial statements** are included:

- The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating (see pages 1-2).
- The *statement of revenues, expenses and changes in net position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). The statement reports the District's operating and nonoperating revenue by source along with operating and nonoperating expenses and capital contributions (see page 3).
- The *statement of cash flows* reports the District's cash flows from operating activities, investing, capital and noncapital activities (see page 4).

The **notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 5 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain **supplementary information** concerning the District's budgetary comparisons. Supplementary information can be found immediately after the notes.

## Financial Analysis

### Net position

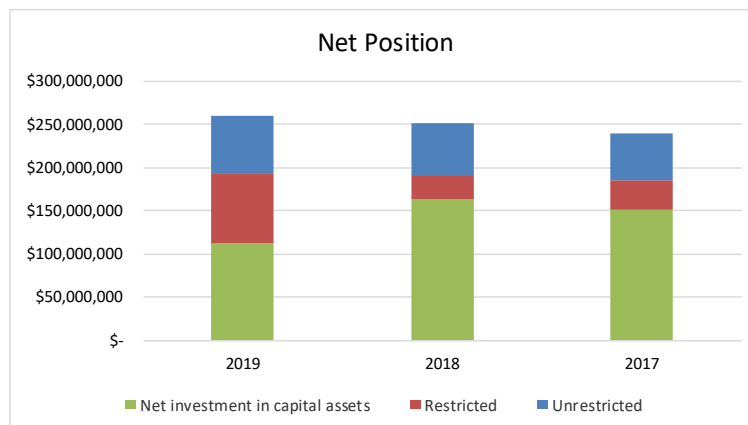
As discussed above, net position serves over time as a useful indicator of a government's financial position.

- Net position continued to improve in 2019 as at December 31, 2019 the District assets exceeded liabilities by \$259,357,582 an increase of \$7,295,407 or 3.2% from December 31, 2018.
- Net position was \$251,432,175 at December 31, 2018, an increase of \$11,281,372 or 4.7% from December 31, 2017.

The following tables summarize the current years change in various component of net position:

|  | As of December 31, |                |                | 2019-2018              |             | 2018-2017              |             |
|--|--------------------|----------------|----------------|------------------------|-------------|------------------------|-------------|
|  | 2019               | 2018           | 2017           | Increase<br>(Decrease) | %<br>Change | Increase<br>(Decrease) | %<br>Change |
|  | <b>Assets</b>      |                |                |                        |             |                        |             |
| Current assets                                     | \$ 68,659,427      | \$ 62,999,482  | \$ 56,559,679  | \$ 5,659,945           | 8.98%       | \$ 6,439,803           | 11.39%      |
| Current restricted assets                          | 90,888,420         | 28,228,552     | 36,181,686     | 62,659,868             | 221.97%     | (7,953,134)            | -21.98%     |
| Capital assets net of accumulated depreciation     | 256,225,346        | 220,555,099    | 191,916,339    | 35,670,247             | 16.17%      | 28,638,760             | 14.92%      |
| Total assets                                       | 415,773,193        | 311,783,133    | 284,657,704    | 103,990,060            | 33.35%      | 27,125,429             | 9.53%       |
| Deferred outflow of resources                      | 690,348            | 1,019,930      | 1,409,738      | (329,582)              | -32.31%     | (389,808)              | -27.65%     |
| <b>Liabilities</b>                                 |                    |                |                |                        |             |                        |             |
| Current liabilities payable from current assets    | 2,222,112          | 1,947,183      | 1,840,086      | 274,929                | 14.12%      | 107,097                | 5.82%       |
| Current liabilities payable from restricted assets | 16,769,899         | 6,824,620      | 8,008,623      | 9,945,279              | 145.73%     | (1,184,003)            | -14.78%     |
| Long-term debt                                     | 138,113,948        | 52,599,085     | 36,067,930     | 85,514,863             | 162.58%     | 16,531,155             | 45.83%      |
| Total liabilities                                  | 157,105,959        | 61,370,888     | 45,916,639     | 95,735,071             | 155.99%     | 15,454,249             | 33.66%      |
| <b>Net Position</b>                                |                    |                |                |                        |             |                        |             |
| Net investment in capital assets                   | 112,045,460        | 163,152,219    | 151,512,018    | (51,106,759)           | -31.32%     | 11,640,201             | 7.68%       |
| Restricted   | 82,575,010         | 27,566,565     | 34,230,756     | 55,008,445             | 199.55%     | (6,664,191)            | -19.47%     |
| Unrestricted                                       | 64,737,112         | 60,713,391     | 54,408,029     | 4,023,721              | 6.63%       | 6,305,362              | 11.59%      |
| Net position                                       | \$ 259,357,582     | \$ 251,432,175 | \$ 240,150,803 | \$ 7,925,407           | 3.15%       | \$ 11,281,372          | 4.70%       |

The components that comprise net position have changed as shown below:



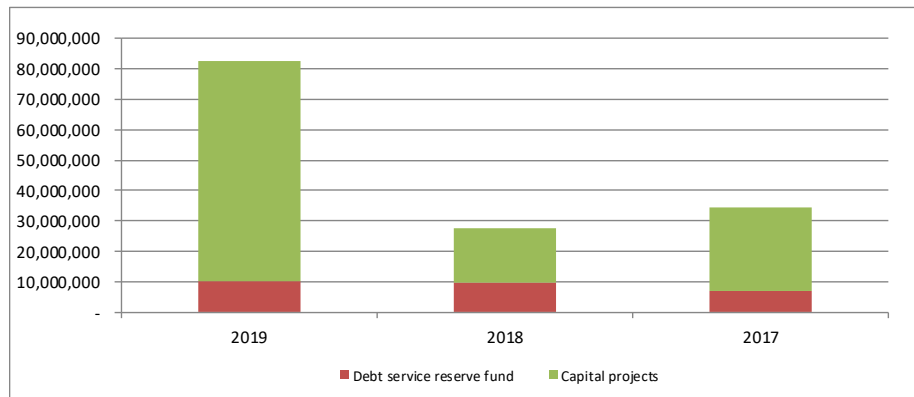
As would be expected for a utility, the largest portion of the District's net position is the net investment in capital assets (43 percent). This category reflects the District's total historic investment, at cost, in capital assets (e.g., infrastructure, plant, buildings, water rights, machinery, and equipment); less any related outstanding debt used to acquire those assets.

Capital assets are used to provide services to customers; consequently, these assets are *not* available for future spending. Although the Centennial Water and Sanitation District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The table above summarizes how the amount changed during 2019. The changes in each of the components from December 31, 2018 to December 31, 2019 are summarized in the following table.

|                                     | Net Investment<br>in Capital Assets | Restricted    |                  | Unrestricted  |
|-------------------------------------|-------------------------------------|---------------|------------------|---------------|
|                                     |                                     | Debt Service  | Capital Projects |               |
| Balance December 31, 2018           | \$ 163,152,219                      | \$ 9,550,000  | \$ 18,016,565    | \$ 60,713,391 |
| Change in net position              |                                     |               |                  | 7,925,407     |
| Paid principal                      | 6,105,000                           |               |                  | (6,105,000)   |
| Debt issuance                       | (92,641,516)                        |               | 92,641,518       |               |
| Capital outlay                      | 41,844,732                          |               | (38,330,358)     | (3,273,886)   |
| Depreciation (net of retirements)   | (6,174,480)                         |               |                  | 6,174,480     |
| Amort of premiums/disc etc.         | 461,109                             |               |                  |               |
| Adjust deferred amount of refunding | (701,604)                           |               |                  |               |
| Adjust to next years P&I            |                                     | 697,285       |                  | (697,285)     |
| Balance December 31, 2019           | \$ 112,045,459                      | \$ 10,247,285 | \$ 72,327,725    | \$ 64,737,111 |

The District has restricted assets (11 percent) consistent with various legal and other outside restrictions. Restricted net position consists of a debt service reserve fund and the capital projects fund that is restricted due to contractual provision in the intergovernmental service agreement and bond proceeds.

- \$10,247,285 has been restricted for the payment of the 2020 debt service. The Board has determined that, in order to guarantee future compliance with various provisions of bond covenants, it would be appropriate to restrict an amount equal to the following years scheduled debt service payments. As a result the financial statements reflect these restricted assets.
- \$72,327,725 is related to unexpended revenue bond proceeds and reserved capacity payments received from the various governmental entities that the District serves. This amount is restricted on the books for the construction of future capital projects required to provide service pursuant to the terms of the agreements with the entities served by the District. The funds may be transferred at the discretion of the Board to be used for the payment of principal on debt service previously issued to construct projects built to provide the contract service as needed.



|                           | 2019-2018              |             | 2018-2017              |             |
|---------------------------|------------------------|-------------|------------------------|-------------|
|                           | Increase<br>(Decrease) | %<br>Change | Increase<br>(Decrease) | %<br>Change |
| Debt service reserve fund | \$ 697,285             | 7.30%       | \$ 2,292,595           | 31.59%      |
| Capital projects          | \$ 54,311,159          | 301.45%     | \$ (8,956,786)         | -33.21%     |

After considering the above restrictions, the District has unrestricted net position that may be used to meet the government’s ongoing obligations to citizens and creditors of \$64,737,112. The District has internally designated by resolution as part of the budget process three distinct reserves for funding future requirements in addition to the restricted funding identified above:

- a major repair, maintenance and replacement of equipment reserve
- a long term surface water acquisition reserve
- a financial assurance fund

As of December 31, 2019 the amount designated for the first two reserves was approximately \$35 million from unrestricted net position accumulated for the fiscal year and in total as shown below:

|                     | Major Repair |               | Water Acquisition |               | Combined      |
|---------------------|--------------|---------------|-------------------|---------------|---------------|
|                     | Current Year | Cumulative    | Current Year      | Cumulative    |               |
| Funding sources     |              |               |                   |               |               |
| Rates               | \$ 2,500,000 | \$ 21,649,261 | \$ 3,199,323      | \$ 19,284,224 | \$ 40,933,485 |
| Development fees    | -            | -             | 614,150           | 18,914,438    | 18,914,438    |
| Misc. Income        | -            | 92,533        | 402               | 15,315        | 107,848       |
| Interfund Transfers | -            | -             | -                 | 2,056,850     | 2,056,850     |
| Expended            | (2,001,802)  | (945,978)     | (19,028,912)      | (22,080,096)  | (23,026,074)  |
|                     | \$ 498,198   | \$ 20,795,816 | \$ (15,215,037)   | \$ 18,190,731 | \$ 38,986,547 |

The financial assurance fund increased by \$3.7 million resulting in a total fund balance of \$12.7m as of December 31, 2019. This fund is not required based on the financial position of the District but has been created by the Board consistent with bond covenant provisions.

The remaining \$13 million of unrestricted assets is sufficient to meet the 6 months of working capital that has been targeted by District policy to be maintained.

Other **significant** changes (those in excess of \$1m) in the statement of net position were as follows:

- **RESTRICTED ASSETS** in 2019 *increased* \$63m from 2018, after *decreasing* \$8m between 2018 and 2017.
- **CAPITAL ASSETS, NET** are discussed more fully under capital related assets.
- **LONG TERM DEBT** in 2019 *increased* \$74.9m or 142% from 2018 after *increasing* \$16.5m or 46% between 2018 and 2017. In 2019 the outstanding debt was increased by issuance of 2019 revenue bonds and draws on the Colorado Water Conservation Board loan for the Chatfield Reallocation Project.

### Changes in net position

The following table summarizes the components of changes in net position and the impact on total net position:

|                                    | Condensed Statement of Changes in Net Position |                |                | 2019-2018              |             | 2018-2017              |             |
|------------------------------------|--|----------------|----------------|------------------------|-------------|------------------------|-------------|
|                                    | 2019   | 2018           | 2017           | Increase<br>(Decrease) | %<br>Change | Increase<br>(Decrease) | %<br>Change |
| <b>Operating income</b>            |  |                |                |                        |             |                        |             |
| Operating revenue:                 |  |                |                |                        |             |                        |             |
| Water operations                   | \$ 27,988,167                                  | \$ 28,512,675  | \$ 25,958,136  | \$ (524,508)           | -1.8%       | \$ 2,554,539           | 9.8%        |
| Wastewater operations              | 11,542,746                                     | 10,442,472     | 10,036,591     | 1,100,274              | 10.5%       | 405,881                | 4.0%        |
| Total operating revenues           | \$ 39,530,913                                  | \$ 38,955,147  | \$ 35,994,727  | 575,766                | 1.5%        | 2,960,420              | 8.2%        |
| Business operating expense:        |  |                |                |                        |             |                        |             |
| Water operations                   | 13,881,475                                     | 13,986,440     | 12,972,389     | (104,965)              | -0.8%       | 1,014,051              | 7.8%        |
| Wastewater operations              | 4,677,723                                      | 4,724,790      | 4,296,289      | (47,067)               | -1.0%       | 428,501                | 10.0%       |
| Administrative and general         | 7,043,588                                      | 7,158,519      | 7,015,519      | (114,931)              | -1.6%       | 143,000                | 2.0%        |
| Noncapitalized major repair        | 514,101  | 480,482        | 581,383        | 33,619                 | 7.0%        | (100,901)              | -17.4%      |
| Total business operating expenses  | 26,116,887                                     | 26,350,231     | 24,865,580     | (233,344)              | -0.9%       | 1,484,651              | 6.0%        |
| Direct business related income     | 13,414,026                                     | 12,604,916     | 11,129,147     | 809,110                | 6.4%        | 1,475,769              | 13.3%       |
| Non-cash operating expenses:       |  |                |                |                        |             |                        |             |
| Depreciation                       | 6,378,444                                      | 6,404,333      | 6,629,523      | (25,889)               | -0.4%       | (225,190)              | -3.4%       |
| Total non-cash operating expenses  | 6,378,444                                      | 6,404,333      | 6,629,523      | (25,889)               | -0.4%       | (225,190)              | -3.4%       |
| Operating income                   | 7,035,582                                      | 6,200,583      | 4,499,624      | 834,999                | 13.5%       | 1,700,959              | 37.8%       |
| <b>Non-operating income</b>        |  |                |                |                        |             |                        |             |
| Non-operating revenue:             |  |                |                |                        |             |                        |             |
| Net investment income (loss)       | 4,785,312                                      | 1,504,109      | 924,377        | 3,281,203              | 218.1%      | 579,732                | 62.7%       |
| Gain on disposal of equipment      | 53,060   | 67,561         | 15,940         | (14,501)               | -21.5%      | 51,621                 | 323.8%      |
| Other Income                       | 111,600  | -              | 1,167,517      | 111,600                | 100.0%      | (1,167,517)            | -100.0%     |
| Total non-operating revenues       | 4,949,972                                      | 1,571,670      | 2,107,834      | 3,378,302              | 214.9%      | (536,164)              | -25.4%      |
| Non-operating expense:             |  |                |                |                        |             |                        |             |
| Interest                           | 5,691,726                                      | 1,539,890      | 1,381,579      | 4,151,836              | 269.6%      | 158,311                | 11.5%       |
| Other                              | 767,772  | 249,540        | 379,180        | 518,232                | 207.7%      | (129,640)              | -34.2%      |
| Total non-operating expenses       | 6,459,498                                      | 1,789,430      | 1,760,759      | 4,670,068              | 261.0%      | 28,671                 | 1.6%        |
| Income (loss) before contributions | 5,526,056                                      | 5,982,823      | 4,846,699      | (456,767)              | -7.6%       | 1,136,124              | 23.4%       |
| Capital Contributions              | 2,399,351                                      | 5,298,549      | 5,144,263      | (2,899,198)            | -54.7%      | 154,286                | 3.0%        |
| Change in net position             | 7,925,407                                      | 11,281,372     | 9,990,962      | \$ (3,355,965)         | -29.7%      | \$ 1,290,410           | 12.9%       |
| Net position - beginning           | 251,432,175                                    | 240,150,803    | 230,159,841    |                        |             |                        |             |
| Net position - ending              | \$ 259,357,582                                 | \$ 251,432,175 | \$ 240,150,803 | 7,925,407              | 3.2%        | 11,281,372             | 4.7%        |

As shown on the above table, net position increased in 2019 by \$7.9m (3.2%) compared to \$11.3m (4.7%) in 2018 and \$9.9m (4.3%) in 2017. The day to day business related income from operations (operating revenues less operating expenses before the non-cash expenses for depreciation and amortization) increased the District's net position by \$13,414,026 in 2019. When the income from business operations is adjusted for depreciation, amortization and non-capitalized major repairs, operating income in 2019 was available to contribute \$7,035,582 towards the payment of interest on the District's outstanding debt and the transfer to the reserves discussed previously.

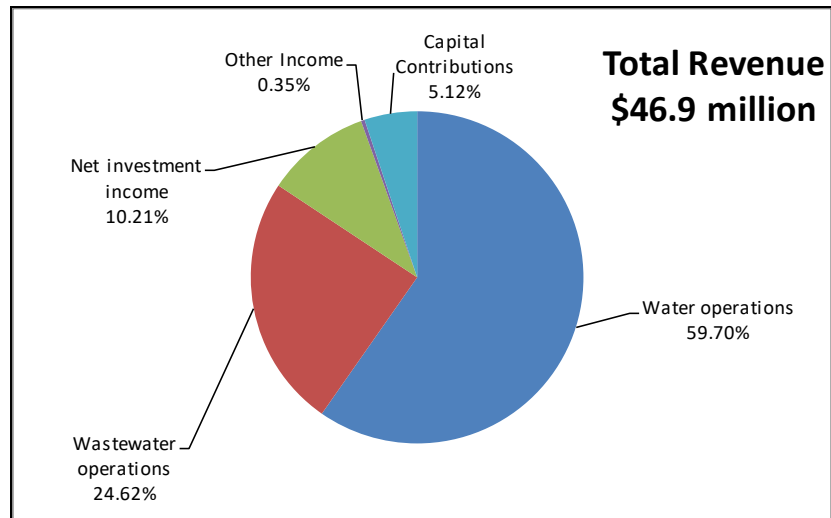
The more critical components of the change are related to the income and expenses directly related to business operations and capital contributions. These two areas generate the funding to make the annual debt service payments.

- Direct business related operating income in 2019, before considering depreciation and amortization, was \$13,414,026 an increase of \$0.8m from 2018 which was an increase of \$1.5m over 2017.
- Capital contributions continued as a significant revenue source, increasing both total net position and the restricted net position for capital projects. Capacity fees, which are in excess of the actual physical connection costs, are designed to recover the cost of building the entire system of infrastructure necessary to serve the customer base. These capital contributions are restricted by intergovernmental agreements for use either to construct capital assets or to repay the principal on debt used to fund prior capital assets.

Key elements contributing to the changes in net position are more fully described below.

## Revenues and Capital Contributions

The pie chart below provides a perspective of 2019 relationship between revenues and capital contributions to the total funding by these sources.



### Operating revenues

Water revenues are generated using a structure based on individual customer water budgets. The innovative structure is designed for and continues to generate sufficient revenues to comply with the requirements found in the District's bond covenants and to meet the internal objectives defined by the Board during both drought and wet year scenarios. The rate structure includes the following key elements and objectives:

- "Water Budgets" established for each individual customer that are the basis for a steeply increasing block rate structure to encourage conservation
- A significant fixed rate "Water Service Availability Fee" charged to customers is intended to increase the fixed revenue for the District to better match the costs of paying debt service and customer related billing costs as well as establishing appropriate reserves for equipment replacement.
- Accumulation of funds for major repair and/or replacement of equipment
- Accumulation of funds for long-term water acquisition.

Wastewater revenues for residential wastewater service are annually adjusted based on the individual homes monthly wintertime water consumption for selected bi-monthly billing periods as a proxy for actual sewer flows during the entire year. The residential wastewater charges require a minimum per bimonthly billing based on the approved rate. The minimum includes 3,000 gallons. The actual bi-monthly rate to the consumer is then determined for each individual household based on its wintertime consumption multiplied by the then current rate (which is also the nonresidential rate) for usage greater than 3,000 gallons plus the minimum amount.

The following table demonstrates the volatility in total operating revenues, primarily water over the last 10 years.

The operating revenues were influenced by the following:

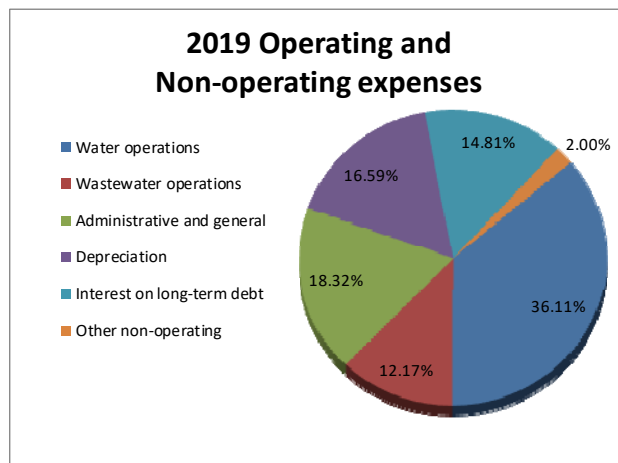
- Water 2019 vs. 2018 – operating revenue from rates charged for water consumption decreased 2% in 2019
  - the base water rates per 1,000 gallons increased from \$3.63 to \$3.73
  - overall consumption decreased 7.3% from 2018
- Water 2018 vs. 2017 – operating revenue from rates charged for water consumption increased 10% in 2018
  - the base water rates per 1,000 gallons increased from \$3.41 to \$3.63
  - overall consumption increased 6% from 2017
  - surcharge revenue for all users increased slightly due to rate increase
- Wastewater 2019 vs. 2018 – operating revenue from rates charged for wastewater increased 10% in 2019
  - the base wastewater rates per 1,000 gallons increased from \$3.20 to \$3.35
  - wintertime consumption, the basis for the charge for residential customers has stabilized around 8,500 gallons bi-monthly.
- Wastewater 2018 vs. 2017 – operating revenue from rates charged for wastewater increased 4% in 2018
  - the base wastewater rates per 1,000 gallons increased from \$3.08 to \$3.20
  - wintertime consumption, the basis for the charge for residential customers continues to decrease slightly but showed signs of stabilizing

**Non-operating revenues**

- Capital contributions are paid by Highlands Ranch Metropolitan District and Northern Douglas County Water and Sanitation District. In 2019, generated by the contractual requirement for the acquisition of reserved capacity in the District’s system, the contributions amounted to \$2,399,351 primarily from Highlands Ranch Metropolitan District. This was an decrease of \$2.9m from the total capital contributions received in 2018.

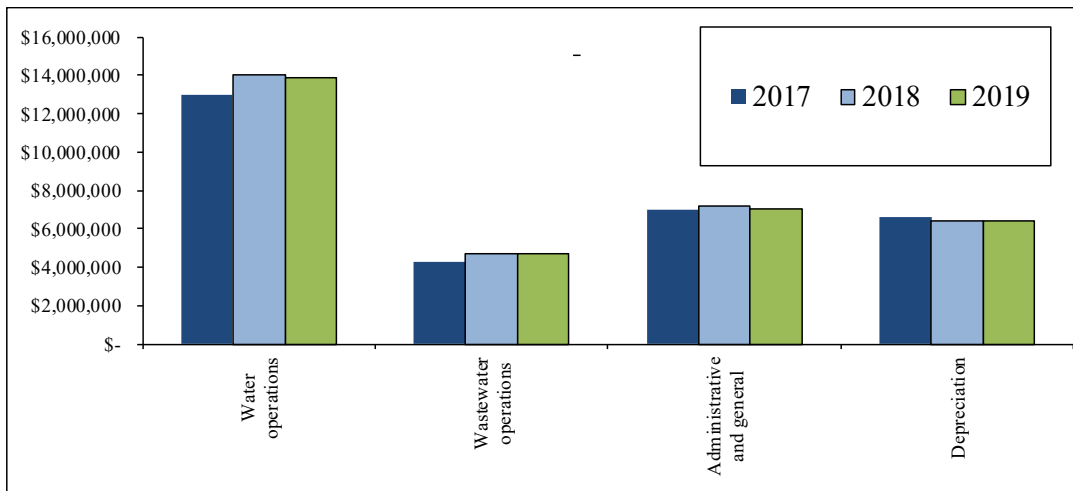
**Operating and Non-operating Expenses**

The pie chart below summarizes the 2019 operating and non-operating expenses by type.



### Operating expenses

The relationship between the major components for the 2019, 2018 and 2017 operating expenses can be further broken down:

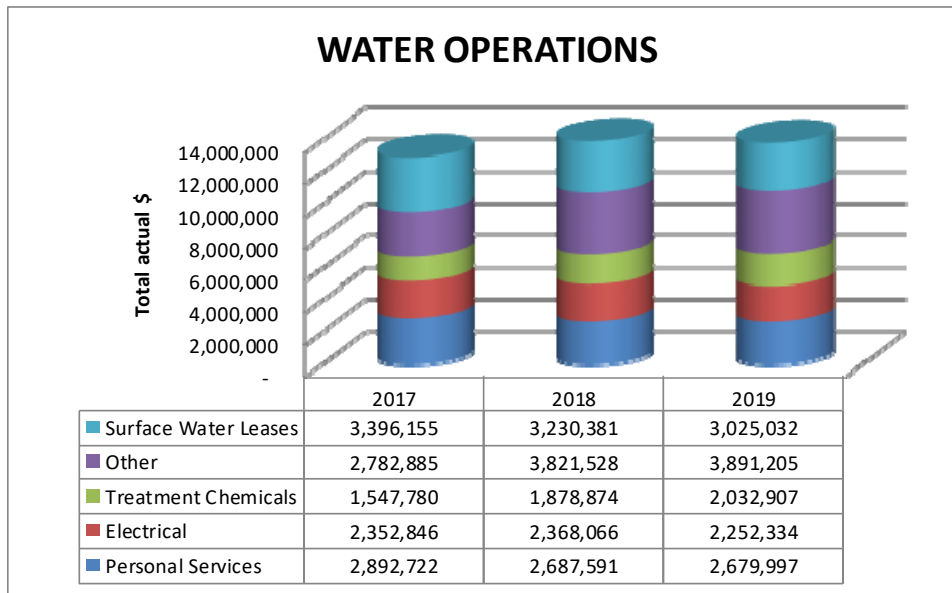


- District operating expenses are predominantly fixed and therefore change little in response to demands. Typical fixed costs which represent approximately 75% of the budget include:
  - cost of personal services - fixed within the production needs for each function subject to annual increases in wages and benefits and new positions that may be necessary, both of which require specific Board approval.
  - contracted services include base contractual obligations for the purchase of water, significant legal related expenses and insurance. The purchase of water may vary when certain economic opportunities are presented to the Board.
  - materials and supplies for routine maintenance
  - purchased services related to maintenance; outside lab services etc.
- In addition to the above fixed costs, the electrical and chemical costs are semi-variable. These semi-variable costs change in a very narrow stepped pattern as various production trains are started to accommodate different production levels.

**WATER OPERATIONS** expense in 2019 *decreased* \$0.1m or -.08% from 2018 after *increasing* \$1.0m or 7.8% between 2018 and 2017.



## WATER OPERATIONS

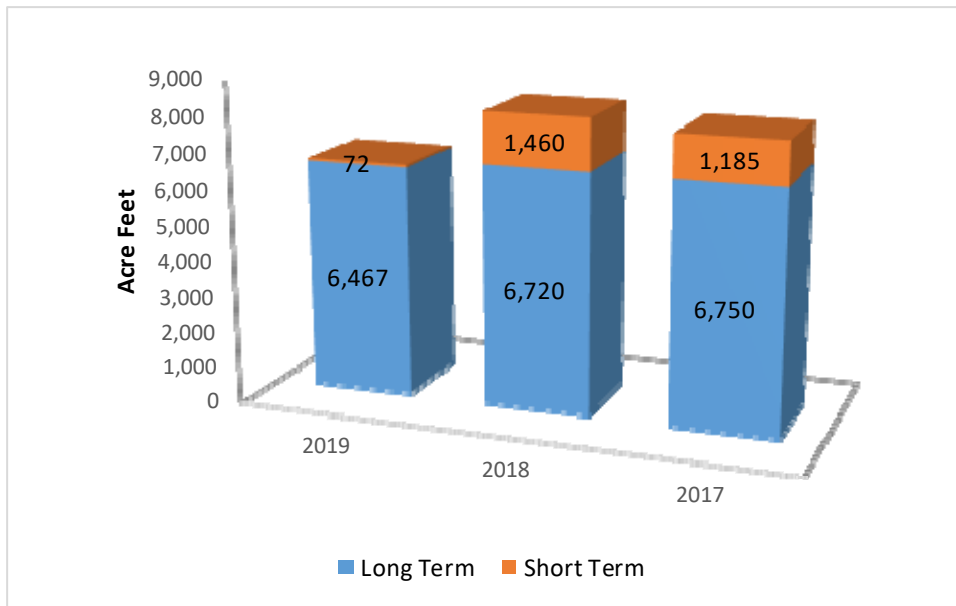


Personal services, which includes wages and benefits, usually increases each year due to market adjustments and promotions. However 2019 saw a slight decrease due to partial year vacant positions. Although budgeted FTE's remained unchanged during the period, actual annual costs are impacted by position vacancies that may occur during the year.

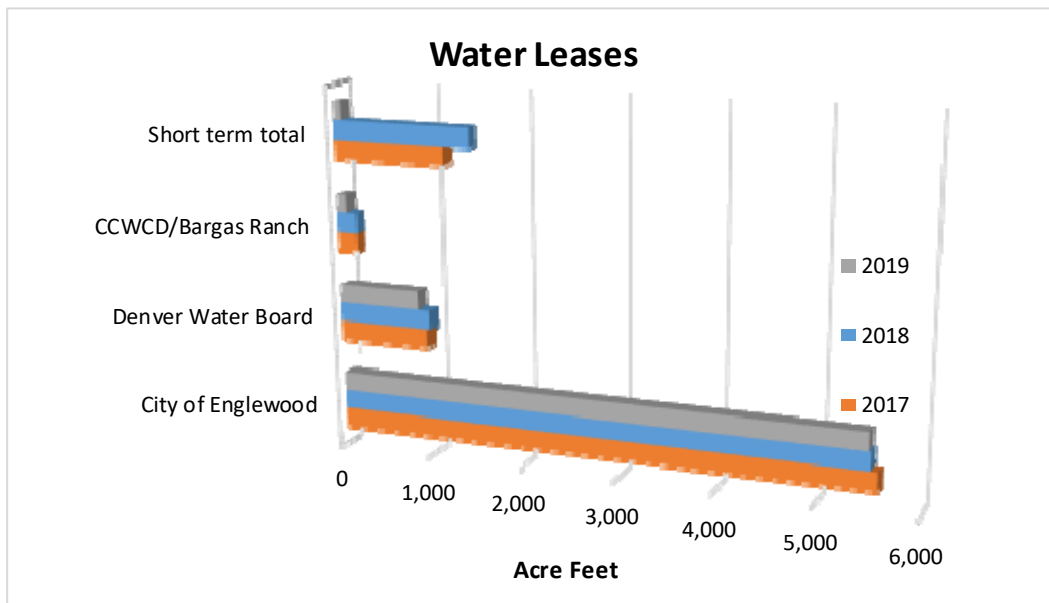
Electrical and treatment chemical costs are the most variable. In 2019 the District's primary supply was from surface water supplemented by groundwater. The well production in 2019 was similar to 2018.

Other expenditures for Water Operations includes operating expenses for two new major water projects; Chatfield and WISE. Other expenditures also includes meter replacement and installation, repair services, and repair parts that although they can vary from year to year have a lesser impact on the position of net assets.

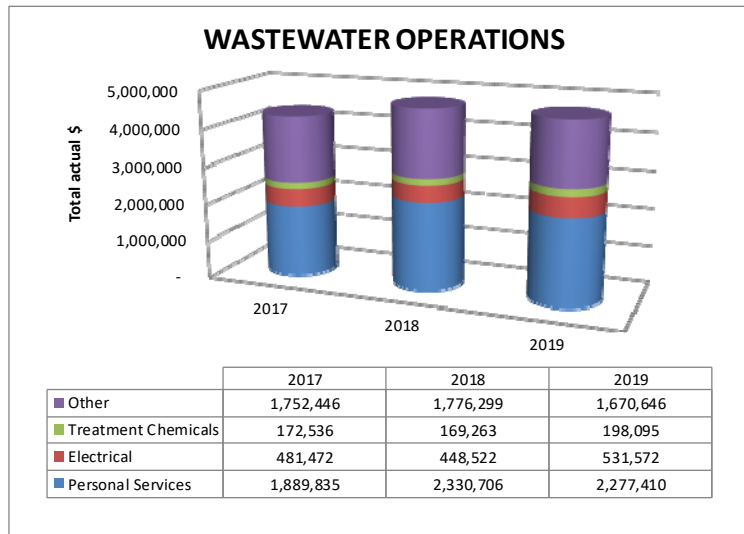
The District has several base long-term surface water leases, as more fully described in Note IV D3 which have an annual minimum commitment of approximately \$1.8m. However in any given year additional surface water may be available from either 1) additional water from the long-term leases beyond the base amount; or 2) various short term leases the District has entered into.



Over the last three years long-term leases make up an average of 62% of our surface water lease acquisition program. The annual amounts provided for each of the sources is provided in the following table.



**WASTEWATER OPERATIONS** expense in 2019 *decreased* \$47k or -.01% from 2018 after *increasing* \$428k or 10% between 2017 and 2018



Personnel services, which includes wages and benefits normally increases each year due to market adjustments, however there was a slight decrease in 2019 due to partial year vacancies. Normally wastewater expenses are consistent year over year unless there is a significant change in the plant processes. 2017 saw reductions from completion of the Marcy Gulch Wastewater Treatment Plant Phase I project. The project included innovative activated sludge treatment train process changes, has improved efficiencies and lowered some operating expenses. Phase II improvements will begin in 2020. During construction the District may experience an increase in cost to maintain operations during construction.

**ADMINISTRATIVE AND GENERAL** costs were flat over the three year period with increases limited to the adjustment in wages based on market condition.

**DEPRECIATION** costs were generally flat over the three year period with no net material additions of depreciable assets.

**Non-operating expenses**

The material non-operating expenses are comprised of interest expense on the outstanding debt and bond issuance costs (either amortization of or current year expenses).

Interest expense increased in 2019 due interested incurred as a result of the issuance of 2019 revenue bonds and draws on the CWCB Loan. The 2018 interest expense was slightly more than 2017 as a result of draws on the CWCB Loan. The District does incur OID premiums that increase the booked interest expense as shown below.

| <b>Interest Expense</b>      |                     |                     |                     |
|------------------------------|---------------------|---------------------|---------------------|
| Bond Issue                   | 2019                | 2018                | 2017                |
| 2008 Revenue Bonds           | -                   | -                   | 96,800              |
| 2012A Revenue Loan           | 375,014             | 523,232             | 563,778             |
| 2012B Revenue Loan           | 324,282             | 298,116             | 324,282             |
| 2019 Revenue Bond            | 2,741,329           |                     |                     |
| CWCB Loan                    | 877,018             | 338,907             |                     |
|                              | 4,317,643           | 1,160,255           | 984,860             |
| Net amortization OID/premium | 1,374,083           | 379,636             | 396,720             |
|                              | <u>\$ 5,691,726</u> | <u>\$ 1,539,891</u> | <u>\$ 1,381,580</u> |

## Capital Related Assets and Debt Administration

**Capital assets.** The Centennial Water and Sanitation District's investment in capital assets, net of accumulated depreciation, as of December 31, 2019, amounts to \$256,225,346 an increase of \$35.7m. This investment in capital assets includes:

- the water treatment system including raw and treated water storage reservoirs, pump stations and treatment plants
- the wastewater treatment system including lift stations and a treatment plant
- major infrastructure for the transmission and distribution of water and the collection and transmission of wastewater
- administrative offices
- miscellaneous machinery and equipment.

Major capital asset activity during the current fiscal year included the following:

- The payments related to the WISE project for capital construction to allow for deliveries which began in 2019.
- Construction related to the Chatfield reallocation project.

Additional information on the Centennial Water and Sanitation District's capital assets can be found in Note III.B on page 12.

**Long-term debt.** At the end of the current fiscal year, the District had total revenue bonded debt outstanding of \$134,290,835. The District's debt represents bonds and loans secured solely by specified revenue sources (i.e. revenue bonds). In 2019 the debt increased as the result of the issuance of 2019 revenue bonds and loan draws from the Colorado Water Conservation Board for the Chatfield Reallocation Project.

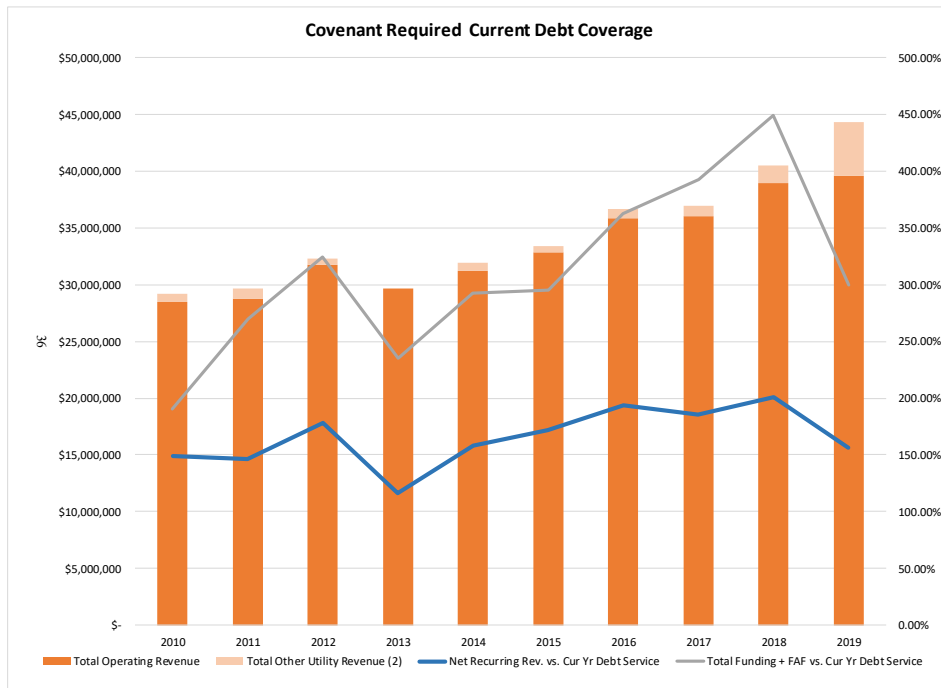
Traditionally the District's outstanding revenue debt issued with bond insurance that provided an "AAA" rating from Standard & Poors. However, due to the changes in the insurance market, the underlying District ratings are more important.

- In December of 2018, Standard & Poors, as the result of a review for the bond issuance confirmed the District's rating of AAA with a stable outlook.

Pursuant to the various bond agreements, the District is required to maintain certain ratios (see Table C-2 in the Statistical Section).

- The minimum bond covenants require a coverage ratio of over 100 percent based on the ratio of "Net Recurring Funding" (net recurring utility revenue vs. current year debt service). The ratio decreased in 2019 to 157% after increasing in 2018 to 201% from 185% in 2017. The annual swings relate to the annual changes in water rate revenue due to the amount of precipitation during the irrigation season.
- A minimum secondary coverage ratio of 125% is based on the ratio of "Net Recurring Funding plus capital contributions plus the financial assurance set-aside." The ratio decreased in 2019 to 300% from 450% in 2018 directly related to increased outstanding debt because of the 2019 bond issuance.
- However, the financial assurance set-aside, factored in as available for rate stabilization, increased the ratio from 190% prior to the establishment of the fund in 2010 to 295% in 2015, and 300% in 2019.

The chart below shows that the District typically has significant reserves, from basic operations without considering the financial assurance fund that could be used to dampen any impact on net position and rate covenants in the event that wet weather trends would reappear and reduce revenues in any given year.



Additional information on the District’s long-term debt can be found in note III.C on pages 14-15 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the District's budget for 2020:

- The unemployment rate for the county within which the District is located is currently 2.1 percent, which is lower than a year ago.
- The growth in water and wastewater customers within the District's service area continues to increase slowly but in a relatively stable pattern. This will continue to result in relatively flat annual increases in operating revenue before considering the periodic rate increases that will be necessary to accommodate regulatory and inflationary pressures.
- Effective January 1, 2020, the rates for water and wastewater service charged by the District were increased primarily to adjust for changing usage patterns, expected increase in electrical costs, anticipated issuance of debt to fund wastewater treatment plant improvements and to increase the set aside for the water acquisition fund. The combined impact of the changes will result in the average homeowner paying approximately 6.8% more in 2020.
- Inflationary trends in the region compare favorably to national indices with the exception of electrical costs. Electrical costs in the west are less than elsewhere but to date the anticipated increases have been applied inconsistently and are not increasing to match the nationwide costs at the rates anticipated over the last few years.

At year-end, the unrestricted net position was \$64,737,112. The unrestricted net position significantly exceeds the 2020 fiscal year budget appropriations of \$27,485,367 for operations spending and \$12,143,000 for debt service. In addition to the unrestricted net position more than covering the debt service requirements, the District has specifically restricted assets for debt service in the amount of \$10,247,285.

### **Requests for Information**

This financial report is designed to provide a general overview of Centennial Water and Sanitation District's finances for those with an interest in the government's finances. In addition, this financial report and related information is available on the District's website at [www.centennialwater.org](http://www.centennialwater.org). If you have any questions concerning any of the information provided in this report or requests for additional financial information please contact Director, Finance and Administration, Centennial Water and Sanitation District, 62 W. Plaza Drive, Highlands Ranch, Colorado 80129.

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
December 31, 2019 and 2018

| <b>ASSETS</b>                                   | <b>2019</b>           | <b>2018</b>           |
|---|-----------------------|-----------------------|
| <b>CURRENT ASSETS</b>                           |                       |                       |
| <i>CURRENT OPERATING ASSETS</i>                 |                       |                       |
| Cash deposits and investments                   | \$ 62,546,142         | \$ 57,171,036         |
| Accounts receivable                             | 3,905,032             | 2,363,018             |
| Due from other governments                      | 1,884,215             | 2,850,289             |
| Prepaid expenses                                | -                     | 274,794               |
| Inventory                                       | 22,435                | 25,898                |
| Net investment income receivable                | 301,603               | 314,447               |
|   | <u>68,659,427</u>     | <u>62,999,482</u>     |
| <i>CURRENT RESTRICTED ASSETS</i>                |                       |                       |
| Cash deposits and investments                   | 90,813,205            | 28,228,552            |
| Receivables                                     | 75,215                | -                     |
|   | <u>90,888,420</u>     | <u>28,228,552</u>     |
| Total Current Assets                            | <u>159,547,847</u>    | <u>91,228,034</u>     |
| <b>NONCURRENT ASSETS</b>                        |                       |                       |
| Capital assets                                  |                       |                       |
| Buildings                                       | 2,353,338             | 2,353,338             |
| Treatment system                                | 265,381,893           | 255,900,347           |
| Machinery and equipment                         | 16,714,862            | 16,487,719            |
| Water rights                                    | 40,532,735            | 40,532,735            |
| Construction in progress                        | 83,727,658            | 51,591,615            |
| Less accumulated depreciation                   | (152,485,140)         | (146,310,655)         |
| Total Noncurrent Assets                         | <u>256,225,346</u>    | <u>220,555,099</u>    |
| Total Assets                                    | <u>415,773,193</u>    | <u>311,783,133</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                       |                       |
| Deferred amount on refunding                    | 690,348               | 1,019,930             |
| Total deferred outflows of resources            | <u>690,348</u>        | <u>1,019,930</u>      |
| Total Assets and Deferred Outflows of Resources | <u>\$ 416,463,541</u> | <u>\$ 312,803,063</u> |

(Continued to next page)

The accompanying notes are an integral part of the financial statements

**CENTENNIAL WATER AND SANITATION DISTRICT  
STATEMENTS OF NET POSITION  
December 31, 2019 and 2018**

| <b>LIABILITIES AND NET ASSETS</b>                                 | <b>2019</b>           | <b>2018</b>           |
|---|-----------------------|-----------------------|
| <b>CURRENT LIABILITIES</b>  |                       |                       |
| <i>CURRENT LIABILITIES PAYABLE FROM CURRENT OPERATING ASSETS</i>  |                       |                       |
| Accounts payable  | \$ 1,123,067          | \$ 992,100            |
| Accrued payroll liabilities                                       | 528,127               | 450,809               |
| Retainages payable  | 75,969                | -                     |
| Deposits  | 465,319               | 476,554               |
| Current portion of compensated absences                           | 29,630                | 27,720                |
|   | <u>2,222,112</u>      | <u>1,947,183</u>      |
| <i>CURRENT LIABILITIES PAYABLE FROM CURRENT RESTRICTED ASSETS</i> |                       |                       |
| Accounts and contracts payable                                    | 7,166,438             | 192,435               |
| Retainages payable  | 1,146,972             | 469,552               |
| Accrued interest payable  | 1,431,717             | 57,633                |
| Current portion of bonds payable                                  | 7,024,772             | 6,105,000             |
|   | <u>16,769,899</u>     | <u>6,824,620</u>      |
| Total Current Liabilities   | <u>18,992,011</u>     | <u>8,771,803</u>      |
| <b>NONCURRENT LIABILITIES</b>                                     |                       |                       |
| Compensated absences  | 268,486               | 281,275               |
| Revenue bonds payable (net of unamortized premiums and discounts) | 137,845,462           | 52,317,810            |
| Total Noncurrent Liabilities                                      | <u>138,113,948</u>    | <u>52,599,085</u>     |
| Total Liabilities   | <u>157,105,959</u>    | <u>61,370,888</u>     |
| <b>NET POSITION</b>   |                       |                       |
| Net investment in capital assets                                  | 112,045,460           | 163,152,219           |
| Restricted  |                       |                       |
| Debt Service  | 10,247,285            | 9,550,000             |
| Capital Projects  | 72,327,725            | 18,016,565            |
| Unrestricted  | 64,737,112            | 60,713,391            |
| Total Net Position  | <u>259,357,582</u>    | <u>251,432,175</u>    |
| Total Liabilities and Net Position                                | <u>\$ 416,463,541</u> | <u>\$ 312,803,063</u> |

(Continued from prior page)

The accompanying notes are an integral part of the financial statements



**CENTENNIAL WATER AND SANITATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED  
December 31, 2019 and 2018**

|   | <u>2019</u>           | <u>2018</u>           |
|---|-----------------------|-----------------------|
| <b>OPERATING REVENUE</b>                                      |                       |                       |
| Water operations (pledged as security for revenue bonds)      | \$ 27,988,167         | \$ 28,512,675         |
| Wastewater operations (pledged as security for revenue bonds) | 11,542,746            | 10,442,472            |
| Total Operating Revenue                                       | <u>39,530,913</u>     | <u>38,955,147</u>     |
| <b>OPERATING EXPENSES</b>                                     |                       |                       |
| Water operations  | 13,881,475            | 13,986,440            |
| Wastewater operations   | 4,677,723             | 4,724,790             |
| Administrative and general                                    | 7,043,588             | 7,158,519             |
| Noncapitalized major repair                                   | 514,101               | 480,482               |
| Depreciation  | 6,378,444             | 6,404,333             |
| Total Operating Expenses                                      | <u>32,495,331</u>     | <u>32,754,564</u>     |
| Operating Income  | <u>7,035,582</u>      | <u>6,200,583</u>      |
| <b>NONOPERATING REVENUE</b>                                   |                       |                       |
| Net investment income (loss)                                  | 4,785,312             | 1,504,109             |
| Gain on disposal of equipment                                 | 53,060                | 67,561                |
| Other income  | 111,600               | -                     |
| Total Nonoperating Revenue                                    | <u>4,949,972</u>      | <u>1,571,670</u>      |
| <b>NONOPERATING EXPENSES</b>                                  |                       |                       |
| Interest  | 5,691,726             | 1,539,890             |
| Amortization / expense of bond issuance costs                 | 628,501               | -                     |
| Loss on disposal of equipment                                 | 139,271               | 249,540               |
| Total Nonoperating Expenses                                   | <u>6,459,498</u>      | <u>1,789,430</u>      |
| <b>INCOME / (LOSS) BEFORE CONTRIBUTIONS</b>                   | 5,526,056             | 5,982,823             |
| <b>CAPITAL CONTRIBUTIONS</b>                                  |                       |                       |
| Reserved capacity fees  | 2,399,351             | 5,298,549             |
| <b>CHANGE IN NET POSITION</b>                                 | <u>7,925,407</u>      | <u>11,281,372</u>     |
| <b>NET POSITION - BEGINNING OF YEAR</b>                       | 251,432,175           | 240,150,803           |
| <b>NET POSITION - END OF YEAR</b>                             | <u>\$ 259,357,582</u> | <u>\$ 251,432,175</u> |

The accompanying notes are an integral part of the financial statements

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED**  
**December 31, 2019 and 2018**

|   | 2019           | 2018          |
|---|----------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                |               |
| Receipts from customers and users   | \$ 38,954,973  | \$ 38,037,845 |
| Payments to suppliers   | (19,393,634)   | (19,921,867)  |
| Payments to employees   | (6,182,856)    | (6,548,567)   |
| Net cash provided by operating activities   | 13,378,483     | 11,567,411    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                         |                |               |
| Capital contributions   | 2,510,951      | 5,298,549     |
| Purchase of capital assets and investment in undivided interest                         | (36,872,173)   | (36,978,401)  |
| Proceeds from sale of assets  | 53,060         | 67,561        |
| Proceeds from revenue bonds   | 92,253,510     | 22,598,745    |
| Transfer to refunding escrow  | -              | -             |
| Bond issuance expenditures  | (760,023)      | -             |
| Principal paid on capital debt  | (6,105,000)    | (5,990,000)   |
| Interest paid on capital debt   | (4,317,642)    | (1,160,141)   |
| Net cash provided (used) by capital and related financing activities                    | 46,762,683     | (16,163,687)  |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>  |                |               |
| Interest and dividends received   | 4,857,921      | 1,162,914     |
| Purchase of long-term investments   | (27,036,074)   | (28,626,686)  |
| Maturity of long-term investments   | 26,648,023     | 28,461,039    |
| Net cash provided (used) by investing activities  | 4,469,870      | 997,267       |
| <b>NET INCREASE (DECREASE) IN CASH EQUIVALENTS</b>                                      | 64,611,036     | (3,599,009)   |
| <b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>                                      | 29,134,352     | 32,733,361    |
| <b>CASH AND CASH EQUIVALENTS END OF YEAR (NOTE IIIA)</b>                                | 93,745,388     | 29,134,352    |
| <b>LONG TERM INVESTMENTS</b>  | 73,811,537     | 56,265,236    |
| <b>TOTAL CASH DEPOSITS AND INVESTMENTS</b>  | \$ 167,556,924 | \$ 85,399,588 |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |                |               |
| Operating income  | \$ 7,035,582   | \$ 6,200,583  |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                |               |
| Depreciation and amortization expense   | 6,378,444      | 6,404,333     |
| (Increase) / decrease in accounts receivables   | (1,542,014)    | 448,690       |
| (Increase) / decrease in due from other governments                                     | 966,074        | (1,365,992)   |
| (Increase) / decrease in prepaid expenses   | 274,794        | (274,792)     |
| (Increase) / decrease in inventory  | 3,463          | 10,088        |
| Increase / (decrease) in accounts payable   | 130,967        | (231,028)     |
| Increase / (decrease) in accrued payroll costs  | 77,318         | 311,864       |
| Increase / (decrease) in retainages payable   | 75,969         | (9,213)       |
| Increase / (decrease) in deposits   | (11,235)       | 47,084        |
| Increase / (decrease) in compensated absences payable                                   | (10,879)       | 25,794        |
| Total adjustments   | 6,342,901      | 5,366,828     |
| Net cash provided by operating activities   | \$ 13,378,483  | \$ 11,567,411 |
| <b>Noncash investing, capital and financing activities</b>                              |                |               |
| Increase (decrease) in fair value of investments  | \$ (639,611)   | \$ (383,399)  |

The accompanying notes are an integral part of the financial statements

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) REPORTING ENTITY**

Centennial Water and Sanitation District (the “District”), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to wholesale water and wastewater service to other governmental entities providing water and sanitation service within the service area.

The District follows the Governmental Accounting Standard Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, the appointment by the primary entity of a voting majority of the component organization's governing body, the ability of the primary entity to impose its will on the component organization, a potential for the component organization to provide specific financial benefits or burdens and fiscal dependency of the component organization.

The District provides services to other governmental entities, but is not financially accountable for any other entity including the Highlands Ranch Metropolitan District, Mirabelle Metropolitan District, and Northern Douglas County Water and Sanitation District, which have separately elected boards, nor is the District a component unit of any other governmental entity.

**B) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as proprietary enterprise funds. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where fees and charges are designed to recover costs, including capital cost.

The District's records are maintained on the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense, expenditures for property, plant and equipment are shown as increases in assets, and redemption of bonds is recorded as a reduction in liabilities. Capacity fees are recorded as capital contributions when received. The District distinguishes between *operating* revenues and expenses and *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing business of providing water and wastewater service. The primary operating revenues are for charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted assets first, then unrestricted resources as they are needed.

**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

---

**C) ASSETS, LIABILITIES AND NET POSITION**

1) Cash deposits and investments

The District's cash and cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity, generally less than three months to maturity when purchased, that they present insignificant risk of changes in value because of changes in interest rates.

Investments are reported at fair value.

2) Inventory

Inventory, which includes water meters, is valued at the cost on the first-in, first-out basis.

3) Restricted Assets / Designated Assets

The District restricts the following: 1) capacity fees for the purpose of investing in water and wastewater facilities and improvements and for the payment of debt service; 2) proceeds from bond issues for original investment in or major repair and replacement of water and wastewater facilities and improvements, as specified by the bond resolutions; and 3) charges for services and other income designated for the purpose of meeting potential bond covenant requirements related to debt coverage.

In addition the District designates a portion of its current operating assets for future major repair, replacement and renovation of its capital assets and the acquisition of surface water supplies. \$37,659,593 has been so designated as of year-end.

4) Capital Assets

The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Property, plant and equipment are stated at cost except for those assets contributed, which are stated at the developer's cost (which approximates market) or at a calculated market value based on capacity fee rates at the date of contribution for the source of supply.

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

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

|  |             |
|--|-------------|
| Water and wastewater treatment plants                  | 40 years    |
| Pump stations, structural reservoirs and lift stations | 40 years    |
| Water and wastewater infrastructure                    | 40 years    |
| Office building  | 40 years    |
| Furniture and equipment                                |             |
| (vehicles, office equipment, computer equipment etc.)  | 5-10 years  |
| (process equipment)                                    | 10-20 years |

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**

---

5) Amortization

Original Issue Premiums and Original Issue Discounts

Original issue premiums and discounts are deferred and are amortized using the effective interest method over the life of the respective bonds. Unamortized premiums and discounts adjust the face value of amounts reported as bonds payable.

Cost of Refunding

The cost of a bond refunding is being amortized using the interest method over the life of the defeased bonds. The amortization amount is a component of interest expense and the unamortized cost is reflected as a deferred outflow of resources.

Prepaid Bond Insurance

The cost of insurance for a bond issue is being amortized using the interest method over the life of the bonds. The unamortized cost is reflected as a deferred outflow of resources.

6) Compensated Absences

The District has a policy that allows employees to accumulate unused vacation benefits up to a certain maximum number of hours. Accumulated unpaid vacation pay is accrued when earned by the employees.

7) Postemployment benefits

The District participates in the Colorado Employer Benefit Trust (CEBT) a multiple employer trust for public institutions providing employee benefits. CEBT covers approximately 17,000 employees and over 200 participating groups. The Trust is governed by a board of trustees made up of representatives from participating groups. The CEBT plan meets the definition of a community rated plan and therefore is not required to provide certain information.

A District employee with at least 15 years of service with the District and who has reached at least 50 years of age at retirement is eligible to continue on the District's health plans by paying the full premium amount and no subsidy of the premium is provided by the District. This benefit expires when the retiree reaches the age of 65, thereby making the maximum eligibility period 15 years. Five former employees are currently using this benefit.

Since the plan meets the definition of a community rated plan, the District's expense is strictly the annual contribution and there is no implicit rate subsidy. Therefore no liability is reported in the financial statements for postemployment benefits.

8) Capital Contributions

Reserved Capacity Fees

Pursuant to intergovernmental agreements, the District receives payment from other governments for their license to use capacity in the total water and wastewater facilities of the District. Such fees are not user fees and thus are reflected as capital contributions.

Source of Supply / Water Transfer

The District has recorded the computed value of certain water rights, facilities and easements transferred to it by the developer of Highlands Ranch (Note IV.D). The agreement for the transfer requires repayments to Shea Homes only if capacity fees are collected from governmental entities other than the Highlands Ranch Metropolitan District and Mirabelle Metropolitan District. The repayments, as more fully described in Note IV.D) 2) have reduced the original contribution amount of \$32,500,000. Capacity fees collected for services provided outside of Highlands Ranch and paid to Shea Homes are reflected as distributions of capital contributions.

**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

---

9) Comparative Information

Comparative information for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A) BUDGETS**

Budgets are adopted on a non-GAAP basis of accounting. The appropriation is at the total fund expenditures level and lapses at year-end for operating and debt service expenditures. Appropriations for capital projects are continuing appropriations on a project-by-project basis and extend until the District's Board of Directors rescinds any unexpended appropriation. Expenditures may not legally exceed appropriations as described above.

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The Board of Directors can only amend appropriation resolutions upon completion of notification and publication requirements. The appointed management of the District can transfer between line items within the fund level appropriation without notice.

**B) TAX, SPENDING AND REVENUE LIMITATIONS**

In 1992, Colorado voters approved the Taxpayer's Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

TABOR is complex and currently subject to interpretation. Numerous lawsuits against other entities in the State have been filed regarding election question wording and procedures. Future implementation will depend upon litigation and legislative guidance.

TABOR generally requires voter approval for any new tax, tax increases and new debt. Even though management believes that the District is an "Enterprise" as defined under TABOR and, therefore, is exempt from the provisions of TABOR, the District conducted an election in 1992, and in compliance with TABOR approved (1) increased revenues and spending to comply with intergovernmental agreements between the District and Highlands Ranch Metropolitan District; (2) preserved the then existing \$280,000,000 debt authorization; (3) authorized refunding of District debt at higher or lower interest rates than the rate on the refunded debt; and (4) authorized other multiple-year debt or financial obligations including revenue bonds.

**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

**III. DETAILED NOTES**

**A) CASH DEPOSITS AND INVESTMENTS**

The District maintains a cash and investment pool that is displayed on the statement of net position as "Cash deposits and investments". It is the intent of the District to diversify the investments within its portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, corporations, or maturities.

A reconciliation of cash and investments on *Statements of Net Position* as of December 31 is as follows:

|                                       | December 31,          |                      |
|---------------------------------------|-----------------------|----------------------|
|                                       | 2019                  | 2018                 |
| Cash on hand                          | \$ 400                | \$ 400               |
| Cash deposits                         | 481,479               | 852,711              |
| Investments                           |                       |                      |
| Held in safekeeping                   | \$ 79,547,810         | \$ 56,265,236        |
| Chatfield Reallocation Project Escrow | 9,587                 | 9,185                |
| Local government investment pools     | 73,309,571            | 28,261,798           |
| Money market mutual fund              | 10,500                | 10,258               |
| Total Investments                     | <u>152,877,468</u>    | <u>84,546,478</u>    |
| Total Cash Deposits and Investments   | <u>\$ 153,359,347</u> | <u>\$ 85,399,589</u> |

Cash deposits and investments are presented in the Statement of Net Position as follows:

|  | December 31,       |                   |
|--|--------------------|-------------------|
|  | 2019               | 2018              |
| Cash deposits and investments - unrestricted | \$ 62,546,142      | \$ 57,171,036     |
| Cash deposits and investments - restricted   | <u>90,813,205</u>  | <u>28,228,552</u> |
| Total Cash Deposits and Investments          | <u>153,359,347</u> | <u>85,399,588</u> |

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. Deposits covered by PDPA are not subject to custodial credit risk. The State Regulatory Commission for banks is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2019, \$469,432 of the bank balance for the cash deposits were collateralized pursuant to PDPA.

**Investments**

Colorado State Statutes specify investment instruments meeting defined risk criteria in which units of local government may invest. The District has adopted an investment policy that is more restrictive than the State Statutes and is limited to:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, and Treasury Bonds with a final maturity not exceeding five years from the date of purchase and U.S. Treasury Strips with maturities not exceeding five years from the date of purchase.
2. Federal Instrumentality Securities: Debentures, discount notes, and callable securities with a final maturity not exceeding five years from the date of purchase issued by the following: Federal National

**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Student Loan Marketing Association (SLMA).

3. Corporate Debt: debt issued by any corporation or bank organized and operating within the United States with a maturity not exceeding three years from the date of trade settlement. The debt must be rated at least AA- or the equivalent at the time of purchase by at least two NRSROs, and rated not less by any NRSRO that rates it. The District shall limit investments in Corporate Debt to no more than 25 percent of the total portfolio and 5 percent per issuer.
4. Repurchase Agreements, executed subject to an approved Master Purchase Agreement, with a termination date of 90 days or less collateralized by U.S. Treasury Securities listed in 1 above with maturities not exceeding ten years.
5. Prime Commercial Paper with an original maturity of 270 days or less which is rated at least A-1 by Standard & Poors or P-1 by Moody's at the time of purchase by each service which rates the commercial paper.
6. Eligible Bankers Acceptances with original maturities not exceeding 180 days, issued on domestic banks whose senior long-term debt is similar to 4 above; have a combined capital and surplus of at least \$250,000,000; and have deposits insured by the FDIC.
7. Local Government Investment Pools authorized under CRS 24-75-702.
8. Money Market Mutual funds which have a rating of AAA by Standard and Poors or AAAM by Moody's.

The District investments at December 31, 2019 and 2018 and the maturities were as follows:

| Investments held in safekeeping | Moody Rating  | December 31, 2019                |                   |                      |                      |
|---------------------------------|---------------|----------------------------------|-------------------|----------------------|----------------------|
|                                 |               | Investment Maturities (in Years) |                   |                      |                      |
|                                 |               | One to five years                |                   |                      | Total                |
| Less than 1                     | Callable 2020 | Noncallable                      |                   |                      |                      |
| US Treasury securities          | Aaa           | \$ 1,743,958                     | \$ -              | \$ 29,264,257        | \$ 31,008,215        |
| US Agency securities            | Aaa           | 305,598                          | -                 | 11,803,922           | 12,109,520           |
| Commercial paper                | P-1           | 3,059,244                        | -                 | -                    | 3,059,244            |
| Supra-national notes            | Aaa           | -                                | -                 | 6,349,080            | 6,349,080            |
| Corporate debt                  | Aa3           | 1,735,725                        | 250,529           | 6,539,446            | 8,525,700            |
| Certificate of Deposit          | P-1           | 8,617,255                        | -                 | 2,120,507            | 10,737,762           |
| Municipals                      | Aa2           | 850,746                          | -                 | 6,907,543            | 7,758,289            |
|                                 |               | <u>\$ 16,312,526</u>             | <u>\$ 250,529</u> | <u>\$ 62,984,755</u> | <u>\$ 79,547,810</u> |

| Investments held in safekeeping | Moody Rating  | December 31, 2018                |                     |                      |                      |
|---------------------------------|---------------|----------------------------------|---------------------|----------------------|----------------------|
|                                 |               | Investment Maturities (in Years) |                     |                      |                      |
|                                 |               | One to five years                |                     |                      | Total                |
| Less than 1                     | Callable 2019 | Noncallable                      |                     |                      |                      |
| US Treasury securities          | Aaa           | \$ -                             | \$ -                | \$ 27,007,379        | \$ 27,007,379        |
| US Agency securities            | Aaa           | -                                | 2,812,454           | 7,014,854            | 9,827,309            |
| Supra-national notes            | Aaa           | -                                | -                   | 6,519,049            | 6,519,049            |
| Corporate debt                  | Aa3           | 798,061                          | -                   | 4,454,358            | 5,252,419            |
| Certificate of Deposit          | P-1           | 1,333,681                        | -                   | 844,015              | 2,177,696            |
| Municipals                      | Aa2           | 2,346,542                        | -                   | 3,134,842            | 5,481,384            |
|                                 |               | <u>\$ 4,478,284</u>              | <u>\$ 2,812,454</u> | <u>\$ 48,974,498</u> | <u>\$ 56,265,236</u> |

As of December 31, 2019, the District had invested \$73,309,571 in the Colorado Local Government Liquid Asset Trust ("CSIP"), an investment vehicle established for local government entities in Colorado to pool surplus funds and as of December 31, 2018 had invested \$28,261,798. The State Securities Commissioner administers and enforces all state statutes governing the Trust. CSIP operates similarly to a money market fund and each share is equal in value to \$1.00. CSIP is rated AAAM by Standard and Poor's. Investments of CSIP are limited to those allowed by State statutes. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and



**CENTENNIAL WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**

withdrawals. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments.

The District has executed a safekeeping agreement with a financial institution that provides for the financial institution to act in a custodial capacity. The custodian holds investments acquired by the District in a Federal Reserve custodial account. The investments in this account are not available to the general creditors of the custodian. Ownership of the securities by the District is maintained in the custodian's internal accounting records. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. All of the annuity's investments are measured at fair value using level 1 inputs.

*Concentration of Credit Risk* – State statutes do not limit the amount the District may invest in one issuer. At December 31, 2019 the District maintained investments in excess of 5% in the following issuers:

|  | % of portfolio |
|--|----------------|
| Money Market Fund - CSIP                         | 32.41%         |
| US Treasury securities                           | 31.89%         |
| Supra-National Notes                             | 7.27%          |
| Municipal bonds (aggregate-no issuer exceeds 5%) | 8.88%          |
| Corporate bonds (aggregate-no issuer exceeds 5%) | 5.55%          |

Cash deposits and investments are reflected as of December 31 *Statements of Net Position* and *Statement of Cash Flows* as follows:

|  | December 31,         |                      |
|--|----------------------|----------------------|
|  | 2019                 | 2018                 |
| Cash deposits and investments - unrestricted | \$ 62,546,142        | \$ 57,171,036        |
| Cash deposits and investments - restricted   | 90,813,205           | 28,228,552           |
| <b>Total Cash Deposits and Investments</b>   | <b>153,359,347</b>   | <b>85,399,588</b>    |
| Less long-term investments                   | 79,547,810           | 56,265,236           |
| Cash and cash equivalents                    | <b>\$ 73,811,537</b> | <b>\$ 29,134,352</b> |

**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

**B) CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

CENTENNIAL WATER AND SANITATION DISTRICT  
CHANGE IN CAPITAL ASSETS

|  | Balance at<br>January 1,<br>2019 | Increases            | Decreases                         | Balance at<br>December 31,<br>2019 |
|--|----------------------------------|----------------------|-----------------------------------|------------------------------------|
| <b>Capital assets not being depreciated:</b> |                                  |                      |                                   |                                    |
| Water rights                                 | \$ 40,532,735                    | \$ -                 | \$ -                              | \$ 40,532,735                      |
| Construction in progress                     | 51,591,615                       | 41,865,278           | 9,729,235                         | 83,727,658                         |
| Total capital assets not being depreciated   | <u>92,124,350</u>                | <u>41,865,278</u>    | <u>9,729,235</u>                  | <u>124,260,393</u>                 |
| <b>Capital assets being depreciated:</b>     |                                  |                      |                                   |                                    |
| Buildings                                    | 2,353,338                        | -                    | -                                 | 2,353,338                          |
| Treatment system                             |                                  |                      |                                   |                                    |
| Water  |                                  |                      |                                   |                                    |
| Source of supply                             | 23,683,377                       | -                    | -                                 | 23,683,377                         |
| Storage reservoirs - treated water           | 14,808,733                       | -                    | -                                 | 14,808,733                         |
| Storage reservoirs - raw water               | 51,083,366                       | -                    | -                                 | 51,083,366                         |
| Treatment plant - water                      | 32,141,378                       | -                    | -                                 | 32,141,378                         |
| Pump stations                                | 7,607,360                        | 9,406,836            | -                                 | 17,014,196                         |
| Wastewater                                   |                                  |                      |                                   |                                    |
| Treatment plant - wastewater                 | 39,339,971                       | -                    | -                                 | 39,339,971                         |
| Lift stations                                | 2,039,744                        | -                    | -                                 | 2,039,744                          |
| Infrastructure                               |                                  |                      |                                   |                                    |
| Transmission and distribution                | 67,415,334                       | 74,710               | -                                 | 67,490,044                         |
| Collection and transmission                  | 17,781,084                       | -                    | -                                 | 17,781,084                         |
| Machinery and equipment                      | 16,487,719                       | 431,101              | 203,958                           | 16,714,862                         |
| Total capital assets being depreciated       | <u>274,741,404</u>               | <u>9,912,647</u>     | <u>203,958</u>                    | <u>284,450,093</u>                 |
| <b>Less accumulated depreciation for:</b>    |                                  |                      |                                   |                                    |
| Buildings                                    | 2,027,236                        | 47,765               |                                   | 2,075,001                          |
| Treatment system                             | 100,016,193                      | 774,007              |                                   | 100,790,200                        |
| Machinery and equipment                      | 44,267,226                       | 5,556,672            | 203,958                           | 49,619,940                         |
| Total accumulated depreciation               | <u>146,310,654</u>               | <u>6,378,444</u>     | <u>203,958</u>                    | <u>152,485,140</u>                 |
| Total capital assets being depreciated, net  | <u>128,430,749</u>               | <u>3,534,203</u>     | <u>-</u>                          | <u>131,964,953</u>                 |
| Capital assets, net                          | <u>\$ 220,555,099</u>            | <u>\$ 45,399,481</u> | <u>\$ 9,729,235</u>               | <u>\$ 256,225,346</u>              |
|  |                                  |                      | Less outstanding capital debt     | (144,870,234)                      |
|  |                                  |                      | Plus deferred amount on refunding | 690,348                            |
|  |                                  |                      | Net investment in capital assets  | <u>\$ 112,045,460</u>              |

**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

**CENTENNIAL WATER AND SANITATION DISTRICT  
CHANGE IN CAPITAL ASSETS**

|  | Balance at<br>January 1,<br>2018 | Increases            | Decreases                         | Balance at<br>December 31,<br>2018 |
|--|----------------------------------|----------------------|-----------------------------------|------------------------------------|
| <b>Capital assets not being depreciated:</b> |                                  |                      |                                   |                                    |
| Water rights                                 | \$ 40,532,735                    | \$ -                 | \$ -                              | \$ 40,532,735                      |
| Construction in progress                     | 25,389,801                       | 35,679,007           | 9,477,193                         | 51,591,615                         |
| Total capital assets not being depreciated   | <u>65,922,536</u>                | <u>35,679,007</u>    | <u>9,477,193</u>                  | <u>92,124,350</u>                  |
| <b>Capital assets being depreciated:</b>     |                                  |                      |                                   |                                    |
| Buildings                                    | 2,353,338                        | -                    | -                                 | 2,353,338                          |
| Treatment system                             |                                  |                      |                                   |                                    |
| Water  |                                  |                      |                                   |                                    |
| Source of supply                             | 23,683,377                       | -                    | -                                 | 23,683,377                         |
| Storage reservoirs - treated water           | 14,808,733                       | -                    | -                                 | 14,808,733                         |
| Storage reservoirs - raw water               | 51,083,366                       | -                    | -                                 | 51,083,366                         |
| Treatment plant - water                      | 32,141,378                       | -                    | -                                 | 32,141,378                         |
| Pump stations                                | 7,607,360                        | -                    | -                                 | 7,607,360                          |
| Wastewater                                   |                                  |                      |                                   |                                    |
| Treatment plant - wastewater                 | 39,339,971                       | -                    | -                                 | 39,339,971                         |
| Lift stations                                | 2,039,744                        | -                    | -                                 | 2,039,744                          |
| Infrastructure                               |                                  |                      |                                   |                                    |
| Transmission and distribution                | 62,354,121                       | 5,061,213            | -                                 | 67,415,334                         |
| Collection and transmission                  | 14,346,927                       | 3,434,157            | -                                 | 17,781,084                         |
| Machinery and equipment                      | 16,165,580                       | 345,911              | 23,772                            | 16,487,719                         |
| Total capital assets being depreciated       | <u>265,923,895</u>               | <u>8,841,281</u>     | <u>23,772</u>                     | <u>274,741,404</u>                 |
| <b>Less accumulated depreciation for:</b>    |                                  |                      |                                   |                                    |
| Buildings                                    | 1,979,471                        | 47,765               | -                                 | 2,027,236                          |
| Treatment system                             | 99,171,965                       | 844,228              | -                                 | 100,016,193                        |
| Machinery and equipment                      | 38,778,657                       | 5,512,341            | 23,772                            | 44,267,226                         |
| Total accumulated depreciation               | <u>139,930,093</u>               | <u>6,404,333</u>     | <u>23,772</u>                     | <u>146,310,655</u>                 |
| Total capital assets being depreciated, net  | <u>125,993,803</u>               | <u>2,436,948</u>     | <u>-</u>                          | <u>128,430,749</u>                 |
| Capital assets, net                          | <u>\$ 191,916,339</u>            | <u>\$ 38,115,954</u> | <u>\$ 9,477,193</u>               | <u>\$ 220,555,099</u>              |
|  |                                  |                      | Less outstanding capital debt     | (58,422,810)                       |
|  |                                  |                      | Plus deferred amount on refunding | 1,019,930                          |
|  |                                  |                      | Net investment in capital assets  | <u>\$ 163,152,219</u>              |

*\*In 2018 construction in progress decreased by more than capital assets increased because prior year projects were expensed.*

**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

**C) LONG-TERM DEBT**

The District has issued long term debt for the purposes of financing the construction of infrastructure including treatment facilities necessary to provide for the operations. Following are summaries of the District's long-term debt as of December 31, 2019 and 2018 and its 2019 and 2018 transactions:

|                       | Balance<br>12/31/2018 | Additions            | Reductions          | Balance<br>12/31/2019 | Due in<br>2020      |
|-----------------------|-----------------------|----------------------|---------------------|-----------------------|---------------------|
| Revenue Bonds Payable | \$ 58,422,810         | \$ 93,013,532        | \$ 6,566,109        | \$ 144,870,234        | \$ 7,024,772        |
| Compensated absences  | 308,995               | (10,879)             | -                   | 298,116               | 29,630              |
| Long-term Liabilities | <u>\$ 58,731,805</u>  | <u>\$ 93,002,653</u> | <u>\$ 6,566,109</u> | <u>\$ 145,168,350</u> | <u>\$ 7,054,402</u> |

|                       | Balance<br>12/31/2017 | Additions            | Reductions          | Balance<br>12/31/2018 | Due in<br>2019      |
|-----------------------|-----------------------|----------------------|---------------------|-----------------------|---------------------|
| Revenue Bonds Payable | \$ 41,814,065         | \$ 22,598,745        | \$ 5,990,000        | \$ 58,422,810         | \$ 6,105,000        |
| Compensated absences  | 283,201               | 399,227              | 373,433             | 308,995               | 27,720              |
| Long-term Liabilities | <u>\$ 42,097,266</u>  | <u>\$ 22,997,972</u> | <u>\$ 6,363,433</u> | <u>\$ 58,731,805</u>  | <u>\$ 6,132,720</u> |

The District's bonds payable as of December 31, 2019 and 2019 its 2019 and 2019 debt transactions are shown in more detail below:

|                              | Balance at<br>January 1,<br>2019 | New Issues/<br>Refundings | Payments/<br>Amortization | Balance at<br>December 31,<br>2019 | Current<br>Portion<br>Due 2020 |
|------------------------------|----------------------------------|---------------------------|---------------------------|------------------------------------|--------------------------------|
| <b>REVENUE BONDS PAYABLE</b> |                                  |                           |                           |                                    |                                |
| Series 2012 A and B          | \$ 34,255,000                    | \$ -                      | \$ 6,105,000              | \$ 28,150,000                      | \$ 6,235,000                   |
| Series 2019                  | -                                | 64,355,000                | -                         | 64,355,000                         | -                              |
| CWCB Loan (2055)             | 24,167,810                       | 13,405,907                | -                         | 37,573,717                         | 789,772                        |
| CWCB Loan (2056)             | -                                | 4,212,118                 | -                         | 4,212,118                          | -                              |
| CWCB Loan (2053)             | -                                | -                         | -                         | -                                  | -                              |
|                              | <u>58,422,810</u>                | <u>81,973,025</u>         | <u>6,105,000</u>          | <u>134,290,835</u>                 | <u>\$ 7,024,772</u>            |
| Original issue premium       | -                                | 11,040,508                | 461,109                   | 10,579,399                         |                                |
| Original issue discount      | -                                | -                         | -                         | -                                  |                                |
|                              | <u>58,422,810</u>                | <u>\$ 93,013,533</u>      | <u>\$ 6,566,109</u>       | <u>144,870,234</u>                 |                                |
| Current portion              | 6,105,000                        |                           |                           | 7,024,772                          |                                |
| Long term portion            | <u>\$ 52,317,810</u>             |                           |                           | <u>\$ 137,845,462</u>              |                                |

|                              | Balance at<br>January 1,<br>2018 | New Issues/<br>Refundings | Payments/<br>Amortization | Balance at<br>December 31,<br>2018 | Current<br>Portion<br>Due 2019 |
|------------------------------|----------------------------------|---------------------------|---------------------------|------------------------------------|--------------------------------|
| <b>REVENUE BONDS PAYABLE</b> |                                  |                           |                           |                                    |                                |
| Series 2012 A and B          | \$ 40,245,000                    | \$ -                      | \$ 5,990,000              | \$ 34,255,000                      | \$ 6,105,000                   |
| CWCB Loan                    | 1,569,065                        | 22,598,745                | -                         | 24,167,810                         | -                              |
|                              | <u>41,814,065</u>                | <u>22,598,745</u>         | <u>5,990,000</u>          | <u>58,422,810</u>                  | <u>\$ 6,105,000</u>            |
|                              | <u>41,814,065</u>                | <u>\$ 22,598,745</u>      | <u>\$ 5,990,000</u>       | <u>58,422,810</u>                  |                                |
| Current portion              | 5,990,000                        |                           |                           | 6,105,000                          |                                |
| Long term portion            | <u>\$ 35,824,065</u>             |                           |                           | <u>\$ 52,317,810</u>               |                                |

**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

**REVENUE BONDS PAYABLE**

The bonds are payable solely from net operating revenues, defined as:

- recurring revenues, which includes all income received from the operation of the District facilities including rates, fees, tolls and charges, interest income and other operating income but excludes capacity fees.
- less normal operations and maintenance expenses not including non-capitalized major repair expenses paid from major repair reserves, depreciation and amortization of bond issuance expenses.

During the year ended December 31, 2019, \$13,414,026 of net operating revenues, as defined by the various bond covenants, was generated to make debt service principal and interest payments of \$10,422,643.

The outstanding bond issues are summarized as follows:

- The Series 2012 A Water and Sewer Revenue Tax-Exempt Refunding and Improvement Note dated December 1, 2012, in the amount of \$30,490,000 is a tax exempt loan due in varying increasing amounts annually through 2024. Interest is at fixed rates of 2.09% payable semi-annually June 1 and December 1.
- The Series 2012 B Taxable Water and Sewer Revenue Refunding Note (Taxable Convertible to Tax-Exempt) dated December 1, 2012, in the amount of \$18,750,000 is due in varying increasing amounts annually through 2023. Interest was initially at a taxable fixed rate of 3.01% payable semi-annually June 1 and December 1. The Note converted to tax-exempt status on September 3, 2014 at a new rate of 1.96%.
- The Series 2019 Water and Wastewater Revenue Bonds dated January 24, 2019 in the amount of \$64,355,000 are serial bonds due in varying increasing amounts annually through 2048. Interest is at a fixed rates ranging from 4.00% to 5.25% payable semi-annually June 1 and December 1.

Principal and interest on the bonds payable portion of long-term debt (excluding lease-purchase obligations) mature as follows:

|           | Principal      | Interest      | Total          |
|-----------|----------------|---------------|----------------|
| 2020      | \$ 7,024,772   | \$ 4,916,399  | \$ 11,941,171  |
| 2021      | 7,173,465      | 4,765,950     | 11,939,415     |
| 2022      | 7,332,869      | 4,611,950     | 11,944,819     |
| 2023      | 7,483,005      | 4,454,462     | 11,937,467     |
| 2024      | 4,688,895      | 4,293,672     | 8,982,567      |
| 2025-2029 | 12,755,842     | 19,705,762    | 32,461,604     |
| 2030-2034 | 15,710,048     | 16,750,305    | 32,460,353     |
| 2035-2039 | 19,317,566     | 13,148,038    | 32,465,604     |
| 2040-0244 | 23,683,034     | 8,785,570     | 32,468,604     |
| 2045-2049 | 24,909,222     | 2,976,569     | 27,885,791     |
|           | \$ 130,078,718 | \$ 84,408,678 | \$ 214,487,395 |

In 2015 the Board authorized additional debt in order to fund the Chatfield Reallocation Project. The Colorado Water Conservation Board (“CWCB”) approved three loan contracts with the District in the maximum amount of \$44,400,000. The loans are similar to construction loans and proceeds will be disbursed to match the phased funding of the project. The contracts require that the District contribute at least 10 percent of the project cost which for the purpose of the CWCB loan approval is estimated at \$48,888,000. All three loan contracts closed on October 15, 2015. The District’s 10 percent match was deposited into an escrow account at the time of closing. Draws began in 2017. In 2018, the Board authorized an increase in the loan amount of \$9,046,267 for a maximum amount of \$53,486,267 to cover the increased cost of construction based on bids received. The table above includes the first loan as that portion of the project reached completion in 2019. The second loan is not reflected in the table above, as draws on the loan are ongoing. The draws on the second loan as of December 31, 2019 were \$4,212,118.

**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

**LEASES PAYABLE**

The District does not currently have any lease-purchase obligations.

**OTHER DEBT INFORMATION**

On November 3, 1992, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$280,000,000 of which \$168,420,000 remains authorized but unissued. The District currently has no intention of issuing any general obligation debt but may issue revenue obligations.

Interest incurred during the period of construction and preparation for use of certain assets is capitalized as part of the cost of those assets.

During the periods ended December 31, 2019 and 2018 interest costs were incurred as follows:

|  | 2019                 | 2018                 |
|--|----------------------|----------------------|
| Interest costs incurred                        | \$ 5,691,726         | \$ 1,539,890         |
| Interest costs capitalized                     | -                    | -                    |
| Net interest expense                           | <u>\$ 5,691,726</u>  | <u>\$ 1,539,890</u>  |
| Interest costs capitalized - inception to date | <u>\$ 14,941,287</u> | <u>\$ 14,941,287</u> |

**D) INTERGOVERNMENTAL RECEIVABLES AND PAYABLES**

The following schedule reflects the District's net receivables as of December 31 from other governmental entities:

|                                       | December 31, |              |
|---------------------------------------|--------------|--------------|
|                                       | 2019         | 2018         |
| Highlands Ranch Metropolitan District | \$ 1,884,253 | \$ 2,850,289 |

These receivables from other governmental entities are classified as due from other governments on the statements of net position.

**IV OTHER INFORMATION**

**A) DEFINED CONTRIBUTION PENSION PLAN**

All regular employees of the District participate in the Highlands Ranch Special Districts' Employees Retirement Plan (the "Plan"). The Plan is a defined contribution plan established through an interdistrict agreement with Highlands Ranch Metropolitan District forming the Highlands Ranch Special Districts' Employees Retirement Association which is governed by a retirement board comprised of the Treasurer of Highlands Ranch Metropolitan District, two citizens appointed by the Highlands Ranch Board and the District Board and two employee representatives elected at large, however both of the participating districts must be represented. The Retirement Board may recommend changes to the plans as well as the contribution amounts. The member Districts boards of directors must approve any changes recommended by the Retirement Association. The Retirement Association administers the Plan through the Principal Financial Group, Inc. No audited GAAP basis reports are prepared.

**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

At December 31, 2019 there were 191 active plan members comprised of 98 full and part-time members employed by the District and 93 full and part-time members employed by Highlands Ranch Metro. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become Plan members upon employment as regular full time employees. Under the Plan, 6.2% of the Plan members pensionable compensation is withheld and remitted to the Plan Administrator. The members are immediately invested in their contribution plus earnings. The District contributes a matching payment of 6.2% of Plan members' pensionable compensation. The District's contributions plus earnings become fully vested to the Plan members upon the completion of three years of Plan membership.

District contributions for Plan members who leave employment before they are fully vested are used to reduce the District's benefit obligations or to pay plan related expenses. There is no liability for benefits under the Plan beyond the District's matching payments.

Contributions actually made by Plan members and the District for the years ended December 31 are as follows:

|          | 2019       | 2018       |
|----------|------------|------------|
| Employer | \$ 373,069 | \$ 361,450 |
| Employee | 383,569    | 368,127    |

The District's contributions are shown net of forfeitures (if any) which results in the difference in contributions between the employer and employee.

**B) DEFERRED COMPENSATION PLAN**

The District currently offers to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 administered by Principal Financial Group, Inc. Participation in the plan is optional for all employees. The District does provide a match for up to 4% of wages. The matching structure is 100% on the first 2% of employee contributions and 50% on employee contributions in excess of 2% up to a maximum of 4%. The plan allows employees to defer a portion of their salary until future years. All amounts deferred are held in trust for the exclusive benefit of participating employees.

**C) BOARD OF DIRECTORS**

The Board of Directors is elected for staggered four-year terms. In addition, all of the District's Board of Directors are employees of Shea Homes/Properties ("Shea"), the developer of Highlands Ranch.

**D) COMMITMENTS AND CONTINGENCIES**

**1) Intergovernmental Agreements**

The District has entered into water and wastewater service agreements with the Highlands Ranch Metropolitan District ("Metro District"). The agreement provides for the District to provide potable water and wastewater treatment services to areas included within the Metro District in exchange for the payment to the District of capacity fees. In addition, the Metro District has elected to pay the District to provide total service to it. Total service includes operation and maintenance of the Metro District facilities as well as billing the respective customers of the Metro District. The agreement expires in 2030.

The District has also entered into a water and wastewater service agreement with Highlands Ranch Metropolitan District No. 5 which changed its name in 2016 to Mirabelle Metropolitan District and subsequently included land outside of the Highlands Ranch boundaries. Mirabelle began construction in 2019 with homes anticipated in 2020.

## **CENTENNIAL WATER AND SANITATION DISTRICT NOTES TO FINANCIAL STATEMENTS, continued**

Northern Douglas County Water and Sanitation District (Northern) is provided service under an extended service area agreement providing wholesale water and wastewater service to the district directly, not to individual customers. Northern is only guaranteed service for the number of taps and at the specific locations for which it has acquired capacity. Northern may purchase options to acquire future capacity. As of December 31, 2019, Northern has options paid that have not been exercised yet.

The District has entered into an agreement with the Metro District wherein the cost related to the employment of certain management, administrative and engineering personnel employed by either the District or the Metro District and the cost of office supplies and other materials necessary for them to function would be shared with each of the respective districts entering into the agreement. The cost of these services is determined annually as part of the budget process and is reimbursed monthly.

Related to the agreement the District rents a portion of the District's office building to the Metro District. The income generated in 2019 from the lease was \$180,700. The building has an original cost of \$2,330,997 with a carrying value of \$249,268.

### 2) Water Transfer Agreement

The District has entered into an agreement with Shea Homes wherein the District was conveyed an interest in certain water rights and associated water facilities and easements (the value of which are included under Property, Plant and Equipment as Source of Supply) and the rights under agreements with the City of Englewood.

Payment by the District to Shea for the water rights and associated water facilities and easements that were conveyed is entirely dependent upon the sale of water taps to customers located outside the Highlands Ranch development area ("Extended Service Area"), if any. No payment is required for taps sold to service the Highlands Ranch development area. The payment to Shea was last adjusted effective January 1, 2018 and is subject to additional increase adjustments in five-year increments. To date payment has been remitted to Shea for 2,147 taps. The 2019 fee of \$13,950 per tap, subject to the 5 year adjustment, will be paid to the extent that the next 7,353 taps are sold. No payment for any taps provided beyond 9,500 taps is required.

The maximum total compensation if all remaining taps are sold is \$102,573,792 at the rates in effect as of December 31, 2019. The District is not required to sell such taps unless it determines that it is feasible to do so. Therefore total compensation under the agreement based on the current approvals by the District will be less than \$112,758,587. Cumulative payments under the agreement are \$10,184,795 through December 31, 2019.

### 3) Water Supply Agreements

In addition to a significant permanent water portfolio, the District has entered into numerous water supply agreements of both a long-term (greater than one-year) and short-term (designed and have been exercised longer than one-year but are cancellable with various notice periods in one year or less) nature.



**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

The long term agreements are subject to the following terms:

- a. The rights and obligations assumed from Shea by the District under the City of Englewood contracts include:
  - 1) a "take or pay" minimum annual payment schedule;
  - 2) annual deliveries from Englewood's Ranch Creek system;
  - 3) the use of storage space in Englewood's McLellan Reservoir;
  - 4) the exclusive use of water which is surplus to Englewood's needs.

The initial contract period was for the 20-year period from 1981 to 2000 with four additional 20-year renewal periods at the option of the District. The District exercised the first option and then renegotiated the contract in 2003. The renegotiated contract provides for the purchase of all water that is surplus to Englewood's needs, as well as lease capacity in certain water conveyance and storage facilities. Lease payments are fixed amounts based on calendar periods, subject to annual CPI adjustment. The pricing structure of the water purchases is tied to Englewood's delivery performance. Centennial also agreed to purchase provisions regarding certain water from Englewood's Ranch Creek delivery system. Initial term of agreement is a 20-year period from 2003 to 2022 with four additional 20-year renewal periods at the option of the District.

- b. In 1994 the District entered into an agreement with the Board of Water Commissioners of the City and County of Denver ("Denver Water Board") to acquire 1,000 acre feet of water annually. The agreement provides for minimum annual payments on a take or pay basis of 85% of the acquired acre-feet of water at the then current rate.
- c. In 2003, the District entered into an agreement with the Center of Colorado Water Conservancy District (CCWCD). The CCWCD agreement leases to the District 5/7ths of the yield of two water rights for 50 years, with a 50 year renewal option. The cost to the District is 6/7ths of the expenses related to the water rights acquisition, related permitting and water court processing expenses. The two water rights are the Randall Ditch and Sessions Ditch, both which divert from Michigan Creek, a tributary to the South Platte River. The anticipated "wet year" yield of both water rights is 700 acre-feet annually. CCWCD will receive the first 200 acre-feet and the District receives the remainder. The District owns approximately 200 acre feet of storage in fee. Delivery under the project required the construction of a new water storage reservoir that was completed in 2009.

The supply and the costs associated with each of the long-term agreements for 2019 and 2020 can be summarized as follows:

|                       | 2019     |                   |             | 2020                            |              |
|-----------------------|----------|-------------------|-------------|---------------------------------|--------------|
|                       | Acre Fee | Consumption<br>\$ | Lease<br>\$ | Minimum Obligation<br>Acre Feet | \$           |
| Long Term*            |          |                   |             |                                 |              |
| a) City of Englewood  | 5,497    | \$ 1,650,773      | \$ 962,497  | 5,520                           | \$ 2,619,394 |
| b) Denver Water Board | 875      | 314,245           | \$ -        | 1,000                           | \$ 358,440   |
| c) CCWCD/Bargas Ranch | 94       | 25,977            | \$ -        | 200                             | \$ 27,328    |

4) Construction commitments

As of December 31, 2019 unexpended appropriations for capital projects and water acquisition amounted to approximately \$78,014,901.

**CENTENNIAL WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

---

**E) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. The pool provides:

- coverage for property claims up to \$100,000,000
- liability coverage for claims up to \$1,000,000.
- Workers compensation claims are covered up to statutory limits, with claims related to employer's liability up to \$2,000,000.

Settled claims have not exceeded coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds that the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**F) SUBSEQUENT EVENTS**

The District has evaluated subsequent events through July 30, 2020, the date which the financial statements were available to be issued. The COVID-19 outbreak, which was declared a worldwide pandemic on March 11, 2020 by the World Health Organization ("WHO"), has caused business disruption in a variety of industries, markets and geographic regions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while we expect this matter to negatively impact our operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE**  
**BUDGETARY BASIS - BUDGET TO ACTUAL**  
**FOR THE FISCAL YEAR ENDED**  
**December 31, 2019**

|  | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>2019<br/>Actual</u> | <u>Variance from<br/>final budget -<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|---------------------------|------------------------|---|
| <b>REVENUES AND OTHER RECEIPTS</b>                   |                            |                           |                        |   |
| <i>OPERATING</i>                                     |                            |                           |                        |   |
| Water operations                                     | \$ 26,762,880              | \$ 26,762,880             | \$ 26,461,965          | \$ (300,915)  |
| Wastewater operations                                | 11,800,000                 | 11,800,000                | 11,542,746             | (257,254)   |
| Other operating                                      | 1,599,415                  | 1,599,415                 | 1,526,202              | (73,213)  |
|  | <u>40,162,295</u>          | <u>40,162,295</u>         | <u>39,530,913</u>      | <u>(631,382)</u>  |
| <i>NONOPERATING and OTHER RECEIPTS</i>               |                            |                           |                        |   |
| Net investment income                                | 836,000                    | 836,000                   | 4,785,312              | 3,949,312   |
| Proceeds from bond issuance                          | 70,000,000                 | 75,000,000                | 93,013,533             | 18,013,533  |
| Capital contributions                                | 1,267,872                  | 1,267,872                 | 2,399,351              | 1,131,479   |
| Other income (including cash from sale of equipment) | 15,000                     | 15,000                    | 164,660                | 149,660   |
|  | <u>72,118,872</u>          | <u>77,118,872</u>         | <u>100,362,856</u>     | <u>23,243,984</u>   |
| Total Revenue and Other Receipts                     | <u>112,281,167</u>         | <u>117,281,167</u>        | <u>139,893,769</u>     | <u>22,612,602</u>   |
| <b>EXPENDITURES and OTHER OUTLAYS</b>                |                            |                           |                        |   |
| <i>OPERATING</i>                                     |                            |                           |                        |   |
| Water operations                                     | 15,142,154                 | 15,142,154                | 13,881,475             | 1,260,679   |
| Wastewater operations                                | 5,486,108                  | 5,486,108                 | 4,677,723              | 808,385   |
| Administrative and general technical                 | 7,682,227                  | 7,682,227                 | 7,043,588              | 638,639   |
| Miscellaneous capital outlay                         | 897,000                    | 897,000                   | 836,784                | 60,216  |
|  | <u>29,207,489</u>          | <u>29,207,489</u>         | <u>26,439,570</u>      | <u>2,767,919</u>  |
| <i>NONOPERATING</i>                                  |                            |                           |                        |   |
| Debt Service   |                            |                           |                        |   |
| Interest paid on bonds                               | 5,271,000                  | 5,271,000                 | 4,317,642              | 953,358   |
| Principal paid on bonds                              | 6,105,000                  | 6,105,000                 | 6,105,000              | -   |
| Bond issuance expenditures                           | -                          | -                         | 760,023                | (760,023)   |
| All other funds / capital related                    |                            |                           |                        |   |
| Capital improvement projects                         | 40,446,890                 | 85,275,020                | 22,717,158             | 62,557,862  |
| Water acquisition                                    | 5,063,436                  | 31,000,256                | 17,660,419             | 13,339,837  |
| Major repair projects                                | 12,209,800                 | 2,562,465                 | 1,487,701              | 1,074,764   |
|  | <u>69,096,126</u>          | <u>130,213,741</u>        | <u>53,047,943</u>      | <u>77,165,799</u>   |
| Total Expenses                                       | <u>98,303,615</u>          | <u>159,421,230</u>        | <u>79,487,514</u>      | <u>79,933,718</u>   |
| <b>EXCESS REVENUE OVER (UNDER)</b>                   |                            |                           |                        |   |
| <b>EXPENSES (BUDGETARY BASIS)</b>                    | 13,977,552                 | (42,140,063)              | 60,406,255             | 102,546,318   |
| <b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>           | 76,370,187                 | 88,337,581                | 88,337,581             | -   |
| <b>FUNDS AVAILABLE - END OF PERIOD</b>               | <u>\$ 90,347,739</u>       | <u>\$ 46,197,518</u>      | <u>\$ 148,743,836</u>  | <u>\$ 102,546,318</u>   |

See accompanying Independent Auditor's Report

**CENTENNIAL WATER AND SANITATION DISTRICT  
BUDGET RECONCILIATION  
FOR THE FISCAL YEAR ENDED  
December 31, 2019**

**BUDGETARY FUNDS AVAILABLE AT DECEMBER 31, 2019 IS COMPUTED AS FOLLOWS**

|   | Restricted           |                      | Operating            | Combined              |
|---|----------------------|----------------------|----------------------|-----------------------|
|   | Debt Service         | Capital Projects     |                      |                       |
| Current assets                              | \$ 10,247,285        | \$ 80,641,135        | \$ 68,659,427        | \$ 159,547,847        |
| Liabilities payable from current assets     | (8,456,489)          | (8,313,410)          | (2,222,116)          | (18,992,015)          |
| Net current assets per financial statements | 1,790,796            | 72,327,725           | 66,437,311           | 140,555,832           |
| Budget adjustments:                         |                      |                      |                      |                       |
| Accrued interest payable                    | 1,431,717            | -                    | -                    | 1,431,717             |
| Long term compensated absences              | -                    | -                    | (268,486)            | (268,486)             |
| Current portion of bonds payable            | 7,024,772            | -                    | -                    | 7,024,772             |
| <b>Funds available at December 31, 2019</b> | <b>\$ 10,247,285</b> | <b>\$ 72,327,725</b> | <b>\$ 66,168,825</b> | <b>\$ 148,743,835</b> |

**RECONCILIATION FROM BUDGETARY BASIS TO GAAP BASIS OF ACCOUNTING**

|   |                       |
|---|-----------------------|
| <b>REVENUE (Budgetary basis)</b>          | <b>\$ 139,893,769</b> |
| Less:                                     |                       |
| Capital contributions                     | (2,399,351)           |
| Proceeds from bond issuance               | (93,013,533)          |
| <b>REVENUE (GAAP basis)</b>               | <b>44,480,885</b>     |
| <b>EXPENDITURES (Budgetary basis)</b>     | <b>79,487,514</b>     |
| Plus:                                     |                       |
| Depreciation                              | 6,378,444             |
| Amortization                              | 628,501               |
| Net increase in accrued interest payable  | 1,374,085             |
| Loss on disposal of assets                | 139,271               |
| Noncapital major repair                   | 514,101               |
| Less:                                     |                       |
| Operating miscellaneous capital           | (836,784)             |
| Water acquisition                         | (17,660,419)          |
| Capital improvement projects              | (22,717,158)          |
| Major repair projects                     | (1,487,701)           |
| Principal payments                        | (6,105,000)           |
| <b>EXPENSES (GAAP basis)</b>              | <b>38,954,829</b>     |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b> | <b>\$ 5,526,056</b>   |

See accompanying Independent Auditor's Report

**CENTENNIAL WATER AND SANITATION DISTRICT  
STATISTICAL SECTION  
DECEMBER 31, 2019**

---

This section of the Centennial Water and Sanitation District Comprehensive Annual Financial Report presents detailed data as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

| <u>Content</u>   | <u>Tables &amp; Charts</u> | <u>Pages</u> |
|--|----------------------------|--------------|
| <b>FINANCIAL TRENDS</b><br>These tables and charts contain trend information to help the reader understand how the District's financial condition has changed over time.   | A1 – A3                    | 24-27        |
| <b>REVENUE CAPACITY</b><br>These tables and charts contain information to help the reader assess the District's largest revenue sources.   | B1 – B4                    | 28-32        |
| <b>DEBT CAPACITY</b><br>These tables and charts present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue debt in the future.       | C1-C2                      | 33-36        |
| <b>DEMOGRAPHIC &amp; ECONOMIC INFORMATION</b><br>These tables and charts offer demographic and economic indicators to help the reader understand the environment that the District's financial activities are taking place within. | D1-D2                      | 37-38        |
| <b>OPERATING INFORMATION</b><br>These tables and charts contain service data to help the reader understand how information in the financial report relates to the services the District provides and the activities it performs.   | E1                         | 39           |

**Centennial Water and Sanitation District**

TABLE A-1  
NET POSITION  
Last Ten Years

|  | 2010 Restated         | 2011 Restated         | 2012                  | 2013                  | 2014                  | 2015                  | 2016                  | 2017                  | 2018                  | 2019                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                  |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Current Assets                                 |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Current Operating - cash                       | \$ 32,388,753         | \$ 41,924,036         | \$ 45,725,030         | \$ 44,453,163         | \$ 42,498,661         | \$ 45,572,506         | \$ 48,564,732         | \$ 51,998,405         | \$ 57,171,036         | \$ 62,546,142         |
| Current Operating - noncash                    | 3,884,977             | 3,959,175             | 4,564,426             | 4,100,834             | 4,297,496             | 4,716,852             | 4,685,807             | 4,561,274             | 5,828,444             | 6,113,285             |
| Current Restricted -cash                       | 36,777,299            | 30,655,860            | 38,360,802            | 35,810,389            | 35,842,910            | 36,582,394            | 38,503,191            | 36,181,686            | 28,228,552            | 90,813,205            |
| Current Restricted -noncash                    | -                     | 50,120                | 86,312                | 49,048                | 24,781                | 11,129                | 3,792                 | -                     | -                     | 75,215                |
| Total Current Assets                           | <u>73,051,029</u>     | <u>76,589,191</u>     | <u>88,736,570</u>     | <u>84,413,434</u>     | <u>82,663,848</u>     | <u>86,882,881</u>     | <u>91,757,522</u>     | <u>92,741,365</u>     | <u>91,228,032</u>     | <u>159,547,847</u>    |
| Noncurrent Assets                              |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Capital assets (less accumulated depreciation) | 196,554,244           | 191,862,231           | 187,809,077           | 190,258,675           | 191,014,878           | 186,834,091           | 184,539,071           | 191,916,339           | 220,555,101           | 256,225,346           |
| Total Noncurrent Assets                        | <u>196,554,244</u>    | <u>191,862,231</u>    | <u>187,809,077</u>    | <u>190,258,675</u>    | <u>191,014,878</u>    | <u>186,834,091</u>    | <u>184,539,071</u>    | <u>191,916,339</u>    | <u>220,555,101</u>    | <u>256,225,346</u>    |
| Deferred outflows of resources                 |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Cost of bond refunding (restated 2010 on)      | 374,219               | 298,703               | 4,114,816             | 3,438,920             | 2,827,115             | 2,322,221             | 1,844,346             | 1,409,738             | 1,019,930             | 690,348               |
| Total assets & deferred outflow of resources   | <u>269,979,492</u>    | <u>268,750,125</u>    | <u>280,660,463</u>    | <u>278,111,029</u>    | <u>276,505,841</u>    | <u>276,039,193</u>    | <u>278,140,939</u>    | <u>286,067,442</u>    | <u>312,803,063</u>    | <u>416,463,541</u>    |
| <b>LIABILITIES</b>                             |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Current Liabilities                            |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| from Current Operating Assets                  | 1,952,234             | 1,709,988             | 1,755,309             | 1,775,491             | 1,591,523             | 1,557,140             | 1,564,762             | 1,840,086             | 1,947,183             | 2,222,112             |
| from Restricted Assets                         | 3,900,472             | 4,101,823             | 4,993,484             | 5,861,490             | 5,861,606             | 5,727,539             | 5,874,600             | 8,008,623             | 6,824,621             | 16,769,899            |
| Total Current Liabilities                      | <u>5,852,706</u>      | <u>5,811,811</u>      | <u>6,748,793</u>      | <u>7,636,981</u>      | <u>7,453,129</u>      | <u>7,284,679</u>      | <u>7,439,362</u>      | <u>9,848,709</u>      | <u>8,771,804</u>      | <u>18,992,011</u>     |
| Noncurrent Liabilities                         |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Compensated absences                           | 200,081               | 245,052               | 249,233               | 241,644               | 264,556               | 274,977               | 281,384               | 243,871               | 281,275               | 268,486               |
| Revenue bonds payable                          | 60,542,390            | 56,689,049            | 62,197,130            | 57,041,204            | 51,581,482            | 45,985,066            | 40,260,352            | 35,824,059            | 52,317,810            | 137,845,462           |
| Capital leases payable                         | 33,399                | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Total Noncurrent Liabilities                   | <u>60,775,870</u>     | <u>56,934,101</u>     | <u>62,446,363</u>     | <u>57,282,848</u>     | <u>51,846,038</u>     | <u>46,260,043</u>     | <u>40,541,736</u>     | <u>36,067,930</u>     | <u>52,599,085</u>     | <u>138,113,948</u>    |
| Total Liabilities                              | <u>66,628,576</u>     | <u>62,745,912</u>     | <u>69,195,156</u>     | <u>64,919,829</u>     | <u>59,299,167</u>     | <u>53,544,722</u>     | <u>47,981,098</u>     | <u>45,916,639</u>     | <u>61,370,889</u>     | <u>157,105,959</u>    |
| <b>NET POSITION</b>                            |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets               | 132,261,858           | 131,299,789           | 120,776,947           | 128,187,471           | 134,058,396           | 135,304,025           | 140,428,065           | 151,512,018           | 163,152,221           | 112,045,460           |
| Restricted                                     |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Debt Service                                   | 6,636,700             | 6,653,592             | 6,642,000             | 6,664,495             | 6,659,000             | 6,688,000             | 6,813,000             | 7,257,405             | 9,550,000             | 10,247,285            |
| Capital Projects                               | 30,140,599            | 24,008,795            | 31,700,983            | 28,449,161            | 28,803,211            | 29,805,357            | 31,604,606            | 26,973,351            | 18,016,565            | 72,327,725            |
| Unrestricted                                   | 34,311,759            | 44,042,037            | 52,345,377            | 49,890,073            | 47,686,067            | 50,697,089            | 51,314,170            | 54,408,029            | 60,713,389            | 64,737,112            |
| Total Net Position                             | <u>203,350,916</u>    | <u>206,004,213</u>    | <u>211,465,307</u>    | <u>213,191,200</u>    | <u>217,206,674</u>    | <u>222,494,471</u>    | <u>230,159,841</u>    | <u>240,150,803</u>    | <u>251,432,175</u>    | <u>259,357,582</u>    |
| Total Liabilities and Net Position             | <u>\$ 269,979,492</u> | <u>\$ 268,750,125</u> | <u>\$ 280,660,463</u> | <u>\$ 278,111,029</u> | <u>\$ 276,505,841</u> | <u>\$ 276,039,193</u> | <u>\$ 278,140,939</u> | <u>\$ 286,067,442</u> | <u>\$ 312,803,063</u> | <u>\$ 416,463,541</u> |

Centennial Water and Sanitation District

TABLE A-2  
CHANGE IN NET POSITION  
Last Ten Years

|   | 2010                  | 2011                  | 2012                  | 2013                  | 2014                  | 2015                  | 2016                  | 2017               | 2018               | 2019               |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|--------------------|--------------------|
| <b>OPERATING REVENUES</b>                               |                       |                       |                       |                       |                       |                       |                       |                    |                    |                    |
| Water Operations*                                       | \$ 20,725,452         | \$ 20,634,689         | \$ 23,356,395         | \$ 20,977,591         | \$ 22,311,044         | \$ 23,520,709         | \$ 26,124,365         | \$ 25,958,136      | \$ 28,512,675      | \$ 27,988,167      |
| Wastewater Operations*                                  | 7,749,484             | 8,100,431             | 8,362,615             | 8,671,531             | 8,888,171             | 9,272,790             | 9,712,521             | 10,036,591         | 10,442,472         | 11,542,746         |
| Total Operating Revenue                                 | <u>28,474,936</u>     | <u>28,735,120</u>     | <u>31,719,010</u>     | <u>29,649,122</u>     | <u>31,199,215</u>     | <u>32,793,499</u>     | <u>35,836,886</u>     | <u>35,994,727</u>  | <u>38,955,147</u>  | <u>39,530,913</u>  |
| <b>OPERATING EXPENSES</b>                               |                       |                       |                       |                       |                       |                       |                       |                    |                    |                    |
| Water operations  | 9,790,308             | 10,103,223            | 10,266,691            | 11,661,137            | 10,882,238            | 10,824,304            | 12,293,103            | 12,972,389         | 13,986,440         | 13,881,475         |
| Wastewater operations                                   | 3,600,479             | 4,095,745             | 4,670,118             | 4,473,980             | 4,863,717             | 4,983,185             | 4,693,610             | 4,296,289          | 4,724,790          | 4,677,723          |
| Administrative and general                              | 5,378,632             | 5,451,604             | 5,571,191             | 5,644,674             | 5,885,419             | 6,108,415             | 6,438,264             | 7,015,519          | 7,158,519          | 7,043,588          |
| Non capitalized expenses paid from major repair reserve | 593,321               | 246,404               | 11                    | 21,020                | 886,419               | 511,951               | 860,597               | 581,383            | 480,482            | 514,101            |
| Depreciation  | 6,126,965             | 6,284,734             | 6,338,976             | 6,469,771             | 6,670,642             | 6,665,027             | 6,638,711             | 6,629,523          | 6,404,333          | 6,378,444          |
| Total Operating Expense                                 | <u>25,489,705</u>     | <u>26,181,710</u>     | <u>26,846,987</u>     | <u>28,270,582</u>     | <u>29,188,435</u>     | <u>29,092,882</u>     | <u>30,924,285</u>     | <u>31,495,103</u>  | <u>32,754,564</u>  | <u>32,495,331</u>  |
| Operating Income (Loss)                                 | <u>2,985,231</u>      | <u>2,553,410</u>      | <u>4,872,023</u>      | <u>1,378,540</u>      | <u>2,010,780</u>      | <u>3,700,617</u>      | <u>4,912,601</u>      | <u>4,499,624</u>   | <u>6,200,583</u>   | <u>7,035,582</u>   |
| <b>NONOPERATING REVENUES</b>                            |                       |                       |                       |                       |                       |                       |                       |                    |                    |                    |
| Net investment income (loss)                            | 758,214               | 879,186               | 605,546               | (54,156)              | 693,307               | 594,850               | 810,284               | 924,377            | 1,504,109          | 4,785,312          |
| Gain on disposal of equipment                           | 14,970                | 236                   | -                     | 3,010                 | 58,655                | 6,070                 | 38,290                | 15,940             | 67,561             | 53,060             |
| Other income  | 591,285               | 8,248                 | -                     | -                     | 420,913               | 406,059               | 8,385                 | 1,167,517          | -                  | 111,600            |
| Total Nonoperating Revenue                              | <u>1,364,469</u>      | <u>887,670</u>        | <u>605,546</u>        | <u>(51,146)</u>       | <u>1,172,875</u>      | <u>1,006,979</u>      | <u>856,959</u>        | <u>2,107,834</u>   | <u>1,571,670</u>   | <u>4,949,972</u>   |
| <b>NONOPERATING EXPENSES</b>                            |                       |                       |                       |                       |                       |                       |                       |                    |                    |                    |
| Interest  | 3,074,563             | 2,939,724             | 2,711,616             | 2,324,562             | 1,940,912             | 1,270,018             | 1,141,234             | 958,537            | 1,150,082          | 5,691,726          |
| Amortization of bond issuance cost                      | 709,303               | 75,516                | 425,646               | 37,265                | 49,767                | 467,130               | 455,498               | 423,042            | 389,808            | 628,501            |
| Loss on disposal of equipment                           | 440,546               | 42,200                | 12,688                | -                     | 239,063               | -                     | 85,519                | 379,180            | 249,540            | 139,271            |
| Capital grants to other governments                     | 296,259               | -                     | -                     | -                     | -                     | -                     | -                     | -                  | -                  | -                  |
| Water Transfer  | -                     | 42,760                | -                     | 61,800                | -                     | -                     | -                     | -                  | -                  | -                  |
| Total Nonoperating Expense                              | <u>4,520,671</u>      | <u>3,100,200</u>      | <u>3,149,950</u>      | <u>2,423,627</u>      | <u>2,229,742</u>      | <u>1,737,148</u>      | <u>1,682,251</u>      | <u>1,760,759</u>   | <u>1,789,430</u>   | <u>6,459,498</u>   |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>               | <u>(170,971)</u>      | <u>340,880</u>        | <u>2,327,619</u>      | <u>(1,096,233)</u>    | <u>953,913</u>        | <u>2,970,448</u>      | <u>4,087,309</u>      | <u>4,846,699</u>   | <u>5,982,823</u>   | <u>5,526,056</u>   |
| <b>CAPITAL CONTRIBUTIONS IN/(OUT)</b>                   |                       |                       |                       |                       |                       |                       |                       |                    |                    |                    |
| Reserved Capacity Fees                                  | 2,129,454             | 2,312,417             | 3,133,475             | 2,822,126             | 3,061,561             | 2,317,349             | 3,578,061             | 5,144,263          | 5,298,549          | 2,399,351          |
| <b>CHANGE IN NET POSITION</b>                           | <u>1,958,483</u>      | <u>2,653,297</u>      | <u>5,461,094</u>      | <u>1,725,893</u>      | <u>4,015,474</u>      | <u>5,287,797</u>      | <u>7,665,370</u>      | <u>9,990,962</u>   | <u>11,281,372</u>  | <u>7,925,407</u>   |
| <b>NET POSITION - BEGINNING OF YEAR</b>                 | <u>201,392,433</u>    | <u>203,350,916</u>    | <u>206,004,213</u>    | <u>211,465,307</u>    | <u>213,191,200</u>    | <u>217,206,674</u>    | <u>222,494,471</u>    | <u>230,159,841</u> | <u>240,150,803</u> | <u>251,432,175</u> |
| <b>NET POSITION - END OF YEAR</b>                       | <u>\$ 203,350,916</u> | <u>\$ 206,004,213</u> | <u>\$ 211,465,307</u> | <u>\$ 213,191,200</u> | <u>\$ 217,206,674</u> | <u>\$ 222,494,471</u> | <u>\$ 230,159,841</u> | <u>240,150,803</u> | <u>251,432,175</u> | <u>259,357,582</u> |

\*pledged as security - revenue bonds

**Centennial Water and Sanitation District**  
**TABLE A-3**  
**REVENUES and RESERVED CAPACITY FEES**  
**Last Ten Years**

| Year |                         |                              |                      |            |                                |                                       |           |
|------|-------------------------|------------------------------|----------------------|------------|--------------------------------|---------------------------------------|-----------|
|      | Water Operating Revenue | Wastewater Operating Revenue | Nonoperating Revenue | Total      | Highlands Ranch Metro District | No. Douglas County Water & Sanitation | Total     |
| 2010 | 20,725,452              | 7,749,484                    | 1,364,469            | 29,839,405 | 2,129,454                      | -                                     | 2,129,454 |
| 2011 | 20,634,689              | 8,100,431                    | 887,670              | 29,622,790 | 2,188,557                      | 123,860                               | 2,312,417 |
| 2012 | 23,356,395              | 8,362,615                    | 605,546              | 32,324,556 | 3,108,063                      | 25,412                                | 3,133,475 |
| 2013 | 20,977,591              | 8,671,531                    | (51,146)             | 29,597,976 | 2,673,681                      | 148,445                               | 2,822,126 |
| 2014 | 22,311,044              | 8,888,171                    | 1,172,875            | 32,372,090 | 3,061,561                      | -                                     | 3,061,561 |
| 2015 | 23,520,709              | 9,272,790                    | 1,006,979            | 33,800,478 | 2,317,349                      | -                                     | 2,317,349 |
| 2016 | 26,124,365              | 9,712,521                    | 856,959              | 36,693,845 | 3,578,061                      | -                                     | 3,578,061 |
| 2017 | 25,958,136              | 10,036,591                   | 2,107,834            | 38,102,561 | 5,144,263                      | -                                     | 5,144,263 |
| 2018 | 28,512,675              | 10,442,472                   | 1,571,670            | 40,526,817 | 5,298,549                      | -                                     | 5,298,549 |
| 2019 | 27,988,167              | 11,542,746                   | 4,949,972            | 44,480,885 | 1,008,272                      | 1,391,079                             | 2,399,351 |

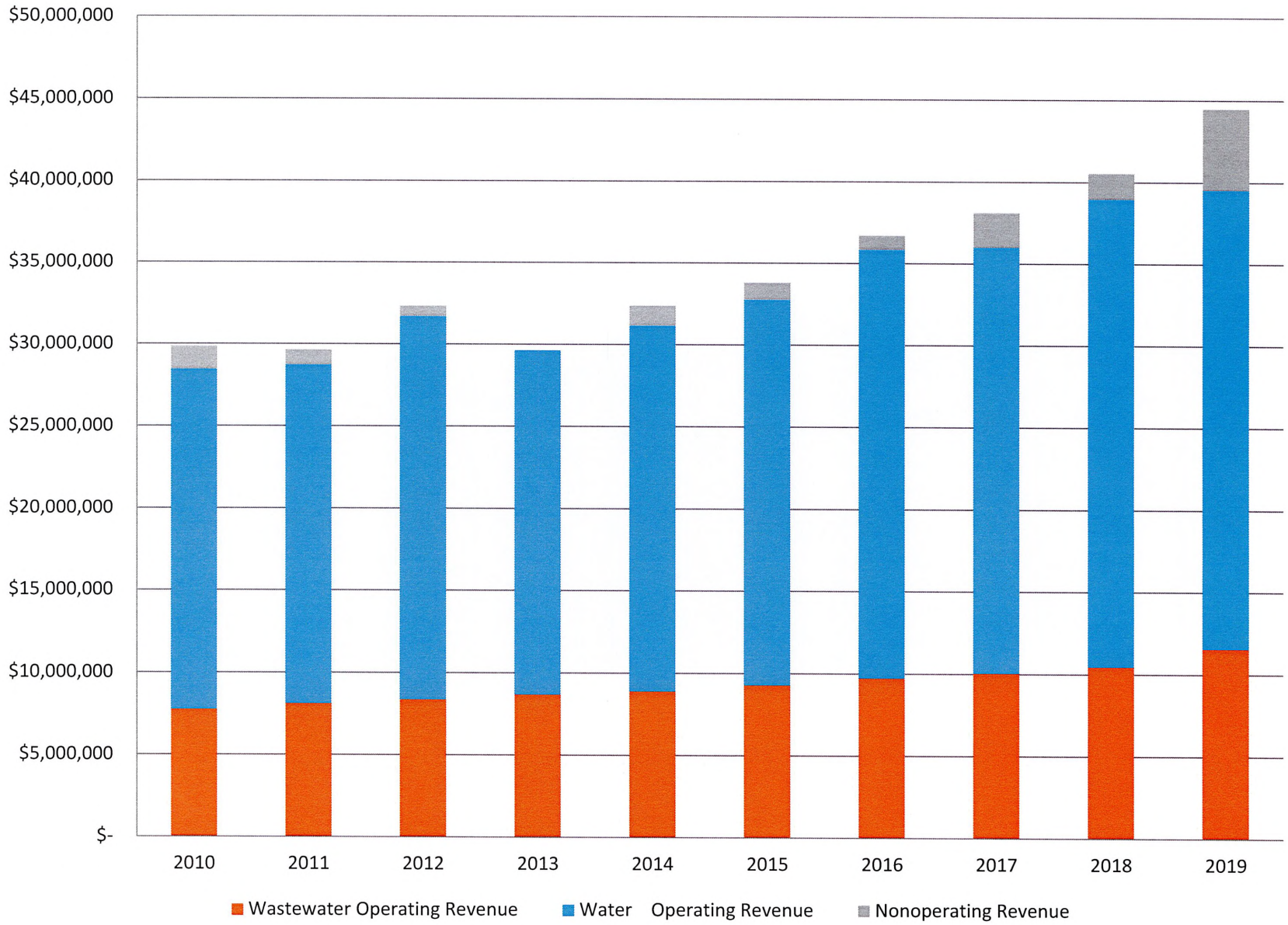
**NOTES**

- 1 Utility revenues includes all operating and nonoperating revenues per the financial statements
- 2 Pursuant to intergovernmental agreements, the District receives cash contributions from other governments for their license to use capacity in the total water and wastewater facilities of the District.



# UTILITY REVENUES - Chart A-3

27

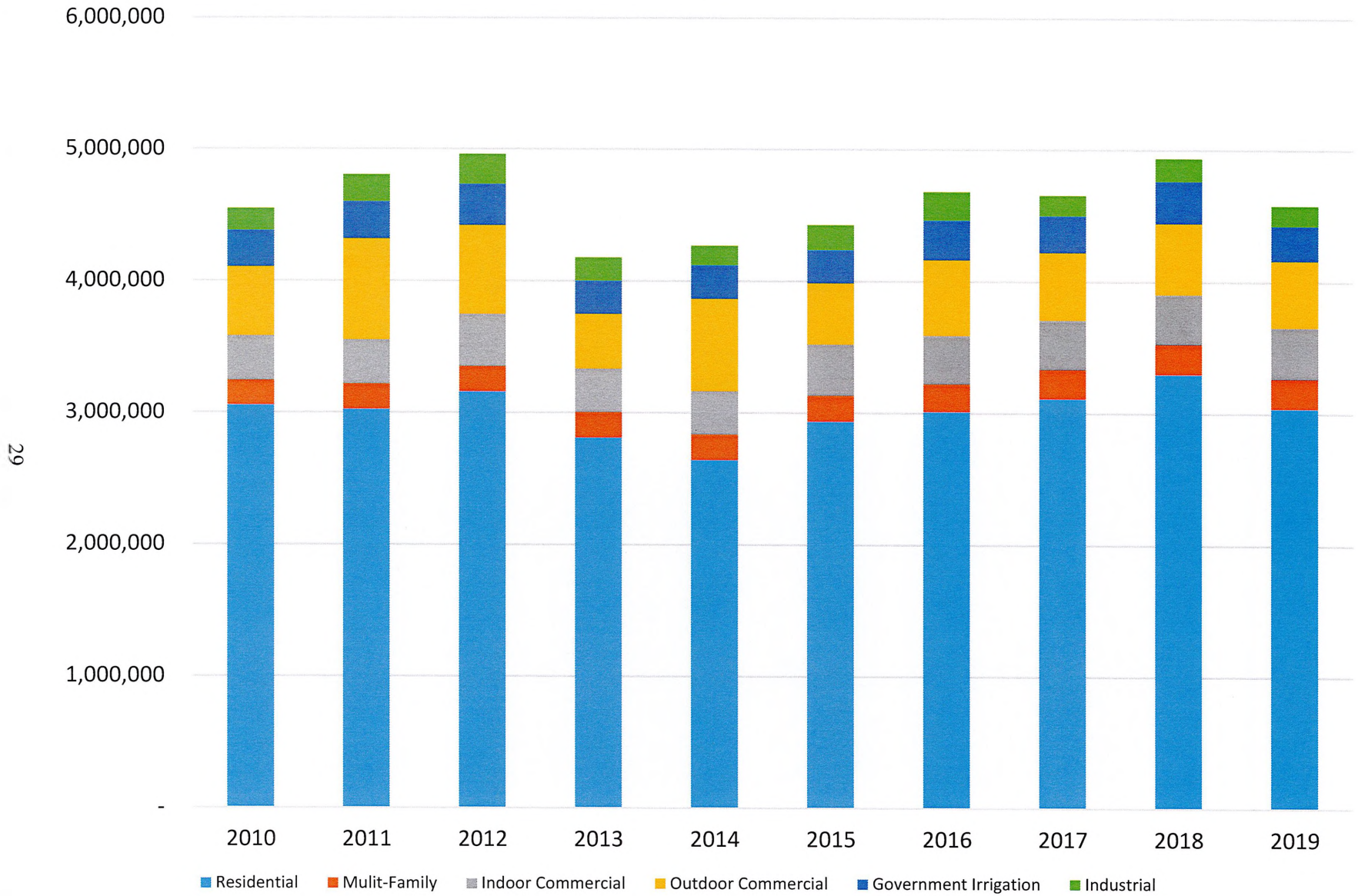


**Centennial Water and Sanitation District**  
**TABLE B-1**  
**WATER SOLD BY CUSTOMER TYPE (in 1,000 gallons) - Highlands Ranch only**  
**Last Ten Years**

| Year | Residential | Mult-Family | Indoor Commercial | Outdoor Commercial | Government Irrigation | Industrial | Total     | Change - year over year | Change - 10 year cumulative |
|------|-------------|-------------|-------------------|--------------------|-----------------------|------------|-----------|-------------------------|-----------------------------|
| 2010 | 3,055,805   | 188,119     | 336,829           | 523,172            | 275,798               | 166,026    | 4,545,749 | 15.86%                  | 15.86%                      |
| 2011 | 3,024,741   | 192,313     | 334,857           | 765,218            | 281,417               | 205,065    | 4,803,611 | 5.67%                   | 22.43%                      |
| 2012 | 3,159,771   | 190,945     | 394,599           | 677,054            | 308,791               | 230,725    | 4,961,885 | 3.29%                   | 26.46%                      |
| 2013 | 2,810,481   | 192,788     | 330,726           | 415,692            | 249,393               | 177,057    | 4,176,137 | -15.84%                 | 6.44%                       |
| 2014 | 2,641,481   | 195,510     | 327,490           | 699,840            | 254,916               | 148,336    | 4,267,573 | 2.19%                   | 8.77%                       |
| 2015 | 2,935,723   | 198,224     | 387,930           | 463,073            | 250,867               | 191,580    | 4,427,397 | 3.75%                   | 12.84%                      |
| 2016 | 3,011,130   | 211,179     | 367,893           | 574,410            | 298,553               | 215,720    | 4,678,885 | 5.68%                   | 19.25%                      |
| 2017 | 3,111,501   | 222,705     | 372,899           | 514,706            | 276,640               | 155,520    | 4,653,971 | -0.53%                  | 18.61%                      |
| 2018 | 3,299,539   | 227,012     | 376,806           | 539,929            | 317,742               | 175,694    | 4,936,722 | 6.08%                   | 25.82%                      |
| 2019 | 3,039,070   | 228,879     | 386,492           | 505,453            | 264,454               | 152,831    | 4,577,179 | -7.28%                  | 16.66%                      |

Source: District's Utility Billing Division

### Water Sold by Customer Type - Highlands Ranch Customers only in thousands



**Centennial Water and Sanitation District**  
 TABLE B-2  
 HISTORY OF BASE WATER and WASTEWATER RATES  
 Last Ten Years

| Year | Water Rates  |                             |                                  | Wastewater Rates                 |                        |
|------|--|-----------------------------|----------------------------------|----------------------------------|------------------------|
|      | Service Availability Charge Monthly per equivalent | Base Rate per 1,000 gallons | Top Tier Rate* per 1,000 gallons | Monthly Fixed Fee per equivalent | Rate per 1,000 gallons |
| 2010 | 12.50  | 2.55                        | 7.90                             | 6.11                             | 2.35                   |
| 2011 | 12.50  | 2.60                        | 8.05                             | 6.25                             | 2.52                   |
| 2012 | 12.50  | 2.65                        | 8.21                             | 6.50                             | 2.55                   |
| 2013 | 12.50  | 2.75                        | 8.52                             | 6.50                             | 2.65                   |
| 2014 | 13.50  | 2.95                        | 9.14                             | 6.75                             | 2.75                   |
| 2015 | 13.50  | 3.05                        | 9.46                             | 6.75                             | 2.93                   |
| 2016 | 13.50  | 3.21                        | 9.94                             | 6.95                             | 3.03                   |
| 2017 | 13.50  | 3.41                        | 10.56                            | 6.95                             | 3.08                   |
| 2018 | 13.65  | 3.63                        | 11.25                            | 7.20                             | 3.20                   |
| 2019 | 14.70  | 3.73                        | 11.55                            | 9.30                             | 3.35                   |

**NOTES:**

- 1 Rates shown are as of December 31 of each year. Residential is billed bimonthly and nonresidential is billed monthly.
- 2 Water rates are per 1,000 gallons of water consumed.
- 3 Residential wastewater rates are computed based on wintertime water usage. The minimum charge is based on 3,000 gallons.
- 4 Service availability charge and Monthly Fixed Fee shown are based on 3/4" equivalent tap size on a monthly basis.
- 5 Each Customer has a unique water budget that varies with lot size and time of year. Usage up to water budget is billed at the base rate. Usage above the water budget is billed in increasing rate tiers up to the top tier.

**Centennial Water and Sanitation District**

TABLE B-3

TAPS SOLD IN 3/4" Equivalent

Last Ten Years

| Year          | Highlands Ranch Metro District (1) |              |               |              |               | Northern Douglas County (2) |              |            |              | TOTAL         |
|---------------|------------------------------------|--------------|---------------|--------------|---------------|-----------------------------|--------------|------------|--------------|---------------|
|               | Residential                        |              | Commercial    | Government   |               | Residential                 |              | Commercial | Total        |               |
|               | Single Family                      | Multi-Family |               | Irrigation   | Total         | Single Family               | Multi-Family |            |              |               |
| Prior to 2010 | 27,300                             | 6,013        | 12,560        | 1,317        | 47,190        | 1,527                       | 104          | 249        | 1,880        | 49,070        |
| 2010          | 107                                | 8            | 55            | 0            | 170           | 0                           | 0            | 0          | 0            | 170           |
| 2011          | 212                                | 32           | 57            | 8            | 309           | 0                           | 0            | 4          | 4            | 313           |
| 2012          | 322                                | 22           | 89            | 26           | 459           | 1                           | 0            | 0          | 1            | 460           |
| 2013          | 262                                | 278          | 101           | 0            | 641           | 0                           | 0            | 5          | 5            | 646           |
| 2014          | 184                                | 202          | 55            | 0            | 441           | 0                           | 0            | 0          | 0            | 441           |
| 2015          | 150                                | 196          | 92            | 0            | 438           | 0                           | 0            | 0          | 0            | 438           |
| 2016          | 105                                | 68           | 26            | 0            | 199           | 0                           | 0            | 0          | 0            | 199           |
| 2017          | 118                                | 384          | 52            | 18           | 572           | 0                           | 0            | 0          | 0            | 572           |
| 2018          | 165                                | 237          | 102           | 0            | 504           | 0                           | 56           | 2          | 58           | 562           |
| 2019          | 236                                | 216          | 13            | 0            | 465           | 0                           | 56           | 28         | 84           | 549           |
| <b>Total</b>  | <b>29,054</b>                      | <b>7,648</b> | <b>13,147</b> | <b>1,369</b> | <b>51,218</b> | <b>1,528</b>                | <b>216</b>   | <b>288</b> | <b>2,032</b> | <b>53,250</b> |

**Notes:**

- 1 Centennial Water and Sanitation District serves the Highlands Ranch, Colorado community through the Highlands Ranch Metro District and outside the boundaries of Highlands Ranch through Northern Douglas County Water and Sanitation District.
- 2 Tap Fee units are given in number of dwelling units for single family (each of which would be one 3/4" single family equivalent "SFE") and multi-family residential units (each of which would be approximately .56 SFE) Commercial units are stated as number of 3/4" SFE. Tap Fees are collected prior to certificates of occupancy being approved.
- 3 The Highlands Ranch Metro District numbers include irrigation tap equivalents installed and paying usage rates but were not required to pay Tap Fees.

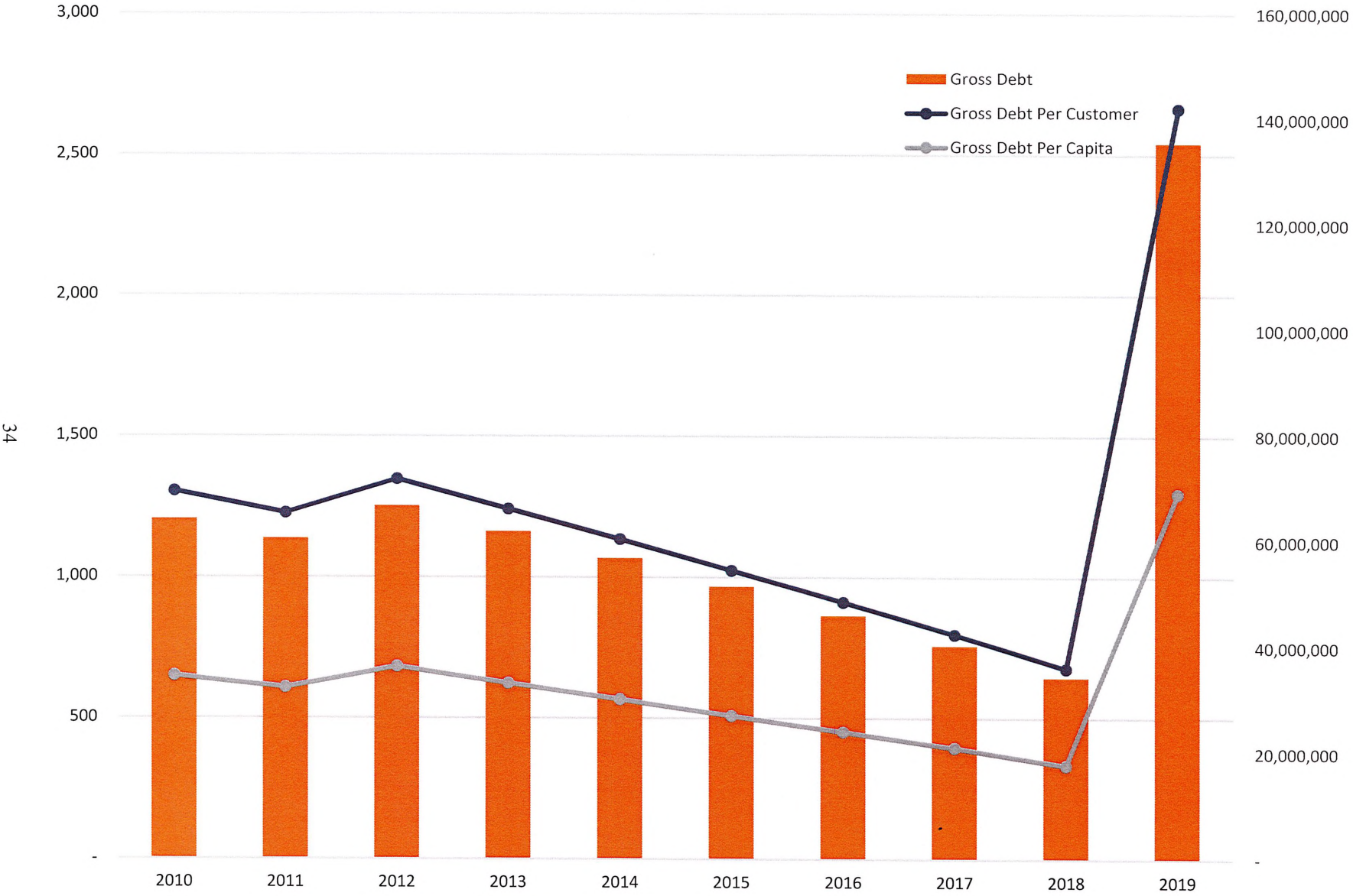
**Centennial Water and Sanitation District**  
**TABLE C-1**  
**RATIO OF BONDED DEBT**  
**NET BONDED DEBT PER CUSTOMER and PER CAPITA SERVED**  
**Last Ten Years**

| Year | Customers Served (1) | Population Served | Gross Bonded   |                  |                             | Ratio of Gross Debt |                  |       | Ratio of Net Debt |                  |     |
|------|----------------------|-------------------|----------------|------------------|-----------------------------|---------------------|------------------|-------|-------------------|------------------|-----|
|      |                      |                   | Capital Leases | Debt Outstanding | Less Net Debt Service Funds | Net Indebtedness    | Per Customer (1) | Per   | Capita            | Per Customer (1) | Per |
| 2010 | 49,240               | 99,091            | 164,398        | 64,190,000       | 6,636,700                   | 57,717,698          | 1,304            | 648   | 1,172             | 582              |     |
| 2011 | 49,347               | 99,781            | 79,996         | 60,520,000       | 6,653,592                   | 53,946,404          | 1,226            | 607   | 1,093             | 541              |     |
| 2012 | 49,559               | 98,001            | 33,393         | 66,725,000       | 6,642,000                   | 60,116,393          | 1,346            | 681   | 1,213             | 613              |     |
| 2013 | 49,881               | 99,485            | -              | 61,890,000       | 6,664,495                   | 55,225,505          | 1,241            | 622   | 1,107             | 555              |     |
| 2014 | 50,143               | 100,546           | -              | 56,860,000       | 6,835,357                   | 50,024,643          | 1,134            | 566   | 998               | 498              |     |
| 2015 | 50,327               | 101,498           | -              | 51,485,000       | 6,688,000                   | 44,797,000          | 1,023            | 507   | 890               | 441              |     |
| 2016 | 50,477               | 101,973           | -              | 45,950,000       | 6,813,000                   | 39,137,000          | 910              | 451   | 775               | 384              |     |
| 2017 | 50,582               | 102,102           | -              | 40,245,000       | 7,257,406                   | 32,987,594          | 796              | 394   | 652               | 323              |     |
| 2018 | 50,700               | 103,076           | -              | 34,255,000       | 9,550,000                   | 24,705,000          | 676              | 332   | 487               | 240              |     |
| 2019 | 50,865               | 104,465           | -              | 135,487,882      | 10,247,285                  | 125,240,597         | 2,664            | 1,297 | 2,462             | 1,199            |     |

**NOTES:**

- 1 Customers served is based on the number of 3/4" single family equivalents per Table B-3.
- 2 Population is based on the estimated total population for Highlands Ranch Metro District and Northern Douglas County Water & Sanitation District calculated using single family equivalent taps per Table B-3.
- 3 Gross bonded debt includes the principal on Revenue Bonds outstanding as of year-end adjusted to eliminate original issue premium and issue starting in 2011 and loss on refunding in prior years .
- 4 Net Debt Service Funds reflects investment amount held at year end (net of interfunds) included in Restricted Assets.

Gross Debt  
Chart C-1



34

Centennial Water and Sanitation District  
TABLE C-2  
COVENANT REQUIRED BOND COVERAGE (1)  
Last Ten Years

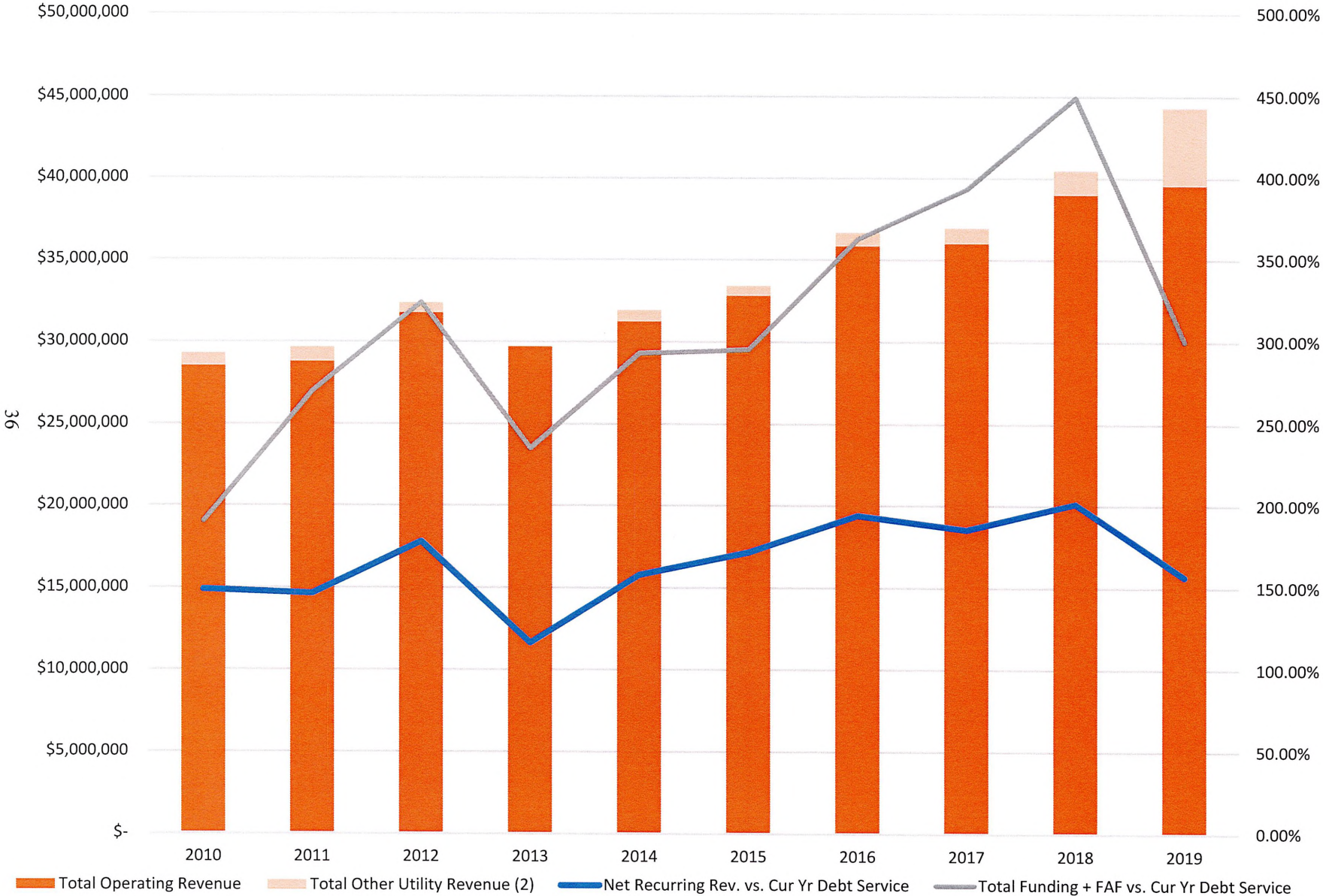
| Audit Year | Total Operating Revenue | Total Other Utility Revenue (2) | Total Recurring Revenue (2) | Operating Expenses before Depreciation (3) | Net Recurring (Operating) Revenue available for Debt Service | Total Net Capital Contributions | Total Funding available for Debt Service and Capital Outlay (5) | Financial Assurance Balance Required or Established (10) | Current Year Annual Debt Service | Maximum Annual Debt Service(6) | Current Debt Compliance                                 |   | Future Debt Compliance         |   |
|------------|-------------------------|---------------------------------|-----------------------------|--|--|---------------------------------|---|--|----------------------------------|--------------------------------|---|---|--------------------------------|---|
|            |                         |                                 |                             |  |  |                                 |   |  |                                  |                                | Net Recurring Revenue vs. Current Year Debt Service (6) | Total Funding + Financial Assurance vs. Current Annual Debt Service (7) | Maximum Annual Debt Service(8) | Total Funding + Financial Assurance vs. Maximum Annual Debt Service (9) |
| 2010       | 28,474,936              | 758,214                         | 29,233,150                  | 19,362,740                                 | 9,870,410  | 2,129,454                       | 12,606,119  | -  | 6,627,871                        | 6,843,000                      | 148.92%   | 190.20%   | 6,843,000                      | 184.22%   |
| 2011       | 28,735,120              | 879,186                         | 29,614,306                  | 19,896,976                                 | 9,717,330  | 2,312,417                       | 12,038,231  | 5,827,259  | 6,635,308                        | 6,843,000                      | 146.45%   | 269.25%   | 6,843,000                      | 261.08%   |
| 2012       | 31,719,010              | 605,546                         | 32,324,556                  | 20,508,011                                 | 11,816,545   | 3,133,475                       | 14,950,020  | 6,552,892  | 6,639,841                        | 6,813,000                      | 177.96%   | 323.85%   | 6,843,000                      | 315.62%   |
| 2013       | 29,649,122              | (54,156)                        | 29,594,966                  | 21,800,811                                 | 7,794,155  | 2,822,126                       | 10,619,291  | 5,114,373  | 6,703,000                        | 6,813,000                      | 116.28%   | 234.73%   | 6,813,000                      | 230.94%   |
| 2014       | 31,199,215              | 693,307                         | 31,892,522                  | 21,631,371                                 | 10,261,151   | 3,061,561                       | 13,322,712  | 5,694,663  | 6,498,108                        | 6,813,000                      | 157.91%   | 292.66%   | 6,813,000                      | 279.13%   |
| 2015       | 32,793,499              | 594,850                         | 33,388,349                  | 21,915,904                                 | 11,472,445   | 2,317,349                       | 13,789,794  | 5,936,686  | 6,688,000                        | 6,813,000                      | 171.54%   | 294.95%   | 6,813,000                      | 289.54%   |
| 2016       | 35,836,886              | 810,284                         | 36,647,170                  | 23,424,977                                 | 13,222,193   | 3,578,061                       | 16,800,254  | 7,898,634  | 6,813,000                        | 6,813,000                      | 194.07%   | 362.53%   | 6,813,000                      | 362.53%   |
| 2017       | 35,994,727              | 924,377                         | 36,919,104                  | 24,285,228                                 | 12,633,876   | 5,144,263                       | 17,778,139  | 8,994,664  | 6,813,000                        | 6,813,000                      | 185.44%   | 392.97%   | 7,250,500                      | 392.97%   |
| 2018       | 38,955,147              | 1,504,109                       | 40,459,256                  | 25,869,749                                 | 14,589,507   | 5,298,549                       | 19,888,056  | 12,694,664   | 7,250,500                        | 7,250,500                      | 201.22%   | 449.39%   | 7,680,000                      | 449.39%   |
| 2019       | 39,530,913              | 4,785,312                       | 44,316,225                  | 25,602,786                                 | 18,713,439   | 2,399,351                       | 21,112,790  | 14,694,664   | 11,942,000                       | 11,945,000                     | 156.70%   | 299.84%   | 11,945,000                     | 299.77%   |

NOTES:

- 1 Bond coverage is based on the debt service on outstanding revenue bonds/loans per the respective resolutions.
- 2 Includes all income received from the operation of the District facilities including rates, fees, tolls and charge plus net investment income **but excludes** other non-operating income and Capital Contributions (i.e. Reserved Capacity Fees)
- 3 Expenses for normal operations and maintenance but not including **depreciation or expenses for non-capitalized major repairs made from a reserve fund established for major repair**
- 4 Total Annual Debt Service includes actual interest paid. Amount is per financial statements increased by any amount capitalized; adjusted for accrued interest plus annual principal payment but not principal retired by refunding
- 5 Total Revenue less O&M Expenses plus Capital Contributions (Reserved Capacity Payments).
- 6 Required 100% Coverage test contained in Series 2005, 2008 and 2012 bond/loan resolutions.
- 7 Required 125% Coverage test contained in Series 2005, 2008 and 2012 bond/loan resolutions.
- 8 Maximum annual future debt service (principal and interest) as of December 31 of the audit year
- 9 125% coverage test contained in Series 2005, 2008 and 2012 bond/loan resolutions based on maximum annual debt service at then year end for future debt issues
- 10 In 2011 the Board voluntarily, by Resolution, established an internal fund that acts as the equivalent of a Rate Stabilization Fund.



### Covenant Required Current Debt Coverage



**Centennial Water and Sanitation District**  
**TABLE D-1**  
**DOUGLAS COUNTY, COLORADO - DEMOGRAPHIC STATISTICS**  
 Last Ten Years

| Year | <b>DOUGLAS COUNTY, COLORADO</b> |                          |                               |                                |                |                            |                 |                              |                                 |                       |
|------|---------------------------------|--------------------------|-------------------------------|--------------------------------|----------------|----------------------------|-----------------|------------------------------|---------------------------------|-----------------------|
|      | Total Population Served (1)     | Estimated Population (3) | Personal Income (\$1,000) (5) | Personal Income Per Capita (5) | Median Age (3) | Average Household Size (3) | Occupancy % (3) | Public School Enrollment (4) | School Enrollment to Population | Unemployment Rate (3) |
| 2010 | 99,091                          | 286,780                  | 15,644,272                    | 56,785                         | 35.7           | 2.89                       | 97.80%          | 54,921                       | 18.6%                           | 5.1%                  |
| 2011 | 99,781                          | 290,059                  | 15,466,947                    | 54,967                         | 34.3           | 2.89                       | 97.80%          | 57,666                       | 19.2%                           | 6.6%                  |
| 2012 | 98,001                          | 288,430                  | 15,278,947                    | 53,243                         | 36.6           | 2.84                       | 96.80%          | 59,932                       | 19.9%                           | 8.3%                  |
| 2013 | 99,485                          | 293,000                  | 16,479,085                    | 56,321                         | 36.6           | 2.84                       | 96.80%          | 61,465                       | 20.8%                           | 6.7%                  |
| 2014 | 100,546                         | 300,500                  | 18,000,244                    | 60,267                         | 37.4           | 2.84                       | 96.80%          | 63,114                       | 21.1%                           | 6.3%                  |
| 2015 | 101,498                         | 309,760                  | 18,801,567                    | 61,369                         | 37.5           | 2.84                       | 96.80%          | 64,657                       | 21.3%                           | 5.4%                  |
| 2016 | 101,973                         | 319,210                  | 20,343,382                    | 64,613                         | 36.9           | 2.84                       | 96.80%          | 66,230                       | 21.4%                           | 4.0%                  |
| 2017 | 102,102                         | 327,230                  | 21,277,108                    | 65,999                         | 38.9           | 2.88                       | 94.30%          | 66,899                       | 20.4%                           | 2.6%                  |
| 2018 | 103,076                         | 336,000                  | NA                            | NA                             | NA             | 2.88                       | 94.30%          | 67,740                       | 20.2%                           | 2.8%                  |
| 2019 | 104,465                         | 370,000                  | 25,249,718                    | 73,662                         | 38.1           | 2.79                       | 98.50%          | 67,591                       | 18.3%                           | 2.8%                  |

**NOTES:**

- 1 The Highlands Ranch Metro District and Northern Douglas County Water and Sanitation District are located within Douglas County. Demographic data, other than population estimates, for the two districts are not available.
- 2 However the county data is generally representative of both districts. Population is based on taps sold information from B-3 and C-1 multiplied by occupancy % and population per household estimates supplied by Douglas County

**SOURCES:**

- 3 Douglas County Government
- 4 Douglas County School District
- 5 Bureau of Economic Analysis

Centennial Water and Sanitation District

TABLE D-2

Douglas County, Colorado

Principal Employers

| Employer                                    | 2019 |            | 2010 |            |
|---|------|------------|------|------------|
|   | Rank | % of Total | Rank | % of Total |
| Douglas County School District              | 1    | 7,620 5.8% | 1    | 7,500 5.2% |
| Charles Schwab                              | 2    | 4,400 3.3% |      |            |
| Dish Network                                | 3    | 2,750 2.1% | 2    | 1,725 1.2% |
| Centura Health (Parker & Castle Rock)       | 4    | 1,510 1.1% |      |            |
| Sky Ridge Medical Center                    | 5    | 1,340 1.0% | 8    | 1,000      |
| Douglas County                              | 6    | 1,290 1.0% | 4    | 1,100      |
| Jacobs Engineering (formerly CH2M Hill)     | 7    | 1,120 0.8% | 3    | 1,125 0.8% |
| VISA-Inovant                                | 8    | 990 0.7%   |      |            |
| Computer Share / Specialized Loan Servicing | 9    | 960 0.7%   |      |            |
| Congizant                                   | 10   | 850 0.6%   |      |            |
| Time Warner                                 |      |            | 5    | 1,100 0.8% |
| Western Union                               |      |            | 6    | 1,075 0.7% |
| Nextel                                      |      |            | 7    | 1,050 0.7% |
| Aurora Loan Services                        |      |            | 9    | 800 0.6%   |
| Avaya                                       |      |            | 10   | 775 0.5%   |

**CENTENNIAL WATER and SANITATION DISTRICT**

TABLE E-1  
OPERATING INFORMATION  
12/31/2019

|                             | FULL TIME EQUIVALENT EMPLOYEES AS OF DECEMBER 31, 2019 |             |             |             |             |             |             |             |              |              |
|-----------------------------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
|                             | 2010   | 2011        | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018         | 2019         |
| O and M Management          | 5.0  | 5.0         | 5.0         | 5.0         | 5.5         | 7.0         | 7.0         | 8.0         | 8.0          | 8.0          |
| Plant Operations            | 18.0   | 18.0        | 21.0        | 21.0        | 21.0        | 24.0        | 24.0        | 24.0        | 27.0         | 27.0         |
| Plant Maintenance           | 15.0   | 15.0        | 10.0        | 11.0        | 11.0        | 11.0        | 11.0        | 11.0        | 11.0         | 11.0         |
| Collection and Distribution | 18.0   | 18.0        | 23.0        | 23.0        | 23.0        | 20.0        | 20.0        | 21.0        | 21.0         | 21.0         |
| Lab                         | 5.0  | 5.0         | 5.0         | 5.0         | 5.0         | 5.0         | 5.0         | 5.0         | 5.0          | 5.0          |
| Engineering                 | 7.5  | 7.5         | 7.5         | 7.5         | 7.5         | 8.5         | 8.5         | 8.5         | 10.0         | 8.25         |
| General Management          | 4.5  | 4.5         | 4.3         | 4.3         | 4.3         | 4.3         | 4.3         | 4.2         | 4.2          | 2.0          |
| Financial Services          | 7.3  | 7.3         | 7.3         | 7.3         | 7.3         | 7.3         | 7.3         | 7.1         | 6.3          | 9.0          |
| Customer Service            | 7.5  | 7.5         | 7.3         | 7.3         | 7.3         | 7.3         | 7.3         | 6.5         | 6.5          | 6.5          |
| Temporaries                 | 3.0  | 3.0         | 3.0         | 3.0         | 3.0         | 3.0         | 3.0         | 3.0         | 3.0          | 1.51         |
| <b>TOTAL</b>                | <b>90.8</b>  | <b>90.8</b> | <b>93.3</b> | <b>94.3</b> | <b>94.8</b> | <b>97.3</b> | <b>97.3</b> | <b>98.2</b> | <b>101.8</b> | <b>99.26</b> |

|                            | OPERATING INDICATORS |        |        |        |        |        |        |        |        |        |
|----------------------------|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                            | 2010                 | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   |
| Customers Served - Total   | 40,536               | 40,849 | 41,309 | 41,955 | 42,388 | 42,826 | 50,477 | 50,582 | 50,700 | 50,865 |
| Gallons Billed in Millions | 4,546                | 4,804  | 4,962  | 4,176  | 4,268  | 4,427  | 4,679  | 4,654  | 4,936  | 4,577  |

|   | CAPITAL ASSETS |         |         |         |         |         |         |         |         |         |
|---|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   | 2010           | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    |
| <b>WATER</b>  |                |         |         |         |         |         |         |         |         |         |
| Water Filtration Treatment Plant Gross Capacity MGD | 40             | 40      | 40      | 40      | 40      | 40      | 40      | 40      | 40      | 40      |
| Wells available for service                         | 52             | 52      | 52      | 55      | 55      | 55      | 55      | 55      | 55      | 55      |
| Pump Stations                                       | 12             | 12      | 12      | 12      | 12      | 12      | 12      | 12      | 12      | 13      |
| Raw Water Storage Reservoirs - number               | 2              | 2       | 2       | 2       | 2       | 2       | 2       | 2       | 2       | 2       |
| Raw Water Storage Reservoirs - capacity             | 6605 AF        | 6605 AF | 6605 AF | 6605 AF | 6605 AF | 6605 AF | 6605 AF | 6605 AF | 6605 AF | 6605 AF |
| Treated Storage Reservoirs - number                 | 8              | 8       | 8       | 8       | 8       | 8       | 8       | 8       | 8       | 8       |
| Treated Storage Reservoirs - capacity               | 38MG           | 38MG    | 38MG    | 38MG    | 38 MG   | 38 MG   | 38 MG   | 38 MG   | 38 MG   | 38 MG   |
| Ground Water Pressure Filtration Plants             | 2              | 2       | 2       | 2       | 2       | 2       | 2       | 2       | 2       | 2       |
| Miles of water pipelines                            | 433            | 434     | 437     | 438     | 442     | 443     | 446     | 452     | 452     | 457     |
| Valves  | 9,937          | 9,999   | 10,169  | 10,196  | 10,344  | 10,378  | 10,541  | 10,679  | 10,755  | 11,058  |
| Fire Hydrants                                       | 2991           | 3004    | 3036    | 3043    | 3090    | 3099    | 3,129   | 3164    | 3,180   | 3,228   |
| <b>WASTEWATER</b>                                   |                |         |         |         |         |         |         |         |         |         |
| 8.5 MGD Wastewater Treatment Plant                  | 1              | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       |
| Lift Station  | 4              | 4       | 4       | 4       | 4       | 4       | 4       | 4       | 4       | 4       |
| Miles of sewer pipeline                             | 319            | 319     | 321     | 322     | 325     | 325     | 327     | 328     | 333     | 336     |
| Manholes  | 8,490          | 8,504   | 8,569   | 8,596   | 8,725   | 8,753   | 8,794   | 8,845   | 8,887   | 9,005   |