

The background image shows a water treatment facility with a large circular tank in the foreground. A metal walkway with railings is visible on the left. In the distance, there are green trees, a power line tower, and a range of mountains under a blue sky with scattered white clouds. A large blue rectangular box is overlaid on the lower half of the image, containing the title and subtitle in white text.

Annual Comprehensive Financial Report

For years ended December 31, 2023 and 2022

Prepared by:
Centennial Water & Sanitation District
Department of Finance & Administration
Highlands Ranch, Colorado

Table of Contents

Introductory Section

Letter of Transmittal.....	i
Organization Chart.....	viii
Board of Directors and District Appointed Officials.....	ix

Financial Section

Independent Auditor’s Report.....	I
Management’s Discussion and Analysis.....	IV

Financial Statements

Statements of Net Position.....	1
Statements of Revenues, Expenses, and Changes in Net Position.....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5-26

Other Information

Supplementary Information

Schedule of Revenue, Expenditures and Changes in Funds Available, Budgetary Basis – Budget to Actual.....	27
Budget Reconciliation.....	28
Statistical Section.....	29-46
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	47-48
Schedule of Findings and Responses.....	49-50



Introductory Section



Letter of Transmittal



August 21, 2024

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

We are pleased to present the annual comprehensive financial report of Centennial Water and Sanitation District ("District or Centennial") for the years ended December 31, 2023 and December 31, 2022.

State law requires that, within seven months of the fiscal year end, the District publish a complete set of audited financial statements audited by a firm of licensed certified public accountants. This year, the District elected to file an extension to publish a complete set of audited financial statements within nine months of the fiscal year end. This annual report includes a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, the District hereby issues the annual report of the Centennial Water and Sanitation District for the fiscal years ended December 31, 2023 and December 31, 2022. Disclosures necessary to enable the reader to gain an understanding of the District's activities have been included.

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. The report consists of management's representations concerning the finances of the District. 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.

The financial statements have been audited by Forvis Mazars, LLP ("Forvis Mazars"), a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Forvis Mazars has issued an unmodified opinion that the District's financial statements for the year ended December 31, 2023, are presented fairly and in conformity with GAAP. The independent auditor's report is located at the front of the financial section of the report. Forvis Mazars is in the first year of performing the audit of the District for a one-year contract term with four-year renewal terms and another auditor audited the financial statements for the year ended December 31, 2022 and also issued an unmodified opinion. The Board reviews proposals from accounting firms every five years although there is no mandatory rotation.

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

The Report

The Annual Comprehensive Financial Report is presented in three sections:

- The Introductory section includes this letter of transmittal, Board of Director introductions, and the District’s organization chart.
- The Financial section includes the independent auditor’s report, Management’s Discussion and Analysis (MD&A), the basic financial statements and the accompanying notes to the financial statements. Supplementary information is also included in the financial section.
- The Statistical section includes selected financial and demographic information, on a multi-year basis.

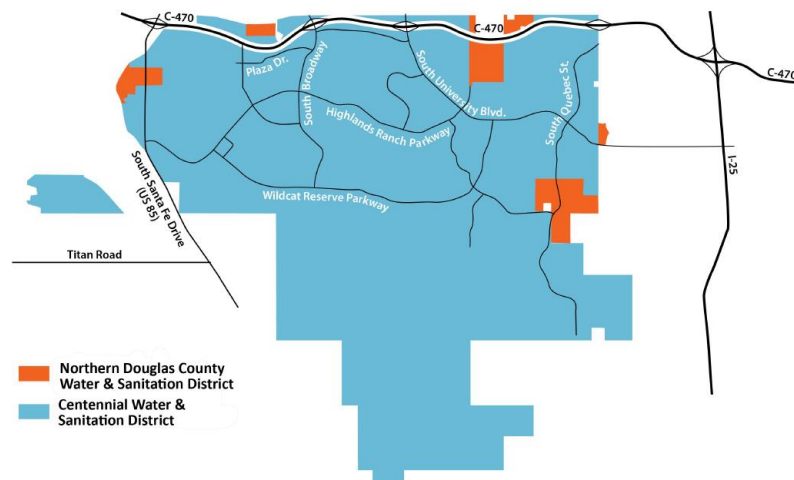
Profile, Responsibilities and Structure of the District

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.

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.
- Mirabelle Metropolitan District (“Mirabelle”). Mirabelle is an unincorporated area in northern Douglas County to the west of Highlands Ranch.
- 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.

In 2023, the Board began the process of electing resident Board members, with three new members elected on May 2, 2023, and two more to be elected to in 2025.

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 Annual Comprehensive Financial Report 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

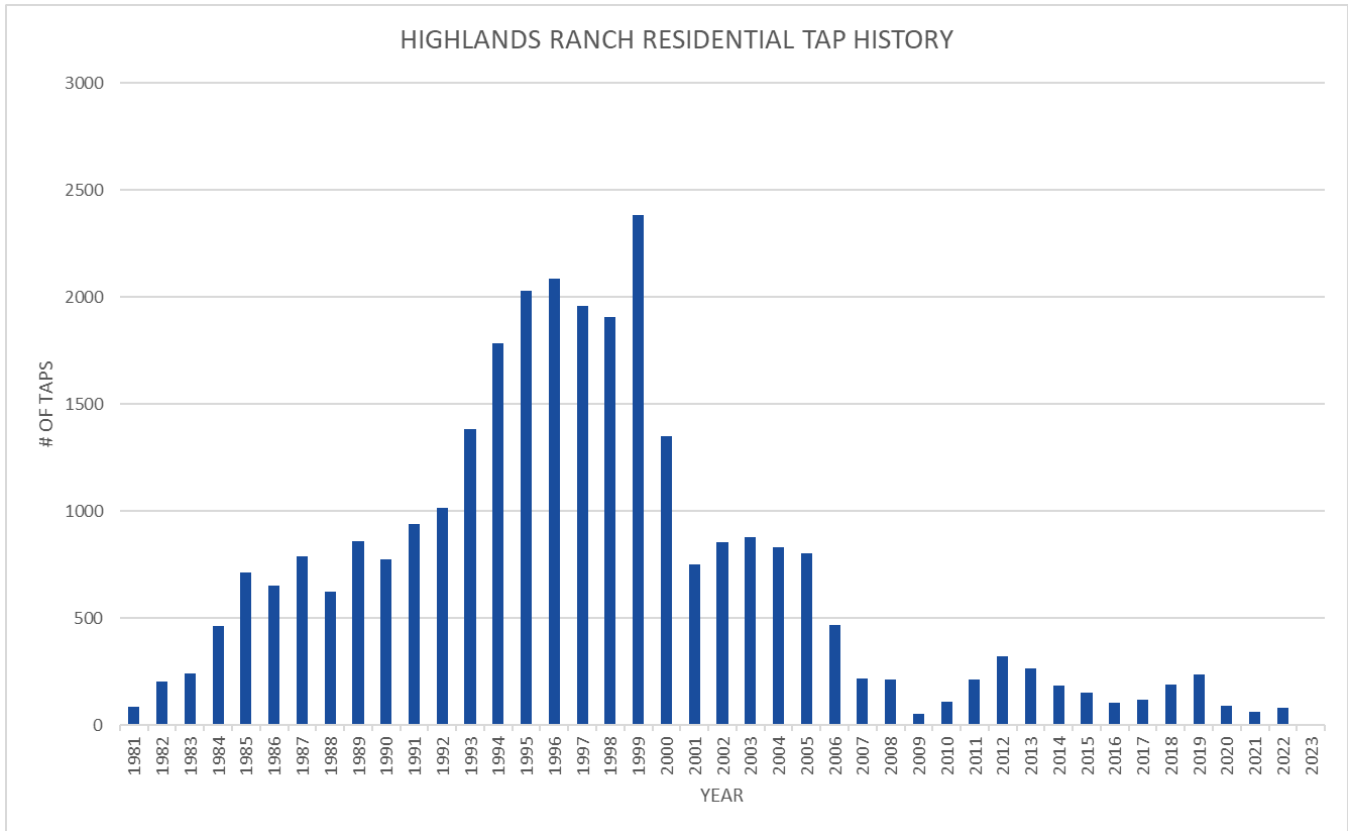
The District’s primary revenue sources are rates assessed based on water usage and consumption and reserved capacity fees based on tap fees assessed against new property as it is connected. The rates are designed to fund general operation and maintenance expenses, debt service, major repair reserves 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 2023 for the three areas the District serves, the Highlands Ranch Metro District, Mirabelle Metropolitan District, and Northern Douglas County Water and Sanitation District, can be summarized on the following table:

	Highlands Ranch	Mirabelle	Northern Douglas
2023			
Single Family Residential	2	159	-
Multi-Family Residential	107	-	-
Nonresidential acres	2	-	-
Nonresidential 3/4" equivalents	15	-	-
1981-2023			
Single Family Residential	29,390	538	1,582
Multi-Family Residential	8,410	-	216
Nonresidential 3/4" equivalents			
Indoor Use	3,364	-	304
Irrigation Uses	9,436	-	-

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 2023 development, Highlands Ranch has reached approximately 98% of the current anticipated ultimate development of single and multi-family residential dwelling units.

There is no material growth anticipated in Northern Douglas County Water and Sanitation District.

Mirabelle Metro District (“MMD”) is the developer and operator of a new development located off Titan Road and Chatfield Lake Road and there are an estimated 1,100 single-family homes planned. The District began receiving fees for this development in 2020, with 538 development fees received as of December 31, 2023. MMD has a unique payment schedule from the other Highlands Ranch Metropolitan Districts. In order to reserve future taps, MMD is required to acquire options in addition to a tap fee that is paid just prior to meter installation. The option is equal to 2% of the number of taps being reserved.

Fiscal Policy and Fund Balance

Although the District is a single enterprise fund and reports for financial purposes on that basis, for internal budgeting purposes and bond covenant compliance, sub-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 next year’s estimated operations and maintenance expenses.
- The ending fund balance for debt service will be at least equal to the next year’s debt service payment.

As of December 31, 2023, the District deposited directly to the Water Acquisition Fund an amount equal to \$0.85/ 1,000 gallons of water billed. This amount is re-evaluated annually during the annual budget process.

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

- to the Major Repair Fund
 - a transfer of at least \$2 million
- 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 Improvement Plan that is reviewed on an annual basis and updated as necessary. The plan includes sections identifying the capital, major repair, and water acquisition needs over a 10-year period. Projects for inclusion in the Capital Improvement Plan come from a variety of sources including department requests, long-range strategic plans, the long-term capital replacement program, and regulatory changes.

In January 2024, the District received a AAA rating from S&P and a AA+ rating from Fitch during the issuance of the 2024 water and wastewater revenue bonds issued for improvements to the Joseph B. Blake Water Treatment Plant. These ratings were unchanged from the prior ratings issued for the 2019 water and wastewater revenue bonds. The District achieved this through its strong fiscal management of resources and healthy net position.

In 2013, the Board authorized debt financing 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 and all three loan contracts closed on October 15, 2015. The loans are similar to construction loans and proceeds were disbursed to match the phased funding of the project. The contracts required that the District contribute at least 10 percent of the project cost. In 2018, the Board authorized an increase in the loan amount of \$9,046,267 for a maximum amount of \$53,446,267 to cover the increased cost of construction based on bids received. As of December 31, 2023, the outstanding principal on the loans is \$48,936,776.

Pension 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 6%.

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. The construction will be completed by the end of 2024.

Water

In 2018, the District commissioned a Water Treatment Utility Plan for the purpose of evaluating the condition of existing equipment and the effectiveness of each treatment process at the Water Treatment Plant, providing design recommendations, and developing conceptual cost estimates for improvements. Several improvements were identified to address aging infrastructure and improve efficiency. These identified improvements are planned in phases that are accounted for in the Capital Improvement Plan. Construction of the first phase began in 2021.

The District is a member of the WISE partnership which supplies renewable surface water to supplement its existing water portfolio. The WISE partnership works by recapturing water used by Denver Water and Aurora Water customers which is re-treated and shared, when available, with WISE participants. The District has been allocated up to 1,000 acre feet of water per year with the final amount received based on availability of water supply and District needs.

The District is a major participant in reallocating flood storage space for 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 which has been funded by the CWCB loans, as mentioned above. It is anticipated that repayment of the loans will come entirely from the Water Acquisition portion of the Base Water rates.

Awards And Acknowledgments

As the district was short staffed in 2022 the audit took longer than normal, and staff missed the window to submit to the Government Finance Officers Association of the United States and Canada (GFOA) for the Certificate of Achievement for Excellence in Financial Reporting. However, Centennial Water and Sanitation District has received the Certificate of Achievement for twenty-one consecutive years prior to 2021. The District's critical vacancies were filled in mid to late 2023 and the District will be submitting the 2023 ACFR for GFOA Certificate of Achievement consideration.

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 conforms to the Certificate of Achievement program requirements.

Distinguished Budget Presentation Award

The GFOA presented a Distinguished Budget Presentation Award to the District for its annual budget for the fiscal year beginning January 1, 2024. In order to receive this award, a governmental unit must publish a budget document that

meets program criteria as policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only.

The Distinguished Budget Presentation Awards Program is specifically designed to encourage state and local governments to prepare and issue budget documents of the highest quality. Top-quality documents are essential if citizens and others with an interest in a government's finances are to be fully informed participants in the budget process. Better budget documents contribute to better decision making and enhanced accountability.

The Distinguished Budget Presentation Awards Program allows the public finance profession a welcome opportunity to recognize those governments that have, in fact, succeeded in preparing a high-quality budget document.

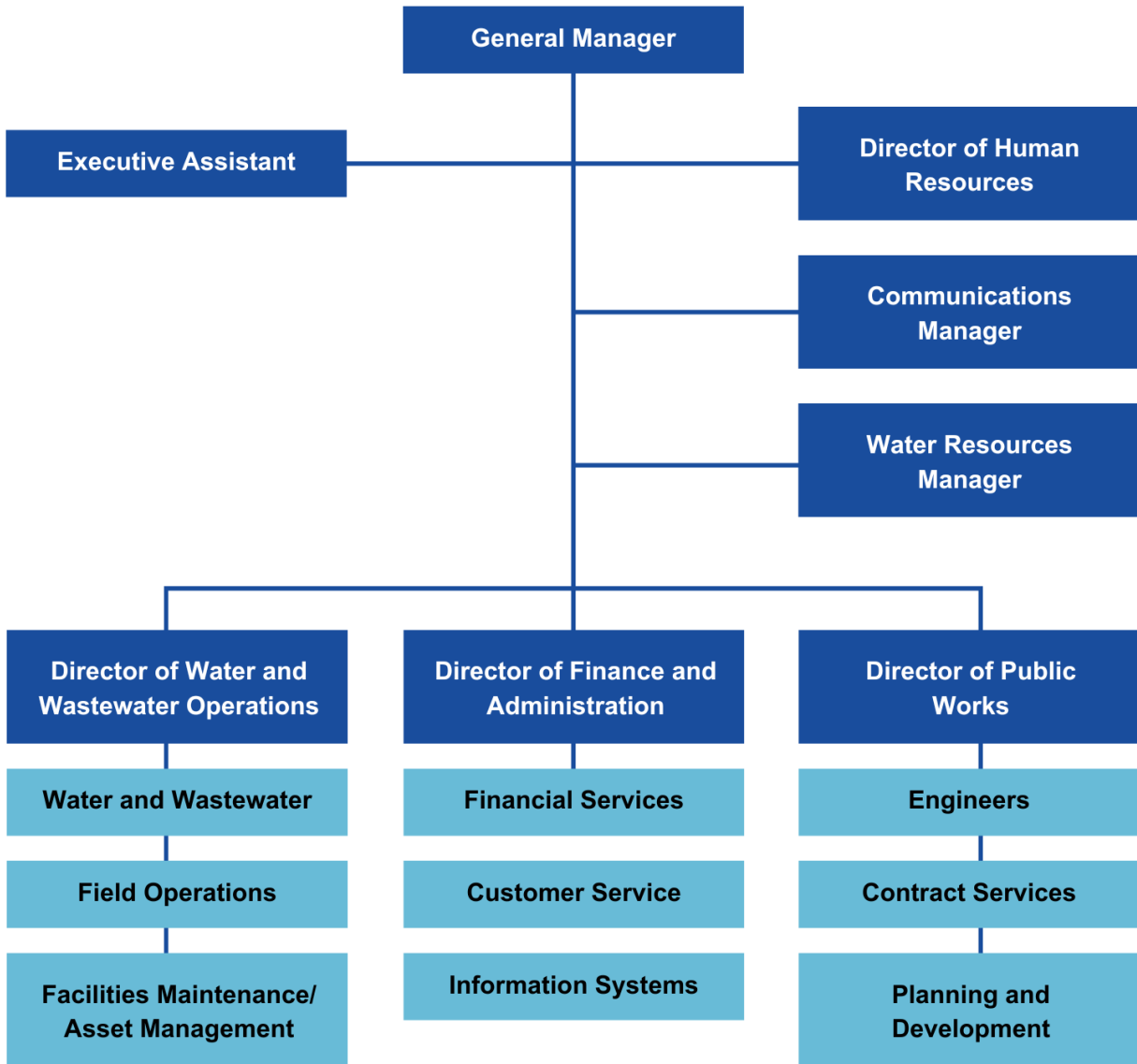
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the Department who assisted and contributed to the preparation of this report. Due credit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

Respectfully submitted,

Zach Cartaya

Director of Finance and Administration

Organization Chart



Board of Directors and District Appointed Officials

2023-2023



Tammy Essmeier
Chair



Terry Nolan
Vice Chair



SJ Light
Treasurer



Frank McNulty
Director



Frank Johns
Director

District Appointed Officials

Sam Calkins	General Manager
Zach Cartaya	Director of Finance and Administration
Ryan Edwards	Director of Public Works
Peter Bong	Director of Water and Wastewater Operations



Independent Auditor's Report



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Centennial Water and Sanitation District (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The 2022 financial statements, before they were revised for the matters discussed in Note I.C15 and restated for the matters discussed in Note IV.F, were audited by other auditors, and their report thereon, dated September 26, 2023, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary schedule and budget reconciliation are presented for purposes of additional analysis and are 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 basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budgetary schedule and budget reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2024, on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Denver, Colorado
August 21, 2024**



Management's Discussion and Analysis



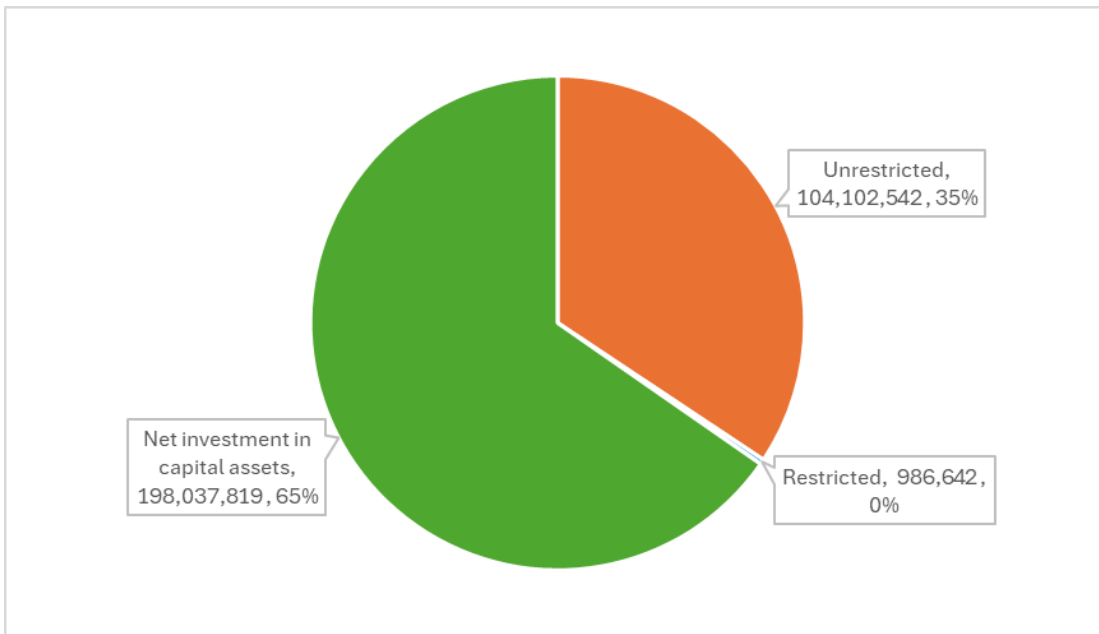
Management’s Discussion and Analysis

As management of the Centennial Water and Sanitation District we are pleased to provide a discussion and analysis of the District’s 2023 and 2022 financial statements. This narrative overview provides a more detailed and insightful examination of the financial condition and operating results for the fiscal years ended December 31, 2023 and 2022. 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

The net position of the District represents the amount that the assets plus the deferred outflows of resources of the District exceed its liabilities plus deferred inflows of resources. At the close of the current fiscal year, the District had a net position of \$303,127,002, an increase of \$11,014,146 or 3.8% over the fiscal 2022 net position. The components of the 2023 net position are categorized as follows in the chart below:



- Liabilities decreased by \$7,128,823 during 2023 to a year-end balance of \$134,455,170.
 - The most significant portion of the liabilities is related to the District’s long-term debt consisting of revenue bonds, revenue notes, and direct placement loans.
 - The long-term debt liabilities, decreased by \$8,384,721 to a total outstanding balance of \$124,148,311.
- 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 repair projects, major equipment repair and replacement, and funding of additional acquisition of sustainable water supplies. The District also maintains a Financial Assurance Fund which can be used for various Board determined

- purposes with its primary purpose being rate stability to accommodate debt service payments, capital projects, and the acquisition of water supply.
- 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. 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 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

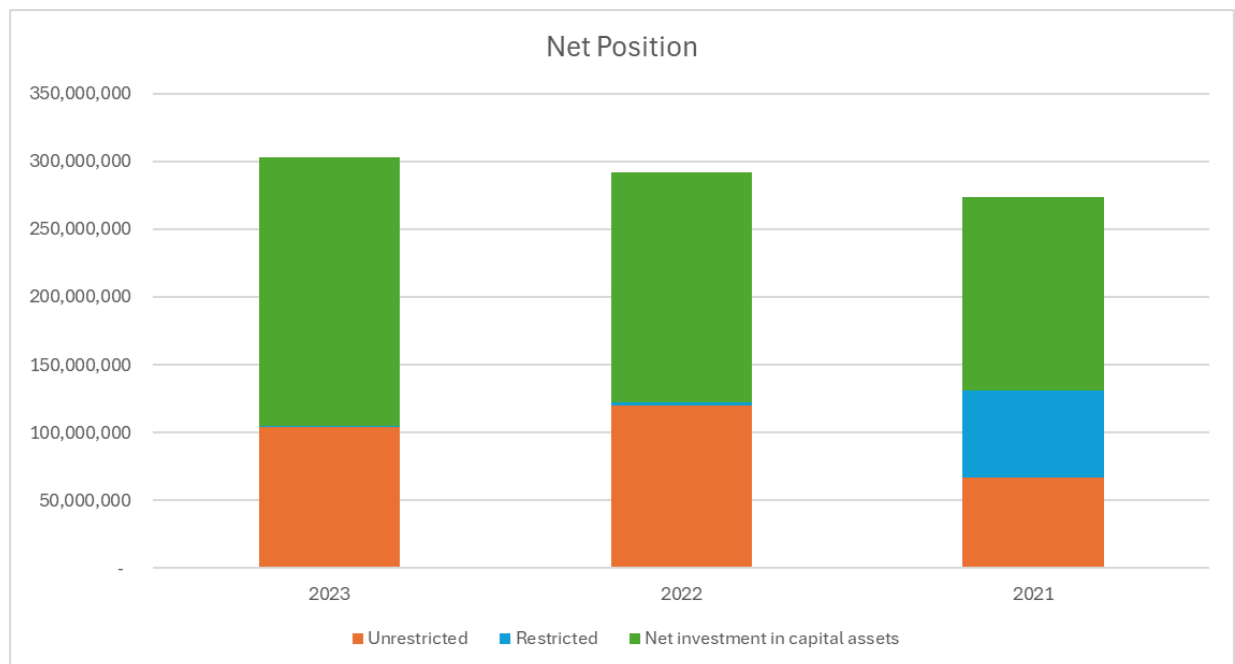
As discussed above, net position serves over time as a useful indicator of a government's financial position.

- Net position continued to improve in 2023 as at December 31, 2023 the District assets exceeded liabilities by \$303,127,002 an increase of \$11,014,146 or 3.8% from December 31, 2022.
- Net position was \$292,112,856 at December 31, 2022, an increase of \$9,858,761 or 3.5% from December 31, 2021.

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

	As of December 31, 2023			2023-2022		2022-2021	
	2023	2022 As restated	2021	Increase (Decrease)	% Change	Increase (Decrease)	% Change
Assets							
Current and other assets	\$ 90,861,419	\$ 102,302,586	\$ 75,203,137	\$ (11,441,167)	-11.18%	\$ 27,099,449	36.03%
Cash and investments - restricted	9,491,560	13,036,812	57,890,918	(3,545,253)	-27.19%	(44,854,106)	-77.48%
Capital assets	337,686,585	319,253,046	297,458,392	18,433,539	5.77%	21,794,654	7.33%
Total assets	438,039,563	434,592,444	430,552,447	3,447,119	0.79%	4,039,997	0.94%
Deferred outflow of resources	-	75,689	216,899	(75,689)	-100.00%	(141,210)	-65.10%
Liabilities							
Current liabilities	14,988,731	16,570,867	13,939,508	(1,582,137)	-9.55%	2,631,360	18.88%
Noncurrent liabilities	119,466,440	125,013,126	133,390,920	(5,546,686)	-4.44%	(8,377,794)	-6.28%
Total liabilities	134,455,170	141,583,994	147,330,428	(7,128,823)	-5.04%	(5,746,434)	-3.90%
Deferred inflow of resources	457,391	971,284	1,184,814	(513,893)	-52.91%	(213,530)	-18.02%
Net Position							
Net investment in capital assets	198,037,819	170,116,871	156,918,189	27,920,948	16.41%	13,198,682	8.41%
Restricted	986,642	1,971,035	54,289,207	(984,393)	-49.94%	(52,318,172)	-96.37%
Unrestricted	104,102,542	120,024,950	71,046,699	(15,922,408)	-13.27%	48,978,252	68.94%
Net position	\$ 303,127,002	\$ 292,112,856	\$ 282,254,095	\$ 11,014,146	3.77%	\$ 9,858,761	3.49%

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



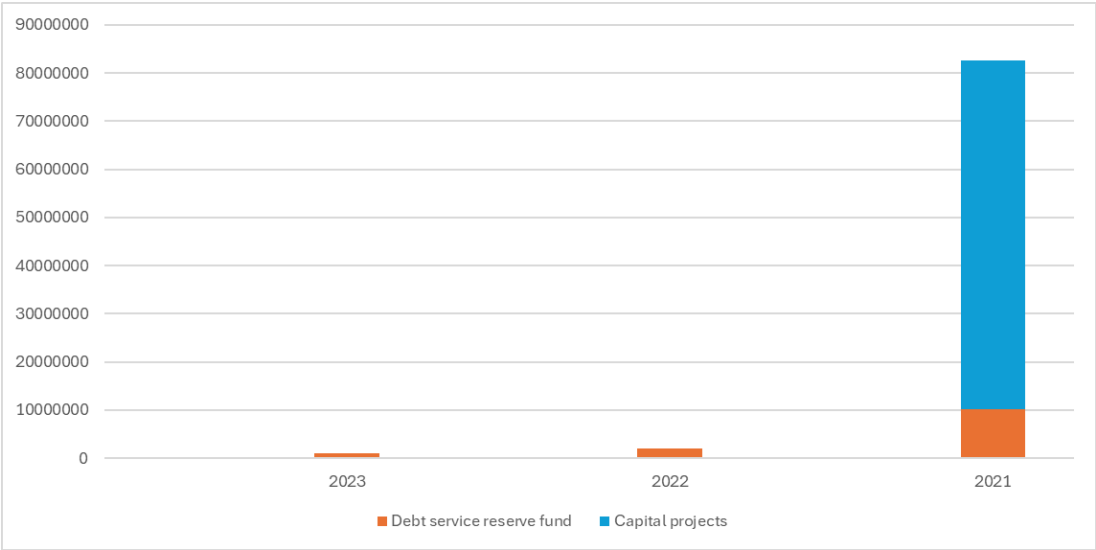
The largest portion of the District’s net position is the net investment in capital assets (65%). This category reflects the Districts total historic investment, at cost, in capital assets (e.g., infrastructure, plant, buildings, water rights, machinery, and equipment); less any related outstanding debt 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 summarizing the current years change in various component of net position above summarizes how the amount changed during 2023.

The changes in each of the components from December 31, 2022 to December 31, 2023 are summarized in the following table.

	Net Investment in Capital Assets	Restricted Debt Service	Unrestricted
Balance December 31, 2022	\$ 170,116,871	\$ 1,971,035	\$ 120,024,950
Change in net position			11,014,146
Paid principal	7,844,006		(7,844,006)
Cash & Investments Related to Unspent Debt Proceeds	2,560,859		(2,560,859)
Capital outlay	22,786,905		(22,786,905)
Depreciation (net of retirements)	(5,887,226)		5,887,226
Amort of premiums/disc etc.	540,715		(540,715)
Adjust deferred amount of refunding	75,689		(75,689)
Adjust to next years P&I		(984,393)	984,393
Balance December 31, 2023	\$ 198,037,819	\$ 986,642	\$ 104,102,542

The District has restricted assets (0.5%) consistent with various legal and other outside restrictions. Restricted net position consists of a debt service reserve fund that is restricted due to requirements laid out in debt covenants and \$986,642 has been restricted for the payment of the 2024 debt service.



	2023-2022		2022-2021	
	Increase (Decrease)	% Change	Increase (Decrease)	% Change
Debt service reserve fund	\$ (984,393)	-49.94%	(8,276,250)	-80.77%
Capital projects	\$ -	0.00%	(72,327,725)	-100.00%

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 \$104,102,542. 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, 2023 the amount designated for the first two reserves was approximately \$80 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	\$ 2,000,000	\$ 34,245,816	\$ 3,397,000	\$ 27,523,589	\$ 61,769,405
Development fees	-	-	\$ 449,840	20,826,528	20,826,528
Misc. Income	-	92,533	\$ 50	13,753	106,286
Interfund Transfers	-	-	-	2,056,850	2,056,850
Expended	(10,553,812)	(23,808,792)	54,179,390	19,157,408	(4,651,384)
	\$ (8,553,812)	\$ 10,529,557	\$ 58,026,279	\$ 69,578,127	\$ 80,107,684

The financial assurance fund remained flat with a total fund balance of \$18.7 million as of December 31, 2023. This fund is not required based on the financial position of the District but has been created by the Board to stabilize rates during times of economic uncertainty or lower than usual rate collections due to weather.

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

- CURRENT AND OTHER ASSETS in 2023 decreased \$11.4 million from 2022 after increasing \$27 .1 million between 2022 and 2021. This decrease between 2022 and 2023 was due to investment in capital construction for water and wastewater infrastructure and was due to lower revenues resulting from more rain than anticipated for summer.
- CAPITAL ASSETS in 2023 increased \$18.4 million from 2022 after increasing \$21.8 million between 2022 and 2021. Noncurrent assets largely changed due to the increase in infrastructure assets and the decrease in Construction in Progress from work completed on Marcy Gulch Wastewater Treatment Plant.
- CURRENT LIABILITIES in 2023 decreased \$1.6 million from 2022 after increasing \$2.6 million between 2022 and 2021. Current liabilities largely changed due to the current portion of long-term debt decreasing as 2012B for water operations was paid off in 2023.
- NONCURRENT LIABILITIES in 2023 decreased \$5.5 million from 2022 after decreasing \$8.4 million between 2022 and 2021. Noncurrent liabilities largely changed due to long-term debt decreasing as 2012B for Water operations was paid off in 2023 and the remainder of 2012A matures in 2024.

- NET INVESTMENT IN CAPITAL ASSETS in 2023 increased \$27.9 million from 2022 after increasing \$13.2 million between 2022 and 2021. Net investment in capital assets largely changed due to the increase in infrastructure assets offset by the paydown of debt.

Changes in net position

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

	As of December 31, 2023			2023-2022		2022-2021	
	2023	2022	2021	Increase (Decrease)	% Change	Increase (Decrease)	% Change
Operating income							
Water Operations	\$ 27,841,453	\$ 30,625,338	\$ 30,313,526	\$ (2,783,885)	-9%	\$ 311,812	1%
Wastewater Operations	15,156,475	14,125,529	13,076,330	\$ 1,030,945	7%	\$ 1,049,199	8%
Other operating	1,419,540	1,113,938	1,389,212	\$ 305,602	27%	\$ (275,274)	-20%
Total Operating revenue	44,417,467	45,864,805	44,779,068	(1,447,337)	-3%	1,085,737	2%
Operating expenses							
Water operations	10,483,573	10,762,247	11,472,641	(278,674)	-3%	(710,394)	-6%
Water leases	4,612,995	5,045,071	3,173,609	(432,076)	-9%	1,871,462	59%
Wastewater operations	5,490,383	5,220,549	4,792,826	269,835	5%	427,723	9%
Administrative and general	10,235,108	8,276,609	8,073,425	1,958,500	24%	203,184	3%
Noncapitalized major repair	447,992	1,066,742	1,634,109	(618,750)	-58%	(567,367)	-35%
Total cash operating expenses	31,270,053	30,371,219	29,146,610	898,834	3%	1,224,609	4%
Direct business-related income	13,147,414	15,493,586	15,632,458	(2,346,172)	-15%	(138,872)	-1%
Depreciation	6,076,865	6,445,544	6,520,401	(368,679)	-6%	(74,857)	-1%
Total operating expense	6,076,865	6,445,544	6,520,401	(368,679)	-6%	(74,857)	-1%
Operating income (loss)	7,070,550	9,048,042	9,112,057	(1,977,492)	-22%	1,160,594	13%
Nonoperating revenue (expense)							
Net investment income (loss)	4,978,143	(2,104,959)	(469,318)	7,083,103	-336%	(1,635,641)	349%
Gain (loss) on disposal of property	41,860	78,328	23,431	(36,468)	-47%	54,897	234%
Interest expense	(4,886,046)	(5,132,382)	(5,160,591)	246,336	-5%	28,209	-1%
Other nonoperating revenue	385,557	246,667	1,229,952	138,890	56%	(983,285)	-80%
Amortization expense	465,025	399,504	335,396	65,521	16%	64,108	19%
Total nonoperating revenue (expense)	984,540	(6,512,842)	(4,041,130)	7,497,382	-115%	(2,471,712)	61%
Income (loss) before capital contributions	8,055,090	2,535,200	5,070,927	5,519,889	218%	(1,311,118)	-26%
Capital contributions	2,959,056	7,323,561	3,792,726	(4,364,505)	-60%	3,530,835	93%
Change in net position	11,014,146	9,858,761	8,863,653	\$ 1,155,385	12%	\$ 2,219,717	25%
Net position - beginning	292,112,856	282,254,095	273,390,442				
Net position - ending	\$ 303,127,002	\$ 292,112,856	\$ 282,254,095				

As shown on the above table, net position increased in 2023 by \$11.0 million (3.8%) compared to \$9.9 million (3.5%) in 2022 and \$8.9 million (3.2%) in 2021. 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 \$13,147,414 in 2023. When the income from business operations is adjusted for depreciation, amortization and non-capitalized major repairs, operating income in 2023 was available to contribute \$7,070,550 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.

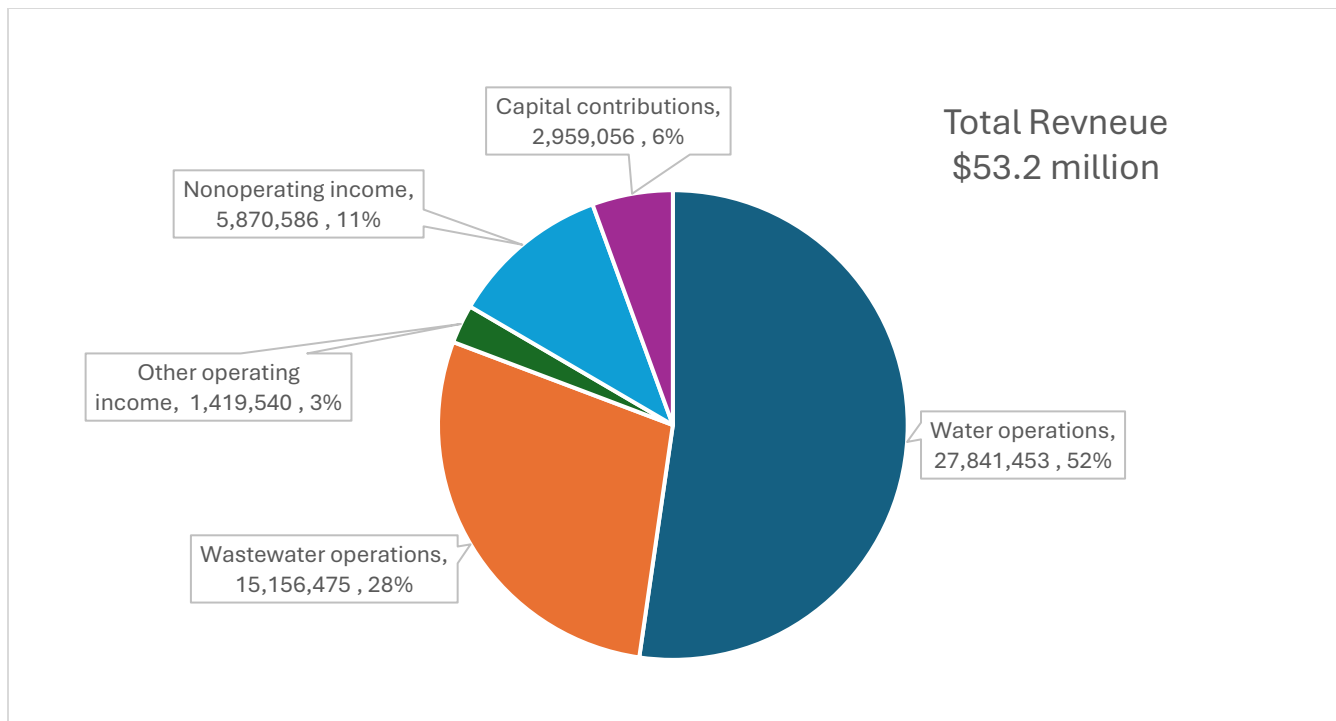
Direct business-related operating income in 2023, before considering depreciation and amortization, was \$13,147,414 a decrease of \$2.3 million from 2022 which was a decrease of \$139 thousand over 2021.

Capital contributions continued as a significant revenue source, increasing both total net position and the unrestricted net position. Capacity fees are designed to recover the cost of building and maintaining the entire system of infrastructure necessary to serve the customer base. These capital contributions are received from 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 the 2023 relationship between revenues and capital contributions to the total funding by these sources.



Operating revenues

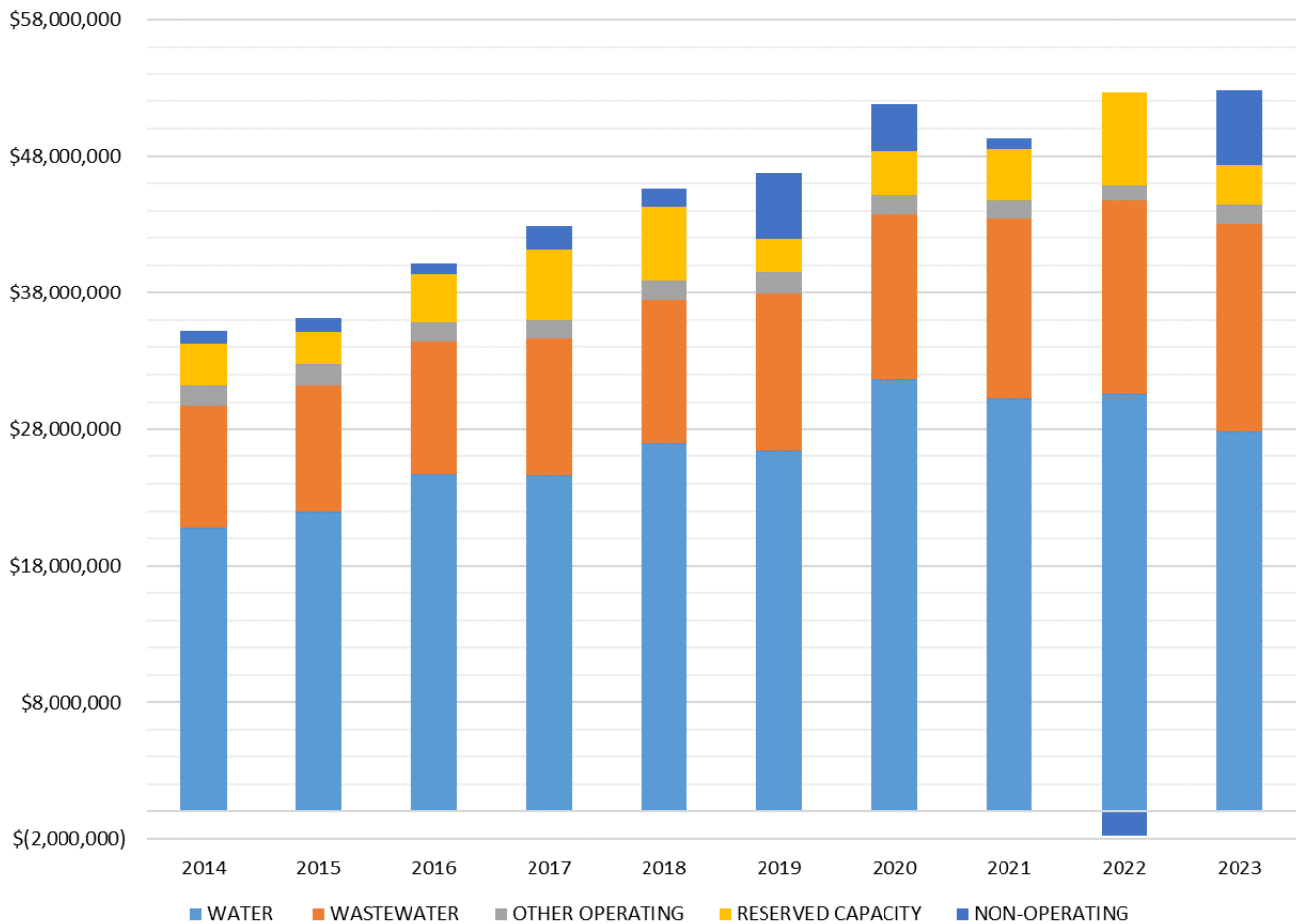
The Board has identified the following items to be addressed when establishing rates and fees:

- The Water Service Availability Charge, which is assessed against all customers based on meter size, will be sufficient to meet the current annual cost of water related debt service, cost of providing the periodic billing services, the cost of meter replacement, and a portion of the annual contribution to fund the Major Repair Fund.
- The Wastewater Service Availability Charge which is assessed against all customers based on meter size, will be sufficient to meet the annual cost of wastewater related debt service and a portion of funding the Major Repair Fund.
- The water and wastewater consumption rates are designed to cover the cost of the annual operations. Two-year budget projections are prepared to stabilize the rate requirements and avoid dramatic single year increases whenever possible.

Water revenues are generated using a structure based on individual customer water budgets, which represents 12,000 gallons used bimonthly for indoor use + outdoor usage equivalent to 27" of irrigation annually on the irrigated area of the lot (irrigated area = 45% of gross lot size). The innovative structure is designed for and continues to generate sufficient revenues to meet the internal objectives defined by the Board during both drought and wet year scenarios. The rate structure also includes a 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 water acquisition related debt service and the long-term acquisition of water supply.

Wastewater revenues for residential wastewater service includes a minimum charge of 3,000 gallons, with the actual rate charged being based on the household's wintertime water consumption multiplied by the current rate (which is also the nonresidential rate) for usage greater than 3,000 gallon 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 2023 vs. 2022 – operating revenue from rates charged for water consumption decreased 9% in 2023
 - the base water rates per 1,000 gallons increased from \$4.31 to \$4.52
 - overall consumption decreased 18% from 2022

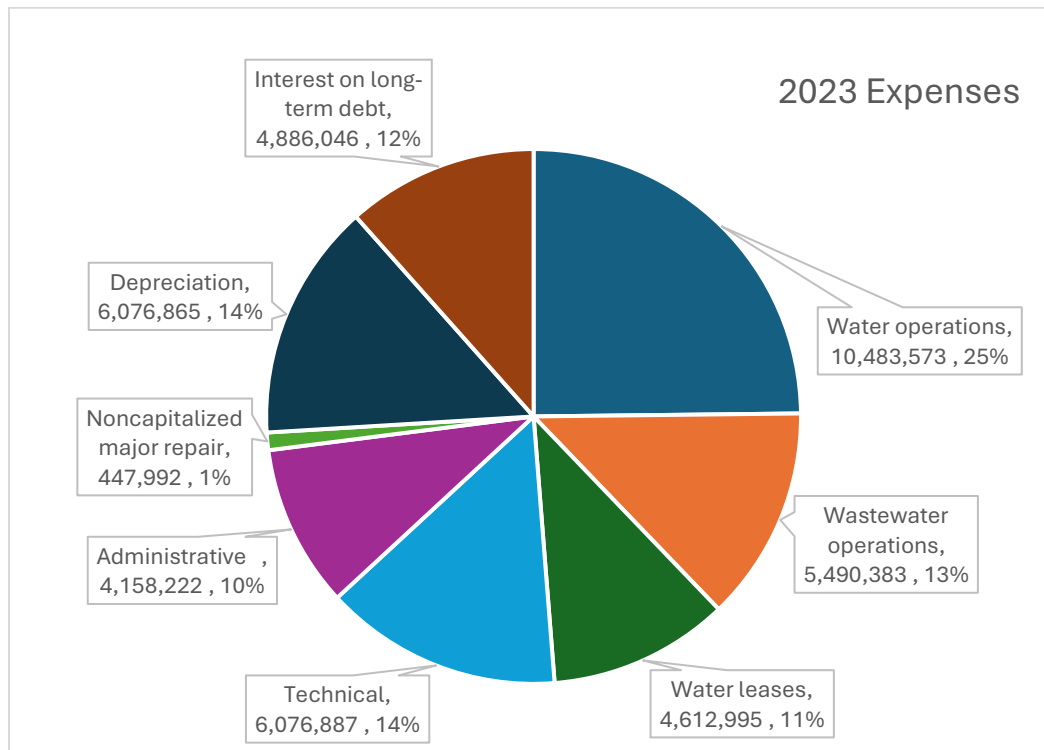
- Water 2022 vs. 2021 – operating revenue from rates charged for water consumption decreased 0.9% in 2022.
 - the base water rates per 1,000 gallons increased from \$4.10 to \$4.31
 - overall consumption decreased 1.5% from 2021
- Wastewater 2023 vs. 2022 – operating revenue from rates charged for wastewater increased 6% in 2023
 - the base wastewater rates per 1,000 gallons increased from \$3.86 to \$4.04
 - wintertime consumption, the basis for the charge for residential customers has stabilized around 8,500 gallons bi-monthly.
- Wastewater 2022 vs. 2021 – operating revenue from rates charged for wastewater increased 8.0% in 2022
 - the base wastewater rates per 1,000 gallons increased from \$3.75 to \$3.86
 - wintertime consumption, the basis for the charge for residential customers has stabilized around 8,500 gallons bi-monthly.

Nonoperating revenues

Capital contributions are paid by Highlands Ranch Metropolitan District, Mirabelle Metropolitan District, and Northern Douglas County Water and Sanitation District. In 2023, generated by the contractual requirement for the acquisition of reserved capacity in the District’s system, the contributions amounted to \$2,959,056 primarily from Highlands Ranch Metropolitan District and Mirabelle Metropolitan District. This was a decrease of \$4.4 million from the total capital contributions received in 2022.

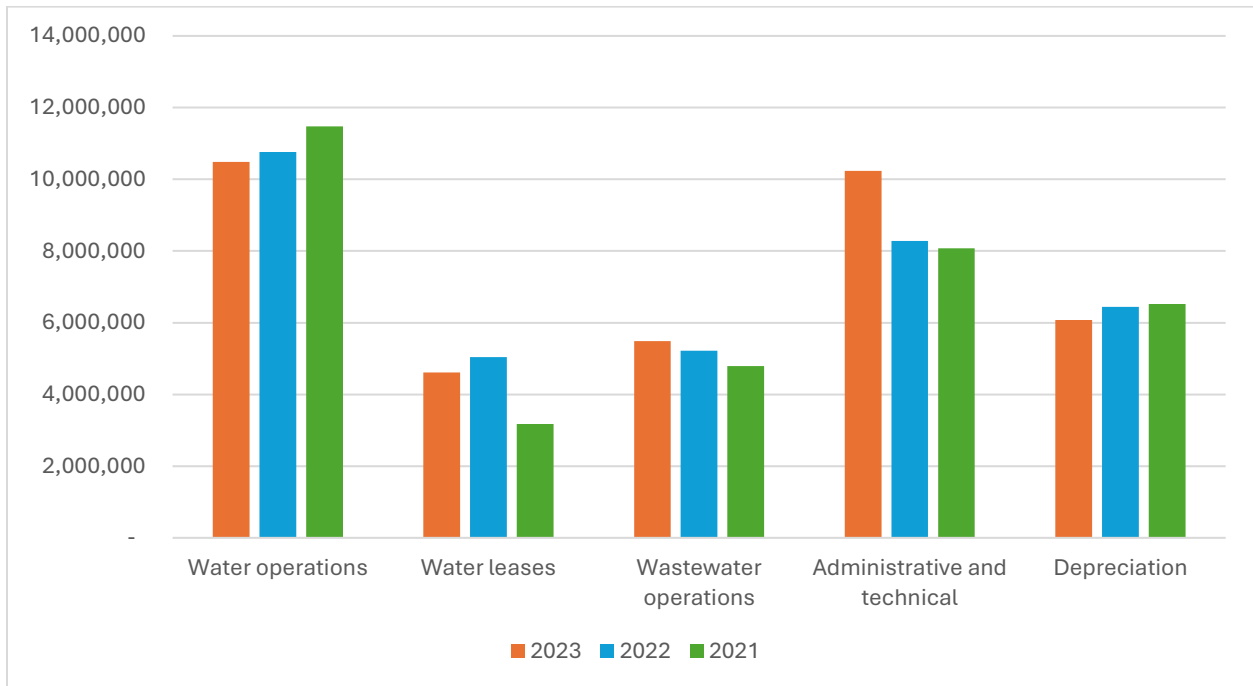
Operating and Nonoperating Expenses

The pie chart below summarizes the 2023 operating and nonoperating expenses by type.



Operating expenses

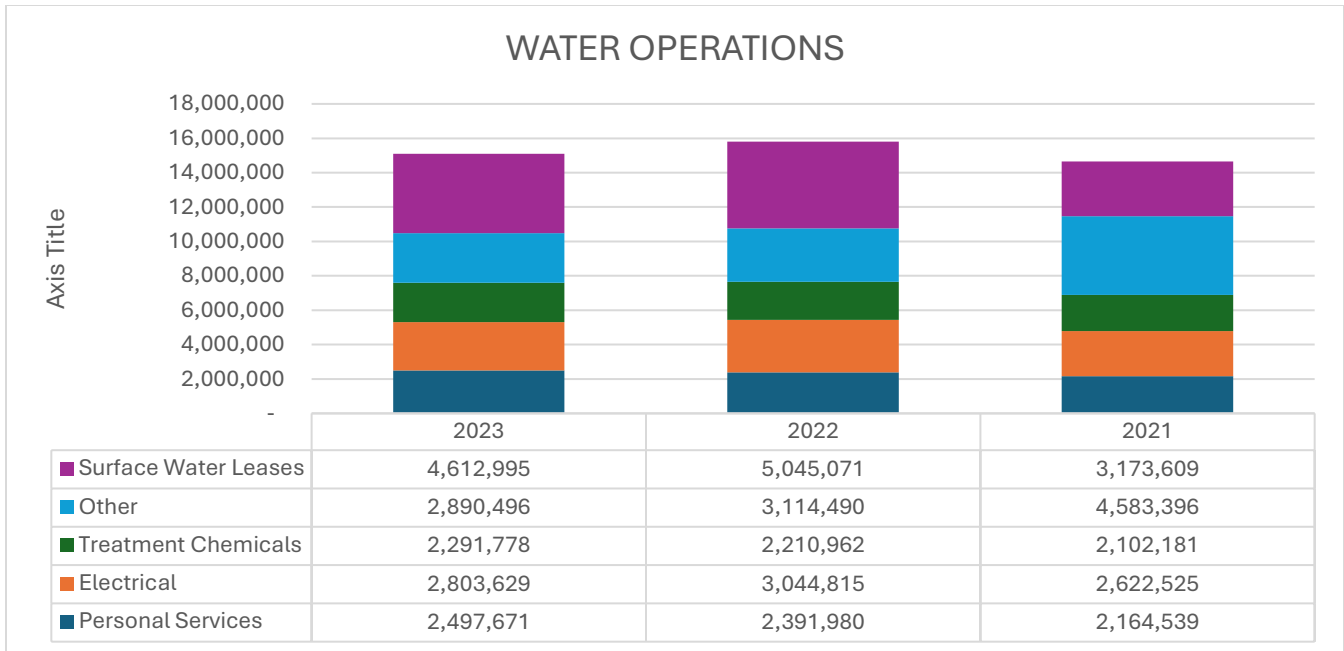
The relationship between the major components for the 2023, 2022 and 2021 operating expenses can be further broken down:



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 2023 decreased \$279 thousand or 3% from 2022 after decreasing \$710 thousand or 6% between 2022 and 2021.



Personal services, which includes wages and benefits, usually increases each year due to market adjustments and promotions. Actual annual costs are impacted by position vacancies that may occur during the year.

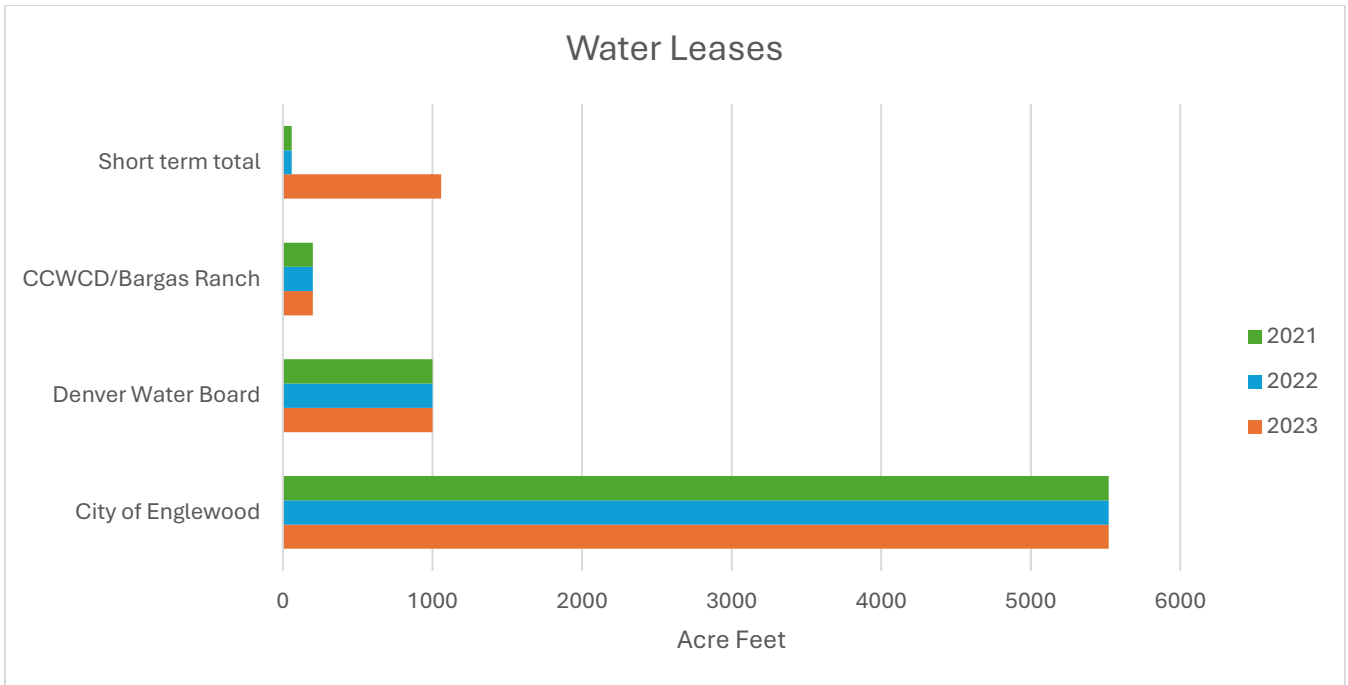
In 2023 the District’s primary water supply came from surface water which is supplemented by groundwater as needed.

Other expenditures for Water Operations include operating expenses for Chatfield and WISE. Other expenditures include 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.

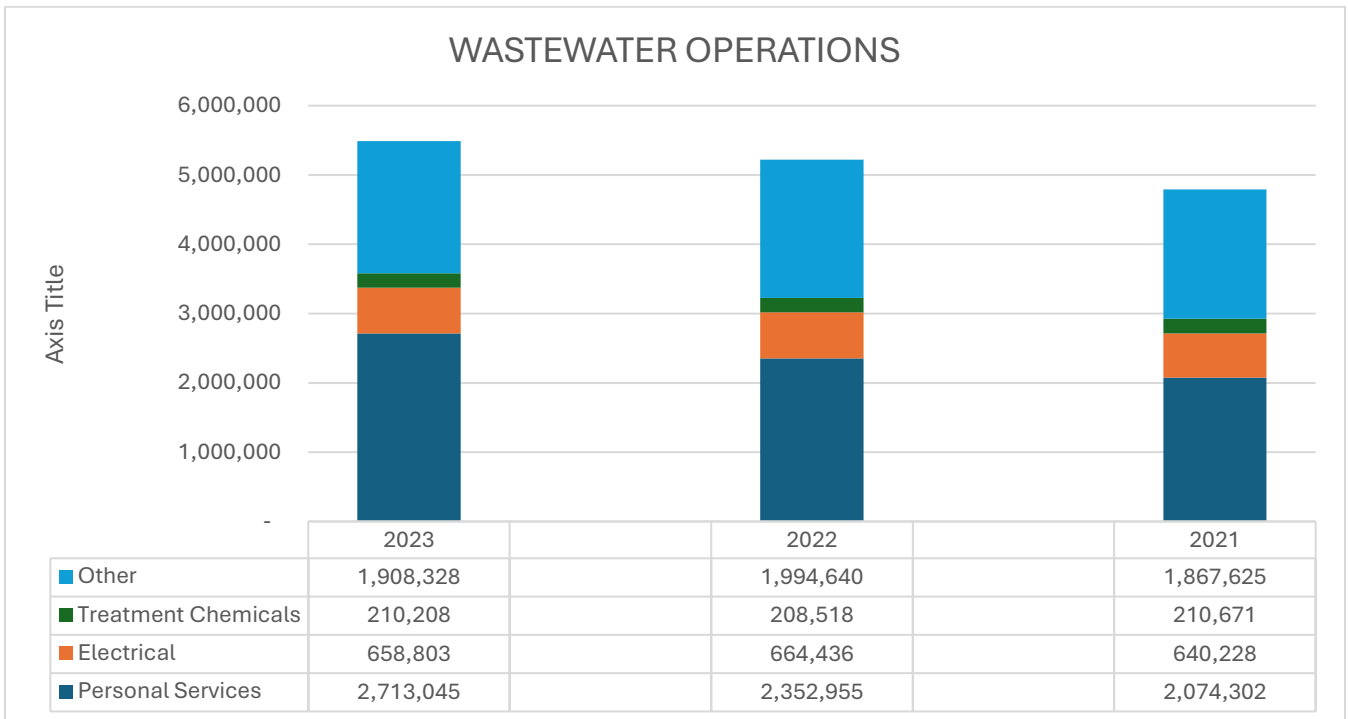
WATER LEASE expenses in 2023 decreased \$432 thousand or 9.0% from 2022 after increasing \$1.9 million or 59% between 2022 and 2021.

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 \$1.8 million. 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 makeup an average of 94% 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 2023 increased \$270 thousand or 5.0% from 2022 after increasing \$428 thousand or 9.0% between 2022 and 2021.



Normally wastewater expenses are consistent year over year unless there is a significant change in the plant processes.

ADMINISTRATIVE AND TECHNICAL expenses in 2023 increased \$1.9 million or 24% from 2022 after increasing \$203 thousand or 3% between 2022 and 2021.

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 (or current year expenses).

Bond Issue	Interest Expense		
	2023	2022	2021
2012A Revenue Loan	\$ 133,760	\$ 214,956	\$ 245,279
2012B Revenue Loan	52,136	103,292	202,566
2019 Revenue Bond	3,214,588	3,214,588	3,214,588
CWCB Loan	1,504,823	1,540,474	1,103,518
	4,905,307	5,073,310	4,765,951
Net Amortization OID/premium	(19,261)	59,072	394,640
	\$ 4,886,046	\$ 5,132,382	\$ 5,160,591

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, 2023, amounts to \$337,686,585, an increase of \$18.4 million. 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
- major machinery and equipment.

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

- Construction of Phase II improvements at the wastewater treatment plant to meet regulatory requirements and address aging infrastructure.
- Design of improvements to address aging infrastructure and efficiency at the water treatment plant.

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

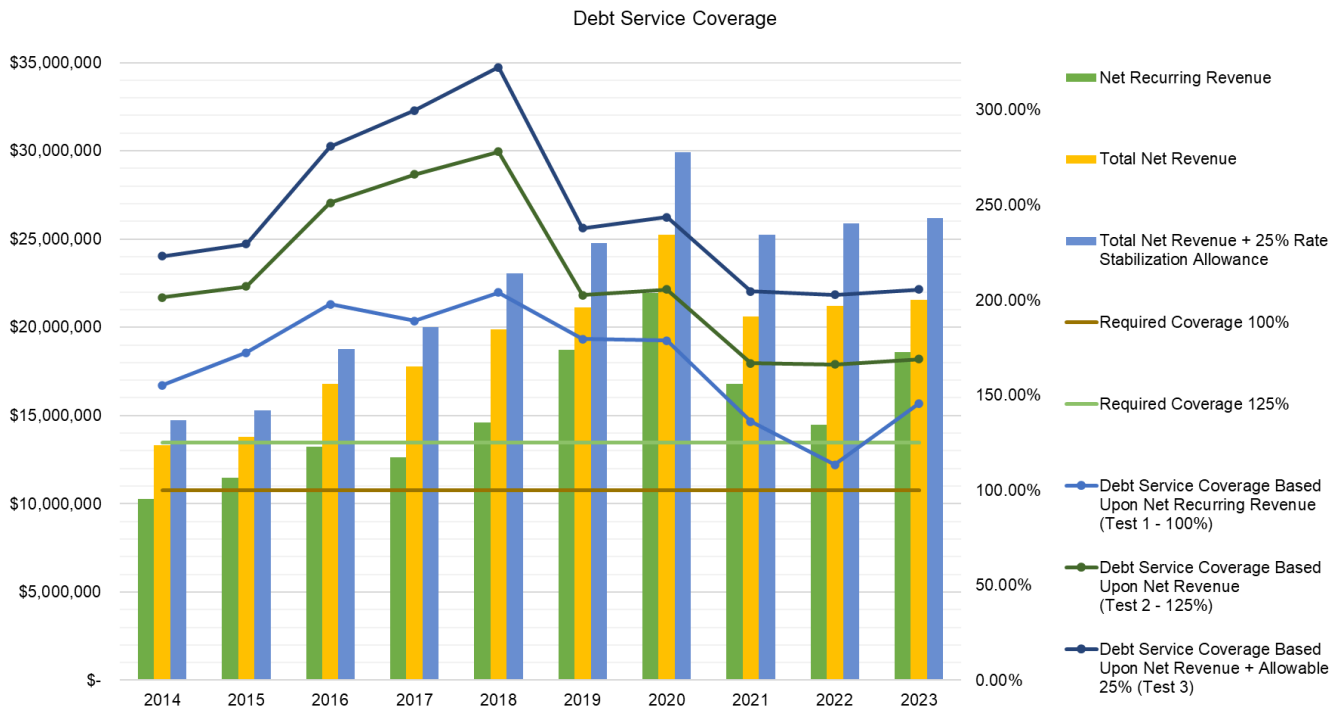
Long-term debt. At the end of the current fiscal year, the District had total revenue bonded debt outstanding of \$124,148,311. The District’s debt represents bonds and loans secured solely by specified revenue sources (i.e. revenue bonds).

- In December 2021, Fitch issued and reaffirmed their rating of AA+ with a stable outlook.
- In 2024, the District issued revenue bonds to fund capital improvements to the Water Treatment Plan. The District received a AAA with a negative outlook rating from Standard & Poors and AA+ with a stable outlook from Fitch.

Pursuant to the various bond agreements, the District is required to maintain certain debt service coverage 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 Revenue” (representing total recurring revenue less operating expenses). The ratio increased in 2023 to 146% after decreasing in 2022 to 113% and decreasing to 136% in 2021. The annual changes 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 Revenue plus capital contributions divided by current year debt service.” The ratio increased in 2023 to 169% from 166% in 2022 directly related to net investment income.
- If the tests above aren't met, then the District can use up to 25% of the coverage ratio from the Financial Assurance Fund and the Debt Service Fund fund balances.

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 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 of this report.

Economic Factors and Budgets and Rates

The following factors were considered in preparing the District’s budget for 2024:

- The number in water and wastewater customers within the District’s service area continues to increase slowly however, as the District is a master planned community, revenues from tap and development fees

will continue to decrease each year until the full community is built out. As such, the periodic rate increases will be necessary to accommodate regulatory and inflationary pressures and to fund increasing operating costs and capital improvements.

- Effective January 1, 2024, the rates for water and wastewater service charged by the District are to be increased primarily to adjust for inflationary increases to materials and supplies purchases, the average annual increases to wages and benefits, the renovation of the Joseph B. Blake Water Treatment Plant, and increases in the cost of water leases. In 2024, a new infrastructure fee will also be charged to homeowners. The combined impact of the changes will result in the average homeowner paying approximately 13.0% more in water and wastewater rates in 2024.
- 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 are still higher than previous years. Continued increases in these costs are expected in 2024.

At year-end, the unrestricted net position was \$104,102,542. The unrestricted net position significantly exceeds the 2024 fiscal year budget appropriations of \$33,649,084 for operations spending and \$9,794,413 for debt service.

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. 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.



Financial Statements



Centennial Water and Sanitation District

Statements of Net Position

December 31, 2023 and 2022

	2023	2022 AS RESTATED
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 25,671,590	\$ 38,739,070
Investments	57,716,168	54,617,315
Receivables:		
Rates and fees	6,067,965	5,232,753
Interest	333,334	241,163
Leases	51,238	166,829
Due from other governments	273,005	1,826,838
Other receivables	193,670	626,487
Prepaid expenses	18,432	15,734
Inventory	71,965	31,943
Investments - restricted	986,642	1,971,035
Total current assets	<u>91,384,007</u>	<u>103,469,166</u>
Noncurrent Assets:		
Cash & cash equivalents - restricted	8,504,918	11,065,777
Lease receivable, noncurrent	464,053	804,455
Capital assets:		
Buildings	2,378,233	2,378,233
Equipment	20,283,928	19,889,093
Infrastructure	329,210,678	271,502,766
Water rights	40,532,735	40,532,735
Construction in progress	122,582,681	156,364,663
Less accumulated depreciation	<u>(177,301,669)</u>	<u>(171,414,444)</u>
Net capital assets	<u>337,686,585</u>	<u>319,253,046</u>
Total noncurrent assets	<u>346,655,556</u>	<u>331,123,278</u>
Total assets	<u>438,039,563</u>	<u>434,592,444</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	<u>-</u>	<u>75,689</u>
Total assets and deferred outflow of resources	<u>438,039,563</u>	<u>434,668,133</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, 2023 and 2022

	2023	2022 AS RESTATED
LIABILITIES		
Current Liabilities		
Accounts payable	1,567,791	2,044,521
Contracts and retainage payable	6,995,537	5,461,676
Accrued payroll liabilities	264,839	79,613
Deposits	155,825	149,075
Unearned Revenue	209,314	318,211
Due to other governments	196,882	88,391
Accrued interest payable	508,366	527,628
Current portion of compensated absences	29,452	57,746
Current portion of long-term debt	5,060,726	7,844,006
Total current liabilities	<u>14,988,731</u>	<u>16,570,867</u>
Noncurrent Liabilities		
Compensated absences	378,854	324,100
Long-term debt, net	119,087,585	124,689,026
Total noncurrent liabilities	<u>119,466,440</u>	<u>125,013,126</u>
Total liabilities	<u>134,455,170</u>	<u>141,583,994</u>
DEFERRED INFLOWS OF RESOURCES		
Lease related	457,391	971,284
NET POSITION		
Net investment in capital assets	198,037,819	170,116,871
Restricted debt service	986,642	1,971,035
Unrestricted	104,102,542	120,024,950
Total net position	<u>303,127,002</u>	<u>292,112,856</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 438,039,563</u>	<u>\$ 434,668,133</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, 2023 and 2022

	2023	AS RESTATED
OPERATING REVENUES:		
Water Operations	\$ 27,841,453	\$ 30,625,338
Wastewater Operations	15,156,475	14,125,529
Other operating	1,419,540	1,113,938
Total Operating Revenue	44,417,467	45,864,805
OPERATING EXPENSES:		
Water operations	10,483,573	10,762,247
Water leases	4,612,995	5,045,071
Wastewater operations	5,490,383	5,220,549
Technical	6,076,887	4,908,854
Administrative	4,158,222	3,367,754
Noncapitalized major repair	447,992	1,066,742
Depreciation	6,076,865	6,445,544
Total operating expense	37,346,918	36,816,763
Operating income	7,070,550	9,048,042
NONOPERATING REVENUE (EXPENSE)		
Net investment income (loss)	4,978,143	(2,104,959)
Gain on disposal of property	41,860	78,328
Interest expense	(4,886,046)	(5,132,382)
Other nonoperating revenue	385,557	246,667
Amortization expense on premium/discounts	465,025	399,504
Net nonoperating revenue (expense)	984,540	(6,512,842)
Income before capital contributions	8,055,090	2,535,200
Capital contributions		
Reserved Capacity Fees	2,959,056	6,756,315
Donated Assets	-	567,246
Increase in net position	11,014,146	9,858,761
Net position - beginning of year	292,112,856	282,254,095
Net position - end of year	\$ 303,127,002	\$ 292,112,856

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, 2023 and 2022

	2023	2022 AS RESTATED
Cash flows from operating activities		
Receipts from customers	\$ 42,493,385	\$ 44,989,233
Payments to suppliers	(23,880,857)	(22,723,285)
Payments to employees	(7,696,961)	(7,126,325)
Other receipts	3,355,753	1,096,984
Net cash provided by operating activities	<u>14,271,320</u>	<u>16,236,607</u>
Cash flows from capital and related financing activities		
Capital contributions	2,959,056	6,756,315
Acquisition and construction of capital assets	(17,514,867)	(22,211,276)
Capital assets acquired through prior year construction payables	(5,461,676)	(3,601,711)
Proceeds from sale of assets	41,860	78,328
Principal paid on long-term debt	(7,844,006)	(7,683,356)
Interest paid on long-term debt	(4,905,307)	(5,073,310)
Principal payments received on lease receivables	39,040	189,412
Interest received on lease receivables	12,277	52,077
Net cash used in capital and related financing activities	<u>(32,673,624)</u>	<u>(31,493,520)</u>
Cash flows from investing activities		
Purchase of investments	(34,905,587)	(23,722,096)
Proceeds from sale and maturities of investments	35,605,504	23,691,457
Investment income	2,074,047	1,388,237
Net cash provided by investing activities	<u>2,773,964</u>	<u>1,357,597</u>
Net decrease in cash and cash equivalents	(15,628,339)	(13,899,316)
Cash and cash equivalents - January 1	49,804,847	63,704,162
Cash and cash equivalents - December 31	<u>\$ 34,176,508</u>	<u>\$ 49,804,847</u>
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Cash and cash equivalents, current	\$ 25,671,590	\$ 38,739,070
Cash and cash equivalents, noncurrent	8,504,918	11,065,777
Cash and cash equivalents - December 31	<u>\$ 34,176,508</u>	<u>\$ 49,804,847</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 7,070,550	\$ 9,048,042
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	6,076,865	6,445,544
Nonoperating revenues	273,890	5,172
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(402,396)	275,951
(Increase) decrease in due from other governments	1,553,833	(110,523)
(Increase) decrease in prepaid items	(2,698)	(3,305)
(Increase) decrease in inventories	(40,022)	17,127
Increase (decrease) in unearned revenue	(108,897)	(14,985)
Increase (decrease) in accounts payable	(476,730)	479,801
Increase (decrease) in accrued liabilities	185,225	3,829
Increase (decrease) in deposits payable	6,750	(22,600)
Increase (decrease) in compensated absences	26,460	24,162
Increase (decrease) in due to other governments	108,490	88,391
Total adjustments	<u>7,200,770</u>	<u>7,188,565</u>
Net cash provided by (used in) operating activities	<u>\$ 14,271,320</u>	<u>\$ 16,236,607</u>
Noncash activities:		
Increase (decrease) in fair value of investments	\$ 2,814,375	\$ (3,530,823)
Donated capital assets	-	567,246
Capital acquisitions included in accounts payable	6,995,537	5,461,676
Amortization of premiums (discounts)	540,714	540,714
Amortization of loss on refunding	(75,689)	(141,210)
Amortization of deferred inflows of resources	513,893	213,530
Termination of lease	(416,953)	-
Other	-	(24,118)

The accompanying notes are an integral part of the financial statement



Notes to Financial Statements



Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

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 is governed by a Board of Directors, which, pursuant to state law, consists of five members. To be eligible for nomination to the Board, prospective Board members must be electors of the district as defined by state law. Directors are elected to staggered four-year terms of office at successive biennial elections.

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, 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, expenses 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 nonoperating revenues and expenses.

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

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, with exception to Local Government Investment Pools ("LGIPs") and money market mutual funds which are reported at net asset value.

2) Inventories and Prepaid Items

Inventories consist primarily of materials and supplies used in the ordinary course of operations. Materials and supplies are valued at cost using the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Statements of Net Position.

3) Due From/To Other Governments

Through an Intergovernmental Agreement, the District shares in costs related to staffing and certain purchases with the Highlands Ranch Metropolitan District in which they either reimburse the District or the District reimburses them, based off the shared costs incurred by each.

4) Leases

Lessor: The District is a lessor for noncallable leases on District owned property. The District recognizes a lease receivable and a deferred inflow of resources in the Statements of Net Position. A lease receivable is recognized at the net present value of the payments expected to be received during the lease term, and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to a future period which were received prior to the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates include how the District determines the discount rate it uses to discount the expected lease receipts to present value, the lease term and the lease receipts. The District monitors changes in circumstances that would require remeasurement of its leases and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

5) Capital Assets

The District defines capital assets as assets with an initial, individual cost of more than \$15,000 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

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

those assets contributed, which are stated at the developer's cost, which approximates acquisition value at the date of contribution.

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 infrastructure	40 years
Reservoirs	100 years
Buildings	30 years
Major operating equipment	10-20 years
Vehicles and other equipment	5-10 years

6) 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.

Deferred Loss on Refunding

The deferred loss from a bond refunding is being amortized using the effective interest method over the shorter of the life of the defeased bonds or the new debt. 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 effective interest method over the life of the bonds. The unamortized cost is reflected as an asset. The district does not currently have any prepaid bond insurance.

7) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

8) Unearned Revenue

Unearned revenue includes customer payments which will be applied to a future billing period.

9) Net Position

The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources of the District is reported as net position. The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, plus unspent debt proceeds, and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, guarantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted.

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

10) 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.

11) 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.

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

12) 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.C). 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.C2) 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.

13) Use of Estimates

The preparation of financial statements in accordance with GAAP involves the use of management's estimates. These estimates are based upon management's best judgments after considering past and current events and assumptions about future events. Actual results may differ from estimates.

14) Implementation of New Accounting Policies

Governmental Accounting Standards Board Statement No. 96 – Issued in May 2020, GASB Statement No. 96 (GASB 96), *Subscription-Based Technology Arrangements (SBITAs)* establishes standards of accounting and financial reporting for SBITAs by a government end user. GASB 96 defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability. GASB 96 also provides the capitalization criteria for outlays other than subscription payments, including SBITA implementation costs as well as note disclosure requirements for SBITAs. Implementation of this statement is effective for fiscal years beginning after June 15, 2022. The effect of this standard on the District is insignificant because it owns most of its software and it is not subscription based.

15) Reclassifications and Revisions

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. The reclassifications had no effect on the change in net position.

Certain immaterial revisions have been made to the 2022 financial statements:

(1) Lease receivable was revised on the statements of net position in the amount of \$804,455 to move the noncurrent portion to noncurrent lease receivables.

(2) Compensated absences was revised on the statements of net position to adjust the current and noncurrent portions by \$17,236.

(3) Revenues that do not meet the District's definition of operating revenues were moved to other nonoperating revenues in the amount of \$246,667. In addition, the cash flow statement was revised to move these items from the operating activities section to the capital and related financing section.

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

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.

III. DETAILED NOTES

A. CASH AND INVESTMENTS

Summary of District Cash, Cash Equivalents and Investments

A reconciliation of cash and investments on Statements of Net Position as of December 31, 2023 and 2022 are summarized as follows:

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

	December 31,	
	2023	2022 AS RESTATED
Cash on hand	\$ 400	\$ 400
Cash deposits	1,147,918	1,077,342
Investments		
Held in safekeeping	\$ 60,706,280	\$ 57,962,543
Chatfield Reallocation Project Escrow	-	14,285
Local government investment pools	31,024,720	47,338,627
	\$ 91,731,000	105,315,455
 Total Cash Deposits and Investments	\$ 92,879,318	\$ 106,393,197

Cash, deposits and investments were reflected in the statements of net position as follows:

	2022	
	2023	AS RESTATED
Cash and cash equivalents	\$ 25,671,590	\$ 38,739,070
Restricted cash and cash equivalents	8,504,918	11,065,777
Total cash and cash equivalents	34,176,508	49,804,847
Investments	57,716,168	54,617,315
Restricted Investments	986,642	1,971,035
Total Investments	58,702,809	56,588,350
 Total Cash and Cash equivalents and Investments	\$ 92,879,317	\$ 106,393,197

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, 2023 and 2022, the District's cash deposits had a bank balance of \$2,701,094 and \$4,890,418, respectively, of which \$2,451,094 and \$4,640,418, respectively, was collateralized in accordance with PDPA requirements and the remainder was covered by FDIC insurance.

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

Investments

As of December 31, 2023, investments consisted of the following:

Investment Type	Value	Less than 1 Year	1-5 Years
Money Market Fund	\$ 48,648	\$ 48,648	\$ -
Asset-Backed Securities	12,299,364	475,592	11,835,071
Certificate of Deposit	1,954,822	552,711	1,364,608
Corporate Bonds	8,001,516	-	8,002,082
Municipal Bonds	6,450,041	2,087,451	4,359,586
Supranational	4,672,670	-	4,676,044
US Agency Securities	10,085,307	216,906	9,865,492
US Treasury Securities	17,193,912	315,328	16,882,361
Total	\$ 60,706,280	\$ 3,696,636	\$ 56,985,244

As of December 31, 2022, investments consisted of the following:

Investment Type	Value	Less than 1 Year	1-5 Years
Money Market Fund	\$ 85,700	\$ 85,700	\$ -
Asset-Backed Securities	2,201,817	274,417	1,927,401
Certificate of Deposit	1,288,493	794,034	494,459
Corporate Bonds	2,907,218	-	2,907,218
Municipal Bonds	9,065,597	426,629	8,638,968
Supranational	7,889,657	264,278	7,625,379
US Agency Securities	7,702,377	1,420,501	6,281,876
US Treasury Securities	26,821,684	2,731,754	24,089,930
Total	\$ 57,962,543	\$ 5,997,313	\$ 51,965,231

a. Local Government Investment Pools

Colorado State Local Government Investment Pools (LGIPs) are an investment vehicle established for local government entities in Colorado to pool surplus funds and which operate similarly to a money market fund in which each share is equal in value to \$1.00. The State Securities Commissioner administers and enforces all State statutes governing LGIPs. The District invests in two LGIPs: the Colorado Statewide Investment Pool (CSIP) and the Colorado Local Government Liquid Asset Trust (COLOTRUST). Each of these LGIP's investments is limited to those allowed by State statutes. The LGIPs do not have any limitation or restrictions on withdrawals.

As of December 31, 2023 and 2022, the District had invested \$31,013,378 and \$47,327,860 in CSIP and \$11,342 and \$10,767 in COLOTRUST, respectively.

1) Fair Value Measurements

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

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are valued using a matrix pricing technique. Matrix pricing involves using a selection of data points, such as quoted prices, or yield curves to calculate prices for separate financial instruments that can share characteristics similar to the data points. Level 3 inputs are significant unobservable inputs.

Enterprise Funds

As of December 31, 2023:

Investment Type	Value	Level 1	Level 2	Level 3
Money Market Fund	\$ 48,648	\$ 48,648	\$ -	\$ -
Asset-Backed Securities	12,299,364	-	12,299,364	-
Certificate of Deposit	1,954,822	-	1,954,822	-
Corporate Bonds	8,001,516	-	8,001,516	-
Municipal Bonds	6,450,041	-	6,450,041	-
Supranational	4,672,670	-	4,672,670	-
US Agency Securities	10,085,307	-	10,085,307	-
US Treasury Securities	17,193,912	17,193,912	-	-
Total	\$ 60,706,280	\$ 17,242,560	\$ 43,463,720	\$ -

As of December 31, 2022:

Investment Type	Value	Level 1	Level 2	Level 3
Money Market Fund	\$ 85,700	\$ 85,700	\$ -	\$ -
Asset-Backed Securities	2,201,817	-	2,201,817	-
Certificate of Deposit	1,288,493	-	1,288,493	-
Corporate Bonds	2,907,218	-	2,907,218	-
Municipal Bonds	9,065,597	-	9,065,597	-
Supranational	7,889,657	-	7,889,657	-
US Agency Securities	7,702,377	-	7,702,377	-
US Treasury Securities	26,821,684	26,821,684	24,089,930	-
Total	\$ 57,962,543	\$ 26,907,384	\$ 55,145,089	\$ -

2) Credit Risk

Investment transactions are made in accordance with the Colorado Revised Statutes (CRS) 24-75-601, et seq. The types of investments, which are authorized by the District's internal investment policy, include the following:

- Obligations of the United States government with maturities not exceeding 5 years from the date of purchase.
- Obligations of United States government agencies and United States government sponsored corporations with maturities not exceeding 5 years from the date of purchase.

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

- Corporate Bonds that are an obligation of corporations or financial institutions organized and operating in the United States with a maturity not exceeding 3 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 no less by any NRSRO. The District shall limit investments to no more than 25% of the total portfolio and 5% per issuer.
- Repurchase Agreements collateralized by U.S. Treasury Securities with a maturity of 90 days or less.
- Commercial Paper with a maturity of 180 days or less which is rated at least A-1 by Standard & Poor's or P-1 by Moody's at the time of purchase.
- Bankers Acceptances issued to domestic banks with maturities not exceeding 180 days and the bank's deposits must be insured by the FDIC.
- Local Government Investment Pools as authorized under CRS 24-75-701 and 702.
- Money Market funds which have a rating of AAA by Standard and Poor's or AAA by Moody's.

As of December 31, 2023, investment credit ratings consisted of the following:

Investment Type	Value	S&P	Moody's
Money Market Fund	\$ 48,648	-	-
Asset-Backed Securities	12,299,364	AA+	Aaa
Certificate of Deposit	1,954,822	A-1 to AA-	P-1 to Aa2
Corporate Bonds	8,001,516	A+ to AAA	A1 to Aaa
Municipal Bonds	6,450,041	AA- to AAA	Aa2 to Aaa
Supranational	4,672,670	AAA	Aaa
US Agency Securities	10,085,307	AA+	Aaa
US Treasury Securities	17,193,912	AA+	Aaa

As of December 31, 2022, investment credit ratings consisted of the following:

Investment Type	Value	S&P	Moody's
Money Market Fund	\$ 85,700	-	-
Asset-Backed Securities	2,201,817	AA+	Aaa
Certificate of Deposit	1,288,493	A-1 to AA-	P-1 to Aa3
Corporate Bonds	2,907,218	A+ to AA+	A1 to Aaa
Municipal Bonds	9,065,597	AA- to AAA	Aa3 to Aaa
Supranational	7,889,657	AAA	Aaa
US Agency Securities	7,702,377	AA+	Aaa
US Treasury Securities	26,821,684	AA+	Aaa

3) Concentration Of Credit Risk

It is the policy of the District to diversify its investment portfolio. Assets held in investment shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issue, or a

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

specific class of securities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy and the securities markets.

The District does not have any investment that represents 5% or more of the total investments to any one issuer at December 31, 2023 or 2022.

4) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages interest rate risk by purchasing investments with varying maturities and continuously investing a portion of the portfolio in readily available funds.

5) Rate Stabilization Reserve

Per the District's current debt agreements, a Rate Stabilization Account is to be maintained so long as the District has outstanding debt obligations. The Rate Stabilization Account is to be used to ensure that Net Revenues (as defined in the debt agreements), when combined with the Rate Stabilization Account, will equal 125% of Annual Debt Service on the District's debt obligations. The Rate Stabilization Account is not pledged to payment of debt but may be used to pay debt service.

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

B. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2023 and 2022 was as follows:

CENTENNIAL WATER AND SANITATION DISTRICT CHANGE IN CAPITAL ASSETS					
	Balances 1/1/2023	Additions	Deletions	Transfers	Balances 12/31/2023
CAPITAL ASSETS NOT BEING DEPRECIATED:					
Water rights	\$ 40,532,735	\$ -	\$ -	\$ -	\$ 40,532,735
Construction in progress	\$ 156,364,663	23,893,924	-	(57,675,907)	122,582,681
Total capital assets not being depreciated	<u>196,897,398</u>	<u>23,893,924</u>	<u>-</u>	<u>(57,675,907)</u>	<u>163,115,416</u>
CAPITAL ASSETS BEING DEPRECIATED:					
Buildings	2,378,233	-	-	-	2,378,233
Improvements other than buildings	23,683,377	-	-	-	23,683,377
Storage reservoirs - treated water	15,083,644	-	-	-	15,083,644
Storage reservoirs - raw water	51,083,366	-	-	57,620,089	108,703,454
Pump stations	17,014,196	-	-	-	17,014,196
Water treatment plant	32,646,285	32,006	-	-	32,678,291
Wastewater treatment plant	39,527,804	-	-	-	39,527,804
Lift stations	6,608,240	-	-	-	6,608,240
Transmission and distribution	67,490,044	-	-	55,818	67,545,862
Collection and transmission	18,365,810	-	-	-	18,365,810
Equipment	19,889,093	584,473	(189,639)	-	20,283,928
Total capital assets being depreciated	<u>293,770,092</u>	<u>616,479</u>	<u>(189,639)</u>	<u>57,675,907</u>	<u>351,872,839</u>
LESS ACCUMULATED DEPRECIATION FOR:					
Buildings	(2,170,530)	(49,424)	-	-	(2,219,954)
Infrastructure	(108,246,133)	(5,092,053)	-	-	(113,338,186)
Machinery and equipment	(60,997,781)	(935,387)	189,639	-	(61,743,530)
Total accumulated depreciation	<u>(171,414,444)</u>	<u>(6,076,865)</u>	<u>189,639</u>	<u>-</u>	<u>(177,301,669)</u>
Total capital assets being depreciated, net	<u>122,355,648</u>	<u>(5,460,385)</u>	<u>-</u>	<u>57,675,907</u>	<u>174,571,169</u>
CAPITAL ASSETS, NET	<u>\$ 319,253,046</u>	<u>\$ 18,433,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,686,585</u>

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

CENTENNIAL WATER AND SANITATION DISTRICT CHANGE IN CAPITAL ASSETS

	Balances 1/1/2022	Additions	Deletions	Transfers	Balances 12/31/2022
CAPITAL ASSETS NOT BEING DEPRECIATED:					
Water rights	\$ 40,532,735	\$ -	\$ -	\$ -	\$ 40,532,735
Construction in progress	\$ 134,457,480	27,406,617	-	(5,499,440)	156,364,663
Total capital assets not being depreciated	174,990,215	27,406,617	-	(5,499,440)	196,897,398
CAPITAL ASSETS BEING DEPRECIATED:					
Buildings	2,353,338	-	-	24,895	2,378,233
Improvements other than buildings	23,683,377	-	-	-	23,683,377
Storage reservoirs - treated water	14,808,733	-	-	274,911	15,083,644
Storage reservoirs - raw water	51,083,366	-	-	-	51,083,366
Pump stations	17,014,196	-	-	-	17,014,196
Water treatment plant	32,141,378	-	-	504,907	32,646,285
Wastewater treatment plant	39,527,804	-	-	-	39,527,804
Lift stations	2,039,744	-	-	4,568,496	6,608,240
Transmission and distribution	67,490,044	-	-	-	67,490,044
Collection and transmission	18,365,810	-	-	-	18,365,810
Equipment	19,249,465	833,576	(320,179)	126,231	19,889,093
Total capital assets being depreciated	287,757,254	833,576	(320,179)	5,499,440	293,770,092
LESS ACCUMULATED DEPRECIATION FOR:					
Buildings	(1,441,853)	(728,677)	-	-	(2,170,530)
Infrastructure	(108,197,400)	(48,733)	-	-	(108,246,133)
Machinery and equipment	(55,649,829)	(5,668,131)	320,179	-	(60,997,781)
Total accumulated depreciation	(165,289,081)	(6,445,541)	320,179	-	(171,414,444)
Total capital assets being depreciated, net	122,468,173	(5,611,965)	-	5,499,440	122,355,648
CAPITAL ASSETS, NET	\$ 297,458,388	\$ 21,794,652	\$ -	\$ -	\$ 319,253,046

C. LONG-TERM OBLIGATIONS

The District's outstanding debt obligations include revenue bonds, revenue notes and direct borrowings. All debt is payable from net operating revenues which is defined as gross recurring revenue, less operation and maintenance expenses. Gross recurring revenue includes all income received from normal operations, including rates, fees, and charges plus net investment income but excludes other non-operating income and capital contributions. Operating and maintenance expenses do not include noncapitalized major repair and depreciation. Below are the summarized tables of all outstanding debt:

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

As of December 31, 2023:

	Balance at January 1, 2023	Additions	Reductions	Balance at December 31, 2023	Amount due Within One Year
REVENUE BONDS					
Series 2019A	\$ 64,355,000	\$ -	\$ -	\$ 64,355,000	\$ 1,360,000
Premium	8,957,249	-	540,714	8,416,535	-
Total revenue bonds	73,312,249	-	540,714	72,771,535	1,360,000
REVENUE NOTES					
Series 2012A	6,400,000	-	3,960,000	2,440,000	2,440,000
Series 2012B	2,660,000	-	2,660,000	-	-
Total revenue notes	9,060,000	-	6,620,000	2,440,000	2,440,000
DIRECT BORROWINGS					
CWCB 2053	4,873,650	-	107,779	4,765,870	111,012
CWCB 2055	35,132,612	-	863,005	34,269,607	888,895
CWCB 2056	10,154,521	-	253,222	9,901,299	260,819
Total direct borrowings	50,160,783	-	1,224,006	48,936,776	1,260,726
COMPENSATED ABSENCES					
	381,846	408,306	381,846	408,306	29,452
TOTAL	\$ 132,914,878	\$ 408,306	\$ 8,766,566	\$ 124,556,617	\$ 5,090,178

As of December 31, 2022:

	Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022	Amount due Within One Year
REVENUE BONDS					
Series 2019A	\$ 64,355,000	\$ -	\$ -	\$ 64,355,000	\$ -
Premium	9,497,964	-	540,714	8,957,250	-
Total revenue bonds	73,852,964	-	540,714	73,312,250	-
REVENUE NOTES					
Series 2012A	10,285,000	-	3,885,000	6,400,000	3,960,000
Series 2012B	5,270,000	-	2,610,000	2,660,000	2,660,000
Total revenue notes	15,555,000	-	6,495,000	9,060,000	6,620,000
DIRECT BORROWINGS					
CWCB 2053	4,978,290	-	104,640	4,873,650	107,779
CWCB 2055	35,970,480	-	837,869	35,132,611	863,005
CWCB 2056	10,400,368	-	245,847	10,154,521	253,222
Total direct borrowings	51,349,138	-	1,188,356	50,160,782	1,224,006
COMPENSATED ABSENCES					
	357,684	381,846	357,684	381,846	57,746
TOTAL	\$ 141,114,786	\$ 381,846	\$ 8,581,754	\$ 132,914,878	\$ 7,901,752

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

1) Revenue Bonds

The District issued its Series 2019A Water and Wastewater Revenue Bonds dated January 17, 2019 in the par amount of \$64,355,000 for the purpose of financing the engineering, design, and construction of the phase 2 upgrades to the Marcy Gulch Wastewater Treatment Plant. These improvements are time sensitive modifications which enable the District to comply with regulatory discharge requirements. The bond matures on December 1, 2048.

2) Revenue Notes

The District issued its Series 2012A and 2012B Revenue Refunding and Improvement Notes in the amount of \$30,505,000 and \$18,755,000, respectively for the purpose of funding certain improvements to the Marcy Gulch Wastewater Treatment Plant and to refund a portion of the Series 2004 and Series 1996 Bonds.

- The 2012A Note dated December 1, 2012, is a tax-exempt loan and is due in varying amounts annually through 2024. Interest is at a fixed rate of 2.09%. The note matures on December 1, 2024.
- The Series 2012B Note, originally issued as taxable on December 1, 2012, is due in varying amounts annually through 2023. Interest was initially at a taxable fixed rate of 3.01%. It was converted to tax-exempt status on September 3, 2014 at a new rate of 1.96%. The note matured on December 1, 2023.

3) Direct Borrowings

On October 15, 2015, the District entered into three loan agreements with the Colorado Water Conservation Board ("CWCB") in order to fund the Chatfield Reallocation Project. The loans were approved in the aggregate amount of \$44,400,000 and required the District to contribute at least 10 percent of the project cost, bringing the total loan approval to \$48,888,000. To cover the increased cost of construction based on bids received, in 2018 the Board authorized an increase of \$9,046,267 to the loans for a maximum aggregate amount of \$53,446,267. The final loan maturity is on November 1, 2051.

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

4) Debt Service

The annual debt service requirements to maturity are as follows:

Revenue Bonds:

YEAR ENDING DECEMBER 31,	SERIES 2019A		TOTAL
	PRINCIPAL	INTEREST	
2024	\$ 1,360,000	\$ 3,214,588	\$ 4,574,588
2025	1,430,000	3,146,588	4,576,588
2026	1,500,000	3,075,088	4,575,088
2027	1,575,000	3,000,088	4,575,088
2028	1,655,000	2,921,338	4,576,338
2029-2033	9,595,000	13,280,188	22,875,188
2034-2038	12,225,000	10,654,588	22,879,588
2039-2043	15,340,000	7,540,688	22,880,688
2044-2048	19,675,000	3,203,813	22,878,813
TOTAL	\$ 64,355,000	\$ 50,036,963	\$ 114,391,963

Revenue Notes:

YEAR ENDING DECEMBER 31,	SERIES 2012A		TOTAL
	PRINCIPAL	INTEREST	
2024	\$ 2,440,000	\$ 50,996	\$ 2,490,996

Direct Borrowings:

YEAR ENDING DECEMBER 31,	CWCB 2053		CWCB 2055		CWCB 2056		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2024	\$ 111,013	\$ 142,976	\$ 888,895	\$ 1,028,088	\$ 260,819	\$ 297,039	\$ 2,728,830
2025	114,343	139,646	915,562	1,001,421	268,643	289,214	2,728,830
2026	117,773	136,215	943,029	973,954	276,703	281,155	2,728,830
2027	121,306	132,682	971,320	945,664	285,004	272,854	2,728,830
2028	124,946	129,043	1,000,459	916,524	293,554	264,304	2,728,830
2029-2033	683,254	586,690	5,470,921	4,113,995	1,605,273	1,184,016	13,644,149
2034-2038	792,078	477,865	6,342,297	3,242,619	1,860,952	928,338	13,644,149
2039-2043	918,236	351,707	7,352,460	2,232,456	2,157,353	631,936	13,644,149
2044-2048	1,064,487	205,456	8,523,516	1,061,400	2,500,963	288,326	13,644,149
2049-2051	718,435	43,531	1,861,149	55,834	392,035	11,761	3,082,745
TOTAL	\$ 4,765,870	\$ 2,345,812	\$ 34,269,607	\$ 15,571,957	\$ 9,901,299	\$ 4,448,943	\$ 71,303,488

5) 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.

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

D. PLEDGED REVENUES

The District has pledged the following revenue sources to its debt obligations: (a) water and wastewater rates, (b) capacity fees, (c) tap and tap option fees, and (d) other operating income received in the normal course of operations. The debt obligations include:

- The Series 2019A Revenue Bonds
 - \$64,355,000 was issued for the renovation of the Marcy Gulch Wastewater Treatment Plant.
- The Series 2012A Revenue Notes
 - \$30,505,000 was issued for the Marcy Gulch Wastewater Treatment Plant and to refund a portion of the Series 2004 and Series 1996 Revenue Bonds.
- The CWCB Direct Borrowings
 - \$48,888,000 was issued for the additional storage of water at Chatfield Reservoir.

The revenue bonds, revenue notes, and direct borrowings are payable from revenue received from water and wastewater rates, capacity fees, tap and tap option fees, and other operating income received in the normal course of operations. Principal, interest, and fees of \$12,749,313 reported in the statements were paid using 59.2% of pledged net revenues which totaled \$21,532,607. Total principal and interest remaining on the debt obligations is \$188,186,447 payable through 2051.

E. LEASE AGREEMENTS

The District leases land to third parties who use the land to construct cellular towers. The lease terms are for five years, with four options to extend an additional five years. Payments for a full 25-year term are set forth in the initial lease agreement. The leases were measured as of January 1, 2021 at an incremental borrowing rate as estimated by the District based on market conditions as of January 1, 2021. Revenue recognized under the lease contracts for the year ended December 31, 2023 and 2022 were \$51,317 and \$241,489, respectively. There were no variable payments received.

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.

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

On December 31, 2023 there were 183 active plan members comprised of 94 full and part-time members employed by the District and 85 full and part-time members employed by Highlands Ranch Metro District. 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. The District contributed \$459,078 and \$404,367 for the years ended December 31, 2023 and 2022, respectively.

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.

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. The District contributed \$406,196 and \$371,301 for the years ended December 31, 2023 and 2022, respectively.

C. 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 Mirabelle Metropolitan District. Mirabelle began construction in 2021. At buildout, the community will have 1,100 single family homes.

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

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

locations for which it has acquired capacity. Northern may purchase options to acquire future capacity. As of December 31, 2023, all options paid have been exercised.

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.

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, 2023 and is subject to additional increase adjustments in five-year increments. In the current year, payment has been remitted to Shea totaling \$984,410. The 2023 fee of \$15,360 per tap, subject to the 5 year adjustment, will be paid to the extent that the next 7,336 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 \$102,559,842 at the rates in effect as of December 31, 2023. 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 \$10,229,465 through December 31, 2023.

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.

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:
 - a "take or pay" minimum annual payment schedule;
 - annual deliveries from Englewood's Ranch Creek system;
 - the use of storage space in Englewood's McLellan Reservoir;

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

- 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 2022 through 2024 can be summarized as follows:

	2022		2023		2024	
	Consumption		Consumption		Consumption	
	Acre Feet	\$	Acre Feet	\$	Acre Feet	\$
Long Term*						
City of Englewood	5,520	\$ 2,709,162	5,520	\$ 2,873,045	5,520	\$ 3,227,207
Denver Water Board	1,000	398,254	1,000	482,260	1,000	509,170
CCWCD/Bargas Ranch	200	27,500	200	29,860	200	32,730

4) Construction commitments

The District enters into various construction contracts for major repair and capital improvement projects. The following contracts are related to the District’s debt funded capital projects.

- a. Marcy Gulch Wastewater Treatment Plant Phase II

In 2019, the District entered into a Design, Bid, Build contract in the amount of \$72,687,123 with Flatiron Contractors, Inc. for the purpose of overseeing the Marcy Gulch Wastewater Treatment Plan Phase II

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

improvements. The project has been funded with the Series 2019A Water and Wastewater Revenue Bonds. As of December 31, 2023, the remaining balance on this project totals \$6,643,368.

D. 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, 2023. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. 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.

E. SUBSEQUENT EVENTS

1) City Of Englewood Appraisal

The price the District pays under a lease with the City of Englewood ("Englewood") for raw water and the use of Englewood facilities is adjusted annually based upon the Consumer Price Index (the "CPI Adjustment"), but is subject to the right of either party to elect periodic price adjustments (no more frequently than every five years) based upon an appraiser's valuation of the fair market value of such water and leasehold interests. Englewood elected this appraisal-based adjustment in 2021. The appraisal process may result in an additional payment or a refund. Per the agreement, the District may elect to employ their own appraiser to work with Englewood's appraiser, and each party can elect to include a third-party appraiser to review the final estimates. For this adjustment, all three appraisers were used in the process. No amounts are due until the appraisal process is complete. The appraisal was completed in January 2024, which resulted in an additional \$2,153,881 owed to Englewood.

2) Series 2024a Water and Wastewater Revenue Bonds

For the purpose of funding the Joseph Blake Water Treatment Plant Phase 1B improvements, the District elected to issue tax-exempt revenue bonds on February 1, 2024 in the par amount of \$70,000,000 with a

Centennial Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

premium of \$8,881,534 received for a total repayment of \$78,881,534. The bonds are for a term of 30 years, maturing on December 1, 2053.

F. RESTATEMENTS

Restatement of Prior Year Financial Statements

Cash and Cash Equivalents

In the prior year, the District reported unspent proceeds of \$11,065,777 from the issuance of the 2019 debt as restricted cash and investment and a current asset. The cash and cash equivalents held for the acquisition of capital related items is to be reported as a noncurrent asset as it is not available for current operations. This change had no impact on beginning net position or change in net position.

Net Position Classifications

In the prior year the District did not include retainage and other accounts payable for capital or unspent bond proceeds in the calculation of net investment in capital assets. This resulted in a \$16,678,830 reduction to net investments in capital assets. In addition, the District classified amounts as restricted net position that did not have external constraints such as those externally imposed by creditors (i.e. debt covenants) or laws and regulations or imposed by law through enabling legislation. This resulted in \$41,001,972 of net position being moved from restricted net position categories to unrestricted net position. Unrestricted net position increased \$57,680,802 as a result the restatements. These changes had no impact on beginning net position or change in net position.

Statement of Cash Flows

The statement of cash flows is required to include Information about all investing, capital, and financing activities of a governmental enterprise during a period that affect recognized assets or liabilities but do not result in cash receipts or cash payments in the period. The District did not report certain noncash activities in the statement of cash flows in prior years.

Adjustments to the 2022 statement of cash flows resulting from this correction were as follows:

Cash flows from operating activities	\$ (1,452,644)
Cash flows from capital and related financing activities	1,722,424
Cash flows from investing activities	<u>977,505</u>
Reduction in net decrease in cash and cash equivalents	<u>\$ 1,247,285</u>
Noncash activities (net)	<u>3,726,626</u>

These changes had no impact on beginning net position or change in net position.



Supplementary Information



Centennial Water and Sanitation District

Schedule of Revenue, Expenditures and Changes in Funds Available, Budgetary Basis - Budget to Actual

For the Year Ended December 31, 2023

	2023 Adopted Budget	2023 Revised Budget	2023 Actual	Variance Favorable (Unfavorable)
OPERATING REVENUE				
Water operations	\$ 32,805,400	\$ 27,236,366	\$ 27,841,453	\$ 605,087
Wastewater operations	15,400,000	15,010,426	15,156,475	146,049
Other Operating	<u>1,452,730</u>	<u>1,164,532</u>	<u>1,419,540</u>	<u>255,008</u>
Total Operating Revenue	49,658,130	43,411,324	44,417,467	1,006,144
OPERATING EXPENSES				
Water operations	12,263,980	12,392,601	10,483,573	(1,909,028)
Water leases	5,099,173	6,479,266	4,612,995	(1,866,271)
Wastewater operations	5,650,828	5,559,748	5,490,383	(69,365)
Technical	6,267,360	6,291,785	6,076,887	(214,898)
Administrative	3,788,368	4,209,582	4,158,222	(51,360)
Noncapitalized major repair	-	250,000	447,992	197,992
Total Operating Expenses	<u>33,069,709</u>	<u>35,182,982</u>	<u>31,270,053</u>	<u>(3,912,930)</u>
Operating income (loss)	<u>16,588,421</u>	<u>8,228,342</u>	<u>13,147,414</u>	<u>4,919,074</u>
NONOPERATING REVENUE (EXPENSE)				
Capital contributions	3,972,606	2,350,461	2,959,056	608,595
Net investment income (loss)	99,300	371,200	4,978,143	4,606,943
Gain (loss) on sale of capital assets	10,000	-	41,860	41,860
Interest expense	(4,875,823)	(4,905,307)	(4,886,046)	19,261
Other nonoperating revenue	<u>270,314</u>	<u>256,730</u>	<u>385,557</u>	<u>128,827</u>
Net nonoperating revenue (expense)	(523,603)	(1,926,916)	3,478,571	5,405,486
OTHER SOURCES (USES)				
Long-term debt principal payment	7,844,006	7,844,006	7,844,006	-
Capital outlay				
Capital improvement and major repair	30,000,000	16,973,466	21,377,467	4,404,001
Water acquisition	3,500,000	1,911,437	1,340,514	(570,923)
Excess (deficiency) of revenue, non operating revenue and other sources over (under) expenses and other sources (uses)	<u>(25,279,188)</u>	<u>(20,427,483)</u>	<u>(13,936,001)</u>	<u>6,491,482</u>
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>110,868,495</u>	<u>105,844,781</u>	<u>105,844,781</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 85,589,307</u>	<u>\$ 85,417,298</u>	<u>\$ 91,908,780</u>	<u>\$ 6,491,482</u>

Centennial Water and Sanitation District

Budget Reconciliation

For the Year Ended December 31, 2023

Reconciliation from Budgetary Basis to GAAP Basis of Accounting

RECONCILIATION FROM BUDGETARY BASIS TO GAAP BASIS OF ACCOUNTING	
REVENUE (BUDGETARY BASIS)	\$ 52,782,084
Capital contributions	(2,959,056)
REVENUE (GAAP BASIS)	<u>49,823,028</u>
EXPENDITURES (BUDGETARY BASIS)	66,718,085
Depreciation	6,076,865
Amortization	(465,025)
Water acquisition	(1,340,514)
Capital improvement projects	(11,271,647)
Major repair projects	(10,105,819)
Principal payments	(7,844,006)
EXPENSES (GAAP BASIS)	<u>41,767,938</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>\$ 8,055,090</u>



Statistical Section



Centennial Water and Sanitation District

Statistical Section

December 31, 2023

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.

Content	Tables & Charts	Pages
<p>Financial Trends</p> <p>These tables and charts contain trend information to help the reader understand how the District’s financial condition has changed over time.</p>	A1-A3	29-33
<p>Revenue Capacity</p> <p>These tables and charts contain information to help the reader access the District’s largest revenue sources.</p>	B1-B4	34-40
<p>Debt Capacity</p> <p>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.</p>	C1-C2	41-43
<p>Demographic & Economic Information</p> <p>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.</p>	D1-D2	44-45
<p>Operating Information</p> <p>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.</p>	E1	46

Table A-1 Net Position

	2014	2015	2016	2017	2018	2019	RESTATED 2020	2021	RESTATED 2022	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES										
Current Assets:										
Cash & investments	\$ 78,366,457	\$ 82,166,029	\$ 87,071,715	\$ 88,180,091	\$ 85,399,588	\$ 62,546,142	\$ 62,648,105	\$ 65,935,630	\$ 93,356,385	\$ 83,387,757
Receivables	4,262,581	4,684,360	4,655,229	4,525,288	5,527,754	6,166,065	8,213,938	9,222,932	8,094,069	6,919,212
Prepaid expenses	-	3,133	1,212	-	274,792	-	-	12,429	15,734	18,432
Inventory	34,810	29,359	29,366	35,986	25,898	22,435	39,243	49,070	31,943	71,965
Investments - restricted	-	-	-	-	-	90,813,205	66,699,323	57,873,994	1,971,035	986,642
Total current assets	82,663,848	86,882,881	91,757,522	92,741,365	91,228,032	159,547,847	137,600,609	133,094,055	103,469,166	91,384,007
Noncurrent Assets:										
Cash & investments - restricted	-	-	-	-	-	-	-	-	11,065,777	8,504,918
Lease receivable, non-current	-	-	-	-	-	-	-	-	804,455	464,053
Capital assets, net	191,014,878	186,834,091	184,539,071	191,916,339	220,555,101	256,225,346	289,640,684	297,458,392	319,253,046	337,686,585
Total noncurrent assets	191,014,878	186,834,091	184,539,071	191,916,339	220,555,101	256,225,346	289,640,684	297,458,392	331,123,278	346,655,556
Total assets	273,678,726	273,716,972	276,296,593	284,657,704	311,783,133	415,773,193	427,241,293	430,552,447	434,592,444	438,039,563
Deferred outflows of resources										
Debt related	2,827,115	2,322,221	1,844,346	1,409,738	1,019,930	690,348	422,218	216,899	75,689	-
Total assets & deferred outflow of resources	276,505,841	276,039,193	278,140,939	286,067,442	312,803,063	416,463,541	427,663,511	430,769,346	434,668,133	438,039,563
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES										
Current Liabilities										
Accounts, contracts, and retainage payabl	1,432,067	964,775	902,547	3,183,271	1,654,086	9,512,446	3,639,000	5,166,431	7,594,588	8,760,210
Accrued payroll liabilities	282,203	385,976	350,767	138,945	450,809	528,127	158,693	75,784	79,613	264,839
Deposits and unearned revenue	249,632	282,736	389,603	429,470	476,554	465,319	587,653	504,871	467,286	365,139
Accrued interest payable	105,907	93,502	94,015	67,693	57,634	1,431,717	483,249	468,556	527,628	508,366
Current portion of compensated absences	8,320	12,690	7,430	39,330	27,720	29,630	39,330	40,510	57,746	29,452
Current portion of long-term debt	5,375,000	5,545,000	5,695,000	5,990,000	6,105,000	7,024,772	7,173,465	7,683,356	7,844,006	5,060,726
Total current liabilities	7,453,129	7,284,679	7,439,362	9,848,709	8,771,803	18,992,011	12,081,390	13,939,508	16,570,867	14,988,731
Noncurrent Liabilities										
Compensated absences	264,556	274,977	281,384	243,871	281,275	268,486	355,305	317,174	324,100	378,854
Long-term debt, net	51,581,482	45,985,066	40,260,352	35,824,059	52,317,810	137,845,462	140,435,731	133,073,746	124,689,026	119,087,585
Total noncurrent liabilities	51,846,038	46,260,043	40,541,736	36,067,930	52,599,085	138,113,948	140,791,036	133,390,920	125,013,126	119,466,440
Total liabilities	59,299,167	53,544,722	47,981,098	45,916,639	61,370,888	157,105,959	152,872,426	147,330,428	141,583,993	134,455,170
Deferred inflows of resources										
Lease related	-	-	-	-	-	-	1,400,642	1,184,814	971,284	457,391
NET POSITION										
Net investment in capital assets	134,058,396	135,304,025	140,428,065	151,512,018	163,152,221	176,701,851	142,453,706	156,918,189	170,116,871	198,037,819
Restricted debt service	6,659,000	6,688,000	6,813,000	7,257,405	9,550,000	10,247,285	13,798,205	14,086,722	1,971,035	986,642
Restricted capital projects	28,803,211	29,805,357	31,604,606	26,973,351	18,016,565	6,524,362	50,666,148	40,202,485	-	-
Unrestricted	47,686,067	50,697,089	51,314,170	54,408,029	60,713,389	65,884,084	66,472,384	71,046,708	120,024,950	104,102,542
Total net position	217,206,674	222,494,471	230,159,841	240,150,803	251,432,175	259,357,582	273,390,443	282,254,104	292,112,856	303,127,002
Total liabilities, deferred inflows of resources, and net position	\$ 276,505,841	\$ 276,039,193	\$ 278,140,939	\$ 286,067,442	\$ 312,803,063	\$ 416,463,541	\$ 427,663,511	\$ 430,769,346	\$ 434,668,133	\$ 438,039,563

Chart A-1 Net Position

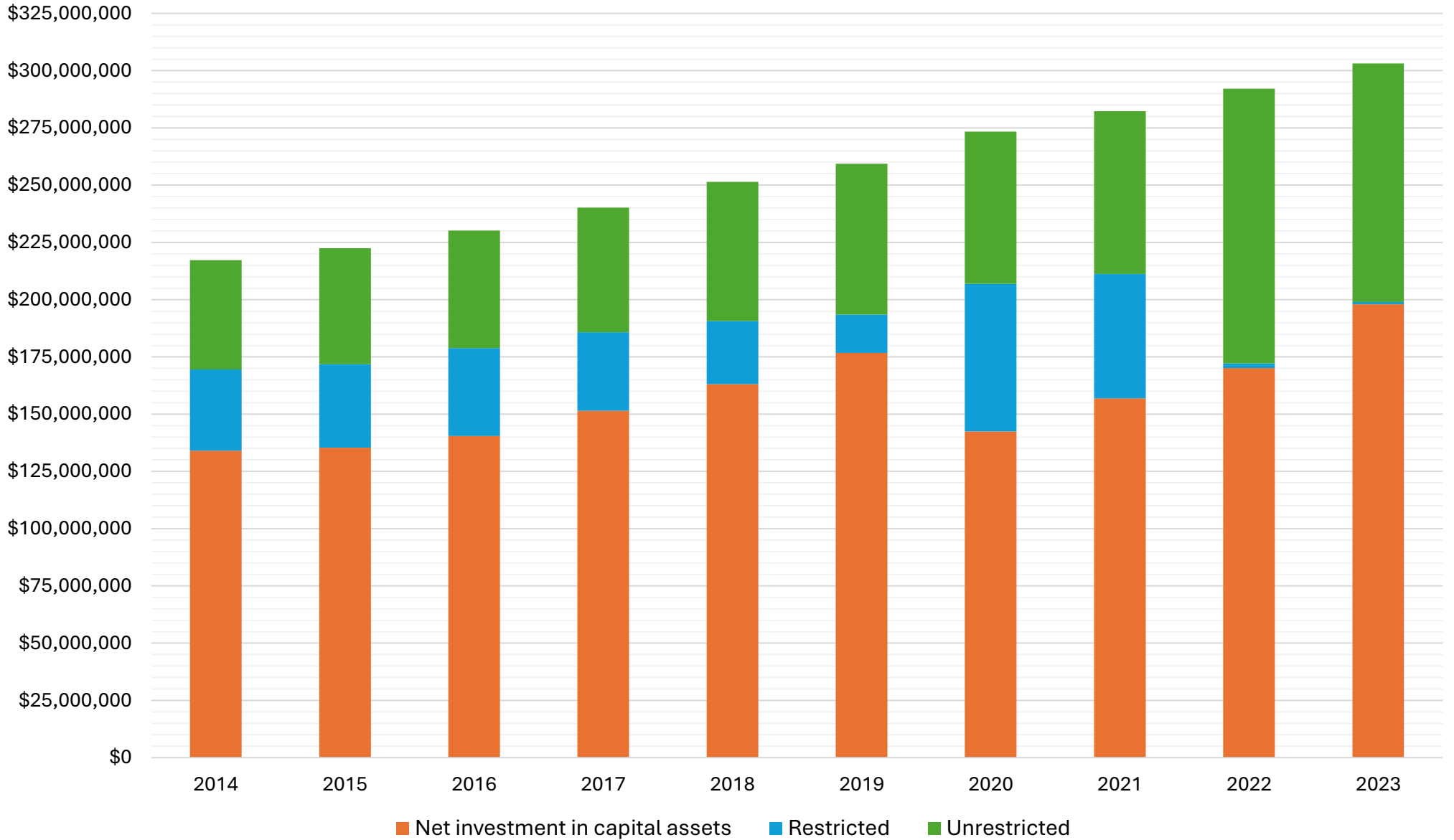


Table A-2 Change in Net Position

	2014	2015	2016	2017	2018	2019	RESTATED 2020	2021	RESTATED 2022	2023
OPERATING REVENUES:										
Water Operations	\$ 20,796,499	\$ 21,994,057	\$ 24,708,738	\$ 24,627,015	\$ 26,990,060	\$ 26,404,187	\$ 31,715,128	\$ 30,313,526	\$ 30,625,338	\$ 27,841,453
Wastewater Operations	8,888,171	9,272,790	9,712,521	10,036,591	10,442,472	11,542,746	12,033,862	13,076,330	14,125,529	15,156,475
Other Operating	1,514,545	1,526,652	1,415,627	1,331,121	1,522,615	1,583,980	1,345,938	1,389,212	1,113,938	1,419,540
Total Operating Revenue	<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>	<u>45,094,928</u>	<u>44,779,068</u>	<u>45,864,805</u>	<u>44,417,468</u>
OPERATING EXPENSES:										
Water operations	10,882,238	10,824,304	12,293,103	12,972,389	13,986,440	13,881,475	14,549,027	14,646,250	15,807,319	15,096,568
Wastewater operations	4,863,717	4,983,185	4,693,610	4,296,289	4,724,790	4,677,723	4,572,374	4,792,826	5,220,549	5,490,383
Technical and administrative	5,885,419	6,108,415	6,438,264	7,015,519	7,158,519	7,043,588	7,567,867	8,073,425	8,276,609	10,235,109
Noncapitalized major repair	886,419	511,951	860,597	581,383	480,482	514,101	881,405	1,634,109	1,066,742	447,992
Depreciation	6,670,642	6,665,027	6,638,711	6,629,523	6,404,333	6,378,444	6,461,405	6,520,401	6,445,544	6,076,865
Total operating expense	<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>	<u>34,032,078</u>	<u>35,667,011</u>	<u>36,816,763</u>	<u>37,346,918</u>
Operating income (loss)	<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>	<u>11,062,850</u>	<u>9,112,057</u>	<u>9,048,042</u>	<u>7,070,550</u>
NONOPERATING REVENUE (EXPENSE)										
Net investment income (loss)	693,307	594,850	810,284	924,377	1,504,109	4,785,312	3,542,514	(469,318)	(2,104,959)	4,978,143
Gain (loss) on disposal of property	(180,408)	6,070	(47,229)	(363,240)	(181,979)	(86,211)	(266,842)	23,431	78,328	41,860
Interest expense	(1,940,912)	(1,270,018)	(1,141,234)	(958,537)	(1,150,082)	(5,691,726)	(3,762,647)	(5,160,591)	(5,132,382)	(4,886,046)
Other nonoperating revenue	420,913	406,059	8,385	1,167,517	-	111,600	171,987	1,229,952	246,667	385,557
Amortization expense	(49,767)	(467,130)	(455,498)	(423,042)	(389,808)	(628,501)	-	335,396	399,504	465,025
Net nonoperating revenue (expense)	<u>(1,056,867)</u>	<u>(730,169)</u>	<u>(825,292)</u>	<u>347,075</u>	<u>(217,760)</u>	<u>(1,509,526)</u>	<u>(314,988)</u>	<u>(4,041,130)</u>	<u>(6,512,842)</u>	<u>984,540</u>
Income before capital contributions	<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>	<u>10,747,862</u>	<u>5,070,927</u>	<u>2,535,200</u>	<u>8,055,090</u>
Capital contributions										
Reserved Capacity Fees	3,061,561	2,317,349	3,578,061	5,144,263	5,298,549	2,399,351	3,284,998	3,792,726	6,756,315	2,959,056
Donated Assets	-	-	-	-	-	-	-	-	567,246	-
Increase (decrease) in net position	4,015,474	5,287,797	7,665,370	9,990,962	11,281,372	7,925,407	14,032,860	8,863,653	9,858,761	11,014,146
NET POSITION - BEGINNING OF YEAR	<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>	<u>273,390,442</u>	<u>282,254,095</u>	<u>292,112,856</u>
NET POSITION - END OF YEAR	<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>	<u>\$ 273,390,442</u>	<u>\$ 282,254,095</u>	<u>\$ 292,112,856</u>	<u>\$ 303,127,002</u>

Table A-3 Revenues and Reserved Capacity Fees

Year	UTILITY REVENUES (1)					RESERVED CAPACITY FEES (2)			
	Water Operating Revenue	Wastewater Operating Revenue	Other Operating Revenue	Nonoperating revenue	Total	Highlands Ranch Metro District	Mirabelle Metro District	No. Douglas County Water & Sanitation	Total
2014	\$ 20,796,499	\$ 8,888,171	\$ 1,514,545	\$ 933,812	\$ 32,133,027	3,061,561	-	-	3,061,561
2015	21,994,057	9,272,790	1,526,652	1,006,979	33,800,478	2,317,349	-	-	2,317,349
2016	24,708,738	9,712,521	1,415,627	771,440	36,608,326	3,578,061	-	-	3,578,061
2017	24,627,015	10,036,591	1,331,121	1,728,654	37,723,381	5,120,020	-	24,243	5,144,263
2018	26,990,060	10,442,472	1,522,615	1,322,130	40,277,277	4,321,052	-	977,497	5,298,549
2019	26,404,187	11,542,746	1,583,980	4,810,701	44,341,614	1,008,272	-	1,391,079	2,399,351
2020	31,715,128	12,033,862	1,345,938	3,447,659	48,542,587	1,380,219	1,233,240	671,539	3,284,998
2021	30,313,526	13,076,330	1,389,212	784,065	45,563,133	621,568	2,089,500	1,081,658	3,792,726
2022	30,625,338	14,125,529	1,113,938	(1,779,958)	44,084,847	2,843,761	2,950,710	961,844	6,756,315
2023	27,841,453	15,156,475	1,419,540	5,405,560	49,823,028	489,411	2,469,645	-	2,959,056

Notes:

1. Utility revenues include all operating and non-operating 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.

Chart A-3 Utility Revenues

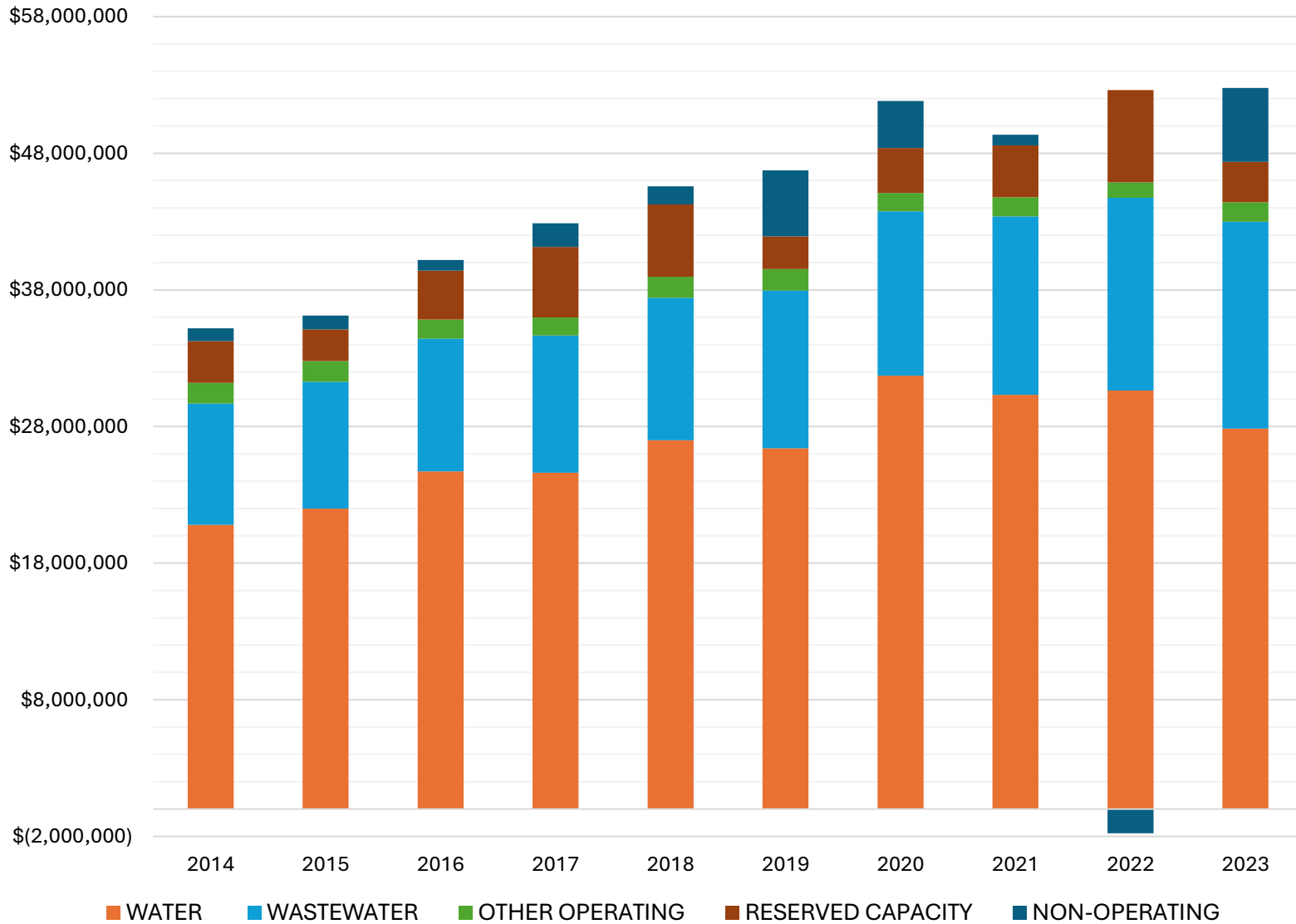


Table B-1 Water Sold by Customer Type (in 1,000 gallons) – Highlands Ranch Only

Year	Single Family Residential	Mult-Family Residential	Commercial	Irrigation	Industrial	Northern Douglas County	Total	Year Over Year Change	10-Year Change
2014	2,641,481	195,510	327,490	954,756	148,336	206,745	4,474,318	7.14%	3.56%
2015	2,748,608	198,224	362,066	695,393	206,979	220,619	4,431,889	-0.95%	-2.73%
2016	3,011,130	211,179	367,893	872,963	232,231	245,117	4,940,513	11.48%	10.27%
2017	2,893,890	222,705	372,899	765,857	181,009	217,611	4,653,971	-5.80%	-4.95%
2018	3,033,552	227,437	376,844	845,424	187,903	265,562	4,936,722	6.08%	25.82%
2019	2,824,400	228,879	386,492	751,693	169,949	214,670	4,576,083	-7.31%	0.67%
2020	3,339,263	232,061	370,045	941,965	166,775	248,275	5,298,384	15.78%	10.30%
2021	2,901,985	230,557	368,666	772,494	107,752	195,594	4,577,048	-13.61%	-7.76%
2022	2,805,636	227,422	351,862	749,468	142,750	229,432	4,506,570	-1.54%	7.91%
2023	2,396,592	227,658	318,609	538,093	95,379	123,826	3,700,157	-17.89%	-17.30%

Chart B-1 Water Sold by Customer Type (in thousands)

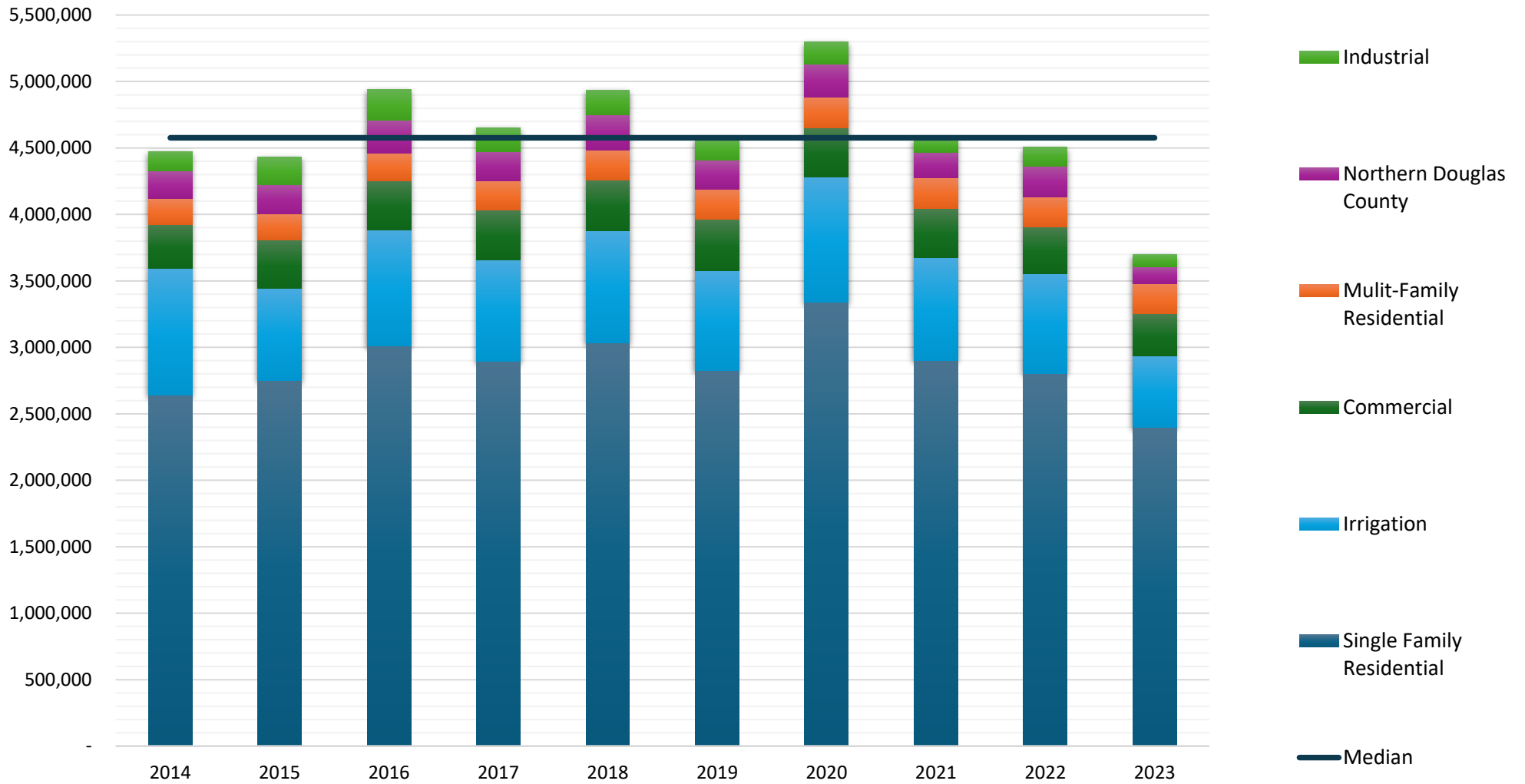


Table B-2 History of Base Water and Wastewater Rates

WATER RATES			
WATER SERVICE AVAILABILITY FEE¹		AMOUNT	
Single-Family Residential	\$	18.25	
Multi-Family Residential	\$	11.32	
Non-residential ²	\$	18.35 - \$ 328.50	
WATER USAGE CHARGES			
(per 1,000 gallons)	SUMMER	WINTER	IRRIGATION
<100% of Water Budget	\$ 4.52	\$ 4.52	\$ 4.62
101% - 120% of Water Budget	\$ 6.08	\$ 6.08	\$ 6.20
121% - 140% of Water Budget	\$ 9.23	\$ 6.08	\$ 10.90
>140% of Water Budget	\$ 13.97	\$ 10.06	\$ 18.50
WATER USAGE CHARGES DROUGHT		RESIDENTIAL SUMMER	NONRESIDENTIAL MULTI-FAMILY IRRIGATION
(per 1,000 gallons)			
Stage 1			
101% - 120% of Water Budget	\$ 7.60	\$ 7.75	
121% - 140% of Water Budget	\$ 11.54	\$ 13.63	
>140% of Water Budget	\$ 13.97	\$ 13.97	
Stage 2			
101% - 120% of Water Budget	\$ 9.12	\$ 9.30	
121% - 140% of Water Budget	\$ 13.85	\$ 16.35	
>140% of Water Budget	\$ 13.97	\$ 18.50	

(Continued to next page)

Table B-2 History of Base Water and Wastewater Rates (Continued)

WASTEWATER RATES		
WASTEWATER FIXED FEE¹	AMOUNT	MULTIPLIER
Single-Family Residential	\$ 13.48	N/A
Multi-Family Residential	\$ 13.48	* number of units
Non-residential	\$ 13.48	* 3/4" equivalent meter size
WASTEWATER TREATMENT	AMOUNT	MULTIPLIER
Single-Family Residential ³	\$ 4.04	per 1,000 gallons > 3,000
Multi-Family Residential	\$ 4.04	per 1,000 gallons * avg. winter-time usage
Non-residential	\$ 4.04	per 1,000 gallons * 80% of indoor water consumed

¹ Billed bimonthly for single-family residential and monthly for multi-family and nonresidential. For comparison purposes, residential is shown as the monthly rate.

² Monthly fee varies with meter size; amounts shown are for 1" to 3" meters.

³ Based on winter months' water use

(Continued from prior page)

Table B-3 Water and Wastewater Fees and Rates

WATER FEES AND RATES											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
SERVICE AVAILABILITY FEE											
Single-Family Residential ¹	\$ 13.50	\$ 13.50	\$ 13.50	\$ 13.50	\$ 13.65	\$ 14.70	\$ 15.86	\$ 16.75	\$ 17.41	\$ 18.25	
Multi-Family Residential	8.10	8.10	8.10	8.10	8.50	9.18	9.92	10.47	10.88	11.32	
Nonresidential ²	13.50	13.50	13.50	13.50	13.65	14.70	15.86	16.75	17.41	18.25	
WATER USAGE CHARGES³											
Single Family Residential											
Summer Base Rate	2.95	3.05	3.21	3.41	3.63	3.73	3.90	4.10	4.31	4.52	
Winter Base Rate	2.95	3.05	3.21	3.41	3.63	3.73	3.90	4.10	4.31	4.52	
Multi-Family and Nonresidential											
Indoor Base Rate	2.95	2.91	2.97	3.17	3.31	3.42	3.59	3.78	3.99	4.18	
Irrigation Base Rate	2.95	3.12	3.28	3.48	3.66	3.82	3.99	4.20	4.41	4.62	
WASTEWATER FEES AND RATES											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
FIXED FEE											
Single-Family Residential ¹	\$ 6.75	\$ 6.75	\$ 6.95	\$ 6.95	\$ 7.20	\$ 9.30	\$ 9.85	\$ 10.76	\$ 11.84	\$ 13.48	
Multi-Family Residential	6.75	6.75	6.95	6.95	7.20	9.30	9.85	10.76	11.84	13.48	
Nonresidential ²	6.75	6.75	6.95	6.95	7.20	9.30	9.85	10.76	11.84	13.48	
TREATMENT RATES											
Single Family Residential											
Minimum ⁴	10.88	11.15	11.50	11.57	12.00	14.33	15.37	16.39	17.63	19.54	
Per 1,000 Gallons > 3,000	2.75	2.93	3.03	3.08	3.20	3.35	3.68	3.75	3.86	4.04	
Multi-Family											
Minimum ⁴	10.88	11.15	11.50	11.57	12.00	14.33	15.37	16.39	17.63	19.54	
Per 1,000 Gallons > 1,500	2.75	2.93	3.03	3.08	3.20	3.35	3.68	3.75	3.86	4.04	
Nonresidential⁵											
Per 1,000 Gallons	2.75	2.93	3.03	3.08	3.20	3.35	3.68	3.75	3.86	4.04	

¹Single-Family Residential billed bi-monthly, shown here as the monthly rate.

²Per 3/4" tap equivalent.

³A base rate is charged for the use of water within a set water budget. Rates increase for usage beyond the water budget at increments of 20% and 40% in excess of the water budget.

⁴Minimum charge equals the fixed fee + 3,000 gallons of use for single family residential and 1,500 gallons for multi-family residential.

⁵Rate * 80% of water consumed (per 1,000 gallons).

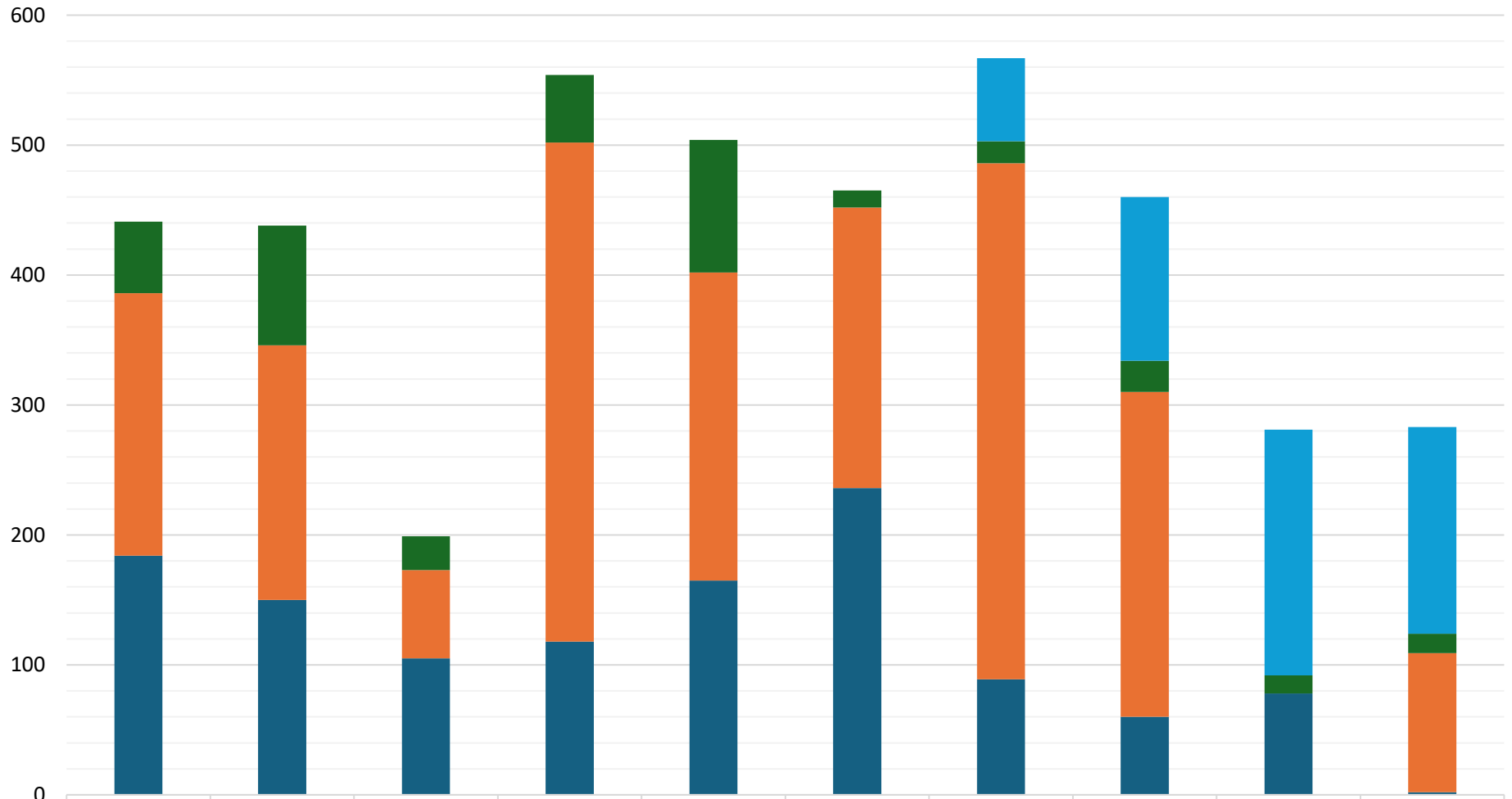
Table B-4 Taps Sold in 3/4" Equivalent

YEAR	HIGHLANDS RANCH METRO DISTRICT					NORTHERN DOUGLAS COUNTY				MIRABELLE METRO DISTRICT (SOLSTICE)			TOTAL
	Single Family	Multi Family	Non Residential	Government Irrigation	Total	Single Family	Multi Family	Non Residential	Total	Single Family	Irrigation	Total	
Prior to 2014	28,181	6,371	4,150	1,328	40,030	1,528	104	258	1,890	0	0	0	41,920
2014	184	202	55	0	441	0	0	0	0	0	0	0	441
2015	150	196	92	0	438	0	0	0	0	0	0	0	438
2016	105	68	26	0	199	0	0	0	0	0	0	0	199
2017	118	384	52	18	572	0	0	0	0	0	0	0	572
2018	165	237	102	0	504	0	56	2	58	0	0	0	562
2019	236	216	13	0	465	0	56	28	84	0	0	0	549
2020	89	397	17	0	503	4	0	4	8	64	84	148	659
2021	60	250	24	0	334	30	0	4	34	126	0	126	494
2022	78	0	14	0	92	20	0	8	28	189	68	257	377
2023	2	107	15	0	124	0	0	0	0	159	0	159	283
Total	29,368	8,428	4,560	1,346	43,702	1,582	216	304	2,102	538	152	690	46,494

Notes:

1. The District serves the Highlands Ranch Metro District, Mirabelle Metropolitan District, and 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.
4. Northern Douglas County has paid for all of their taps.

Chart B-4 New 3/4" Equivalents in Highlands Ranch



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
■ Solstice	0	0	0	0	0	0	64	126	189	159
■ Commercial	55	92	26	52	102	13	17	24	14	15
■ Multi Family	202	196	68	384	237	216	397	250	0	107
■ Single Family	184	150	105	118	165	236	89	60	78	2

Table C-1 Ratio of Bonded Debt

Net Bonded Debt Per Customer and Per Capita Served

Year	Customers Served (1)	Population Served (2)	Gross Bonded Debt Outstanding	Less Net Debt Service Funds	Net Indebtedness	Ratio of Gross Debt		Ratio of Net Debt	
						Per Customer	Per Capita	Per Customer	Per Capita
2014	42,361	99,827	\$ 56,860,000	\$ 6,659,000	\$ 50,201,000	1,342	570	1,185	503
2015	42,799	101,487	51,485,000	6,688,000	44,797,000	1,203	507	1,047	441
2016	42,998	99,090	45,940,000	6,813,000	39,127,000	1,068	464	910	395
2017	43,570	100,067	40,245,000	7,257,400	32,987,600	924	402	757	330
2018	44,132	100,823	34,255,000	9,550,000	24,705,000	776	340	560	245
2019	44,681	105,960	92,505,000	9,487,265	83,017,735	2,070	873	1,858	783
2020	45,340	104,469	86,270,000	13,038,180	73,231,820	1,903	826	1,615	701
2021	45,834	96,888	79,910,000	13,326,700	66,583,300	1,743	825	1,453	687
2022	46,211	106,371	73,415,000	12,767,595	60,647,405	1,589	690	1,312	570
2023	46,494	105,139	\$ 66,795,000	\$ 7,474,713	\$ 59,320,287	1,437	635	1,276	564

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, Northern Douglas County Water & Sanitation District, and Mirabelle Metropolitan 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.
4. Net Debt Service Funds reflects investment amount held at year end

Table C-2 Covenant Required Bond Coverage

Audit Year	Annual Debt Service (1)	TEST 1						TEST 2				TEST 3		
		Operating Revenue	Net Investment Income/(Loss)	Total Recurring Revenue (3)	Less Operating Expenses (4)	Net Recurring Revenue	Debt Service Coverage Based Upon Net Recurring Revenue (2) (6)	Net Recurring Revenue	Plus Capital Contributions	Total Net Revenue (5)	Debt Service Coverage Based Upon Net Revenue (2) (7)	Rate Stabilization Account Balance	Rate Stabilization Account 25% Allowance (8)	Debt Service Coverage Based Upon Net Revenue + Allowable 25% (2)
2014	\$ 6,703,000	\$ 31,199,215	\$ 693,307	\$ 31,892,522	\$ 21,631,374	\$ 10,261,148	1.53	10,261,148	3,061,561	13,322,709	1.99	5,694,663	1,423,666	2.20
2015	6,498,108	32,793,499	594,850	33,388,349	21,915,904	11,472,445	1.77	11,472,445	2,317,349	13,789,794	2.12	5,936,686	1,484,172	2.35
2016	6,688,000	35,836,886	810,284	36,647,170	23,424,977	13,222,193	1.98	13,222,193	3,578,061	16,800,254	2.51	7,898,634	1,974,658	2.81
2017	6,813,000	35,994,727	924,377	36,919,104	24,284,197	12,634,907	1.85	12,634,907	5,144,263	17,779,170	2.61	8,994,664	2,248,666	2.94
2018	7,250,500	38,955,147	1,504,109	40,459,256	25,869,749	14,589,507	2.01	14,589,507	5,298,549	19,888,056	2.74	12,694,664	3,173,666	3.18
2019	11,942,000	39,530,913	4,785,312	44,316,225	25,602,786	18,713,439	1.57	18,713,439	2,399,351	21,112,790	1.77	14,694,664	3,673,666	2.08
2020	12,276,601	45,094,928	3,542,514	48,637,442	25,602,786	23,034,656	1.88	23,034,656	3,284,998	26,319,654	2.14	18,694,664	4,673,666	2.52
2021	12,349,749	44,779,068	(469,318)	44,309,750	27,512,501	16,797,249	1.36	16,797,249	3,792,726	20,589,975	1.67	18,694,664	4,673,666	2.05
2022	12,756,666	45,864,805	(2,104,959)	43,759,846	29,304,477	14,455,369	1.13	14,455,369	6,756,315	21,211,684	1.66	18,694,664	4,673,666	2.03
2023	12,749,313	44,417,468	4,978,143	49,395,611	30,822,060	18,573,551	1.46	18,573,551	2,959,056	21,532,607	1.69	18,694,664	4,673,666	2.06

NOTES:

- 1 Total principal and interest paid.
- 2 Debt service coverage is based on the annual debt service obligations on all outstanding debt.
- 3 Includes income received from the operations of the District including rates and fees plus net investment income but excludes other non-operating income and Capital Contributions (reserved capacity, tap fees, tap options)
- 4 Expenses for normal operations and maintenance but excludes depreciation and expenses for non-capitalized major repairs made from a reserve fund for such repairs.
- 5 Total Revenue less operations and maintenance expenses plus Capital Contributions (reserved capacity, tap fees, tap options).
- 6 Required 100% Coverage test contained in Series 2012A and 2012B Notes, the Series 2019 Bonds, and the CWCB loan agreements.
- 7 Required 125% Coverage test contained in the Series 2012A and 2012B Notes and the Series 2019 bond resolution.
- 8 The District is permitted to take into account amounts on deposit in its Rate Stabilization Account (restricted in accordance with the debt Resolutions and Agreements) up to 25% of the applicable year’s annual debt service.

Chart C-2 Covenant Required Bond Coverage

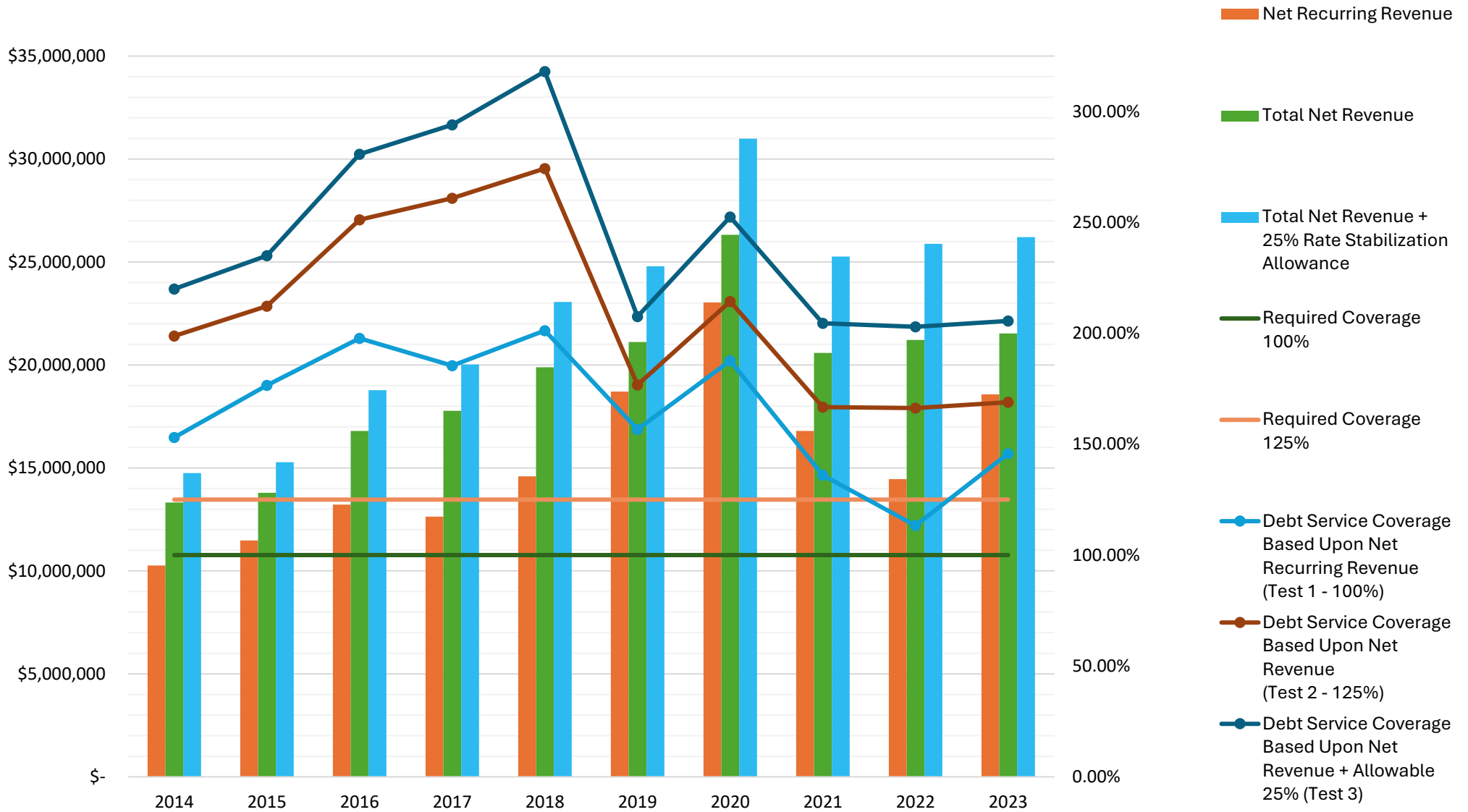


Table D-1 Douglas County, Colorado – Demographic Statistics

		DOUGLAS COUNTY, COLORADO							
Year	Total Population Served (1)	Estimated Population (3)	Personal Income (\$1,000)	Personal Income Per Capita	Median Age	Average Household Size	Public School Enrollment	School Enrollment to Population	Unemployment Rate
2014	99,827	308,000	\$ 19,900,804	\$ 64,613	36.9	2.82	67,000	21.8%	4.5%
2015	101,487	328,990	21,713,011	65,999	37.2	2.84	66,702	20.3%	2.6%
2016	99,090	336,000	22,558,704	67,139	37.6	2.76	66,896	19.9%	2.8%
2017	100,067	346,000	24,637,968	71,208	38.9	2.75	67,740	19.6%	2.6%
2018	100,823	358,000	27,021,840	75,255	38.1	2.81	67,597	18.9%	3.4%
2019	105,960	370,000	28,072,588	78,445	38.1	2.79	67,591	18.3%	2.8%
2020	104,469	379,000	39,933,420	78,980	38.5	2.52	67,305	17.8%	6.3%
2021	96,888	373,275	29,776,147	79,770	39.3	2.75	62,979	16.9%	5.2%
2022	106,371	378,000	32,412,414	90,341	39.3	2.70	63,876	16.9%	2.3%
2023	105,139	381,500	37,286,158	99,168	39.7	2.72	62,341	16.3%	3.0%

Notes:

1. The Highlands Ranch Metro District, Northern Douglas County Water and Sanitation District, and Mirabelle Metropolitan District are located within Douglas County.
Demographic data (other than population estimates) for the three districts are not available, however Douglas County data is generally representative of the three districts.
2. District population served is based on taps sold from Tables B-3 and C-1 multiplied by occupancy % and population per household estimates supplied by Douglas County.

Source: Douglas County, Colorado

Table D-2 Douglas County, Colorado – Principal Employers

2022				2013		
Employer	Rank	Employee Count	% of Total	Rank	Employee Count	% of Total
Douglas County School District	1	8,500	4.41%	1	5,863	4.87%
Charles Schwab	2	3,450	1.79%			
DISH Network	3	2,500	1.30%			
Centura Health	4	1,970	1.02%	7	980	0.81%
Healthone: Sky Ridge Medical	5	1,470	0.76%	4	1,170	0.97%
Douglas County Government	6	1,453	0.75%	6	1,061	0.88%
Kiewit Companies	7	1,400	0.73%			
VISA Debit Processing Services	8	1,180	0.61%			
Lockheed Martin Corporation	9	1,010	0.52%			
Specialized Loan Servicing LLC	10	820	0.43%			
Jacobs Engineering (formerly CH2M Hill)				2	1,980	1.65%
Echostar Communications				3	1,960	1.63%
Western Union				5	1,140	0.95%
The Trizetto Group				8	900	0.75%
Information Handling Systems				9	810	0.67%
AVAYA				10	650	0.54%
Total for Principal Employers		23,753	12.3%		16,514	13.7%
Total Employment in Douglas County		192,563			120,280	
Total Labor Force in Douglas County		200,745				

Source: Douglas County, Colorado 2022 Annual Comprehensive Financial Report
 2023 data not available when published

Table E-1 Operating Information

TOTAL FULL TIME EQUIVALENT EMPLOYEES										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operations and Maintenance Management	5.500	8.000	8.000	8.000	8.000	7.000	8.000	9.000	9.000	9.000
Plant Operations and Maintenance	32.000	35.000	35.000	35.000	38.000	38.000	38.000	33.000	33.000	33.000
Collection/Distribution and Lab	28.000	25.000	25.000	26.000	26.000	26.000	26.000	26.000	26.000	24.000
Engineering	7.625	8.375	8.375	5.475	6.700	6.700	6.800	6.800	6.800	7.800
Administration	11.690	11.260	11.260	14.260	13.650	13.400	13.400	13.150	13.400	14.850
Customer Service	7.250	7.250	7.250	6.500	6.500	6.500	6.500	7.000	7.500	7.250
Temporaries	2.960	2.960	2.960	2.960	2.960	1.800	1.800	1.800	1.800	1.800
TOTAL	95.025	97.845	97.845	98.195	101.810	99.400	100.500	96.750	97.500	97.700

OPERATING INDICATORS										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Customers Served	42,361	42,799	42,998	43,570	44,132	44,681	45,340	45,834	46,211	46,494
Gallons Billed (in millions)	4,474	4,432	4,941	4,654	4,937	4,576	5,298	4,577	4,507	3,700

CAPITAL ASSETS										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
WATER										
Water Treatment Plant Capacity	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD
Wells Available for Service	55	55	55	55	55	55	55	55	55	51
Pump Stations	12	12	12	12	12	13	13	13	13	14
Raw Water Storage Reservoirs	2	2	2	2	2	2	3	3	3	4
Raw Water Storage Reservoirs - Capacity	6605 AF	6605 AF	6605 AF	6605 AF	6605 AF	6605 AF	13527 AF	13527 AF	13527 AF	17,400 AF
Treated Storage Reservoirs	8	8	8	8	8	8	8	8	8	8
Treated Storage Reservoirs - Capacity	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG
Ground Water Treatment Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Pipelines	442	443	446	452	452	457	461	463	464	464
Fire Hydrants	3,090	3,099	3,129	3,164	3,180	3,228	3,278	3,293	3,312	3,312
Miles of Sewer Pipeline	325	325	327	328	333	336	339	339	342	342
Manholes	8,725	8,753	8,794	8,845	8,887	9,005	9,103	9,148	9,204	9,205



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Centennial Water and Sanitation District (the District) which comprise the District's statement of financial position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 21, 2024, which contained a paragraph emphasizing a matter regarding certain error corrections in the December 31, 2022 financial statements.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Centennial Water and Sanitation District’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

**Denver, Colorado
August 21, 2024**



Schedule of Findings and Responses



**Centennial Water and Sanitation District
 Schedule of Findings and Responses
 Year Ended December 31, 2023**

Reference Number	Finding
2023-001	<p>Finding: Restatement of Prior Year Financial Statements</p> <p>Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Specifically, the District should have controls in place to ensure all transactions are recorded in accordance with applicable accounting standards/guidance.</p> <p>Condition: The following issues were noted during the 2023 audit, causing the prior period's financial statements to be restated:</p> <ul style="list-style-type: none"> a) <i>Classifications of Cash and Cash Equivalents</i> - In the prior year, cash was not properly classified between current and noncurrent restricted cash and cash equivalents for capital expenditures. In addition, third-party restrictions on use of funds, such as the use of bond proceeds, should be reported as restricted. Finally, restricted cash that is not available to fund current operations should be disclosed as a noncurrent asset. Corrections were made to the 2022 financial statements to properly reflect third-party restrictions on cash balances and restricted cash that is not available to fund current operations was reclassified to a noncurrent asset. b) <i>Net Position Classifications</i> - GASB standards define that the net investment in capital assets component of net position consists of capital assets, reduced by outstanding balances of bonds, notes, or other borrowings (including accounts and retainage payables). In addition, if there are significant unspent related debt proceeds at the end of the reporting period, the portion of the debt attributable to the unspent amount should not be included in the calculation of net investment in capital assets. The unspent bond proceeds and accounts and retainages payable relating to capital were excluded from the calculation in the prior year. <p>Furthermore, GASB standards define that net position should be reported as restricted when constraints placed on net position use are either:</p> <ul style="list-style-type: none"> a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments b. Imposed by law through constitutional provisions or enabling legislation <p>The majority of the District's restricted net position in prior years did not have constraints externally imposed by third parties or through constitutional provisions or enabling legislation.</p> <p>Corrections were made to the 2022 financials to properly report and classify net position balances.</p> <ul style="list-style-type: none"> c) <i>Statement of Cash Flows Presentation</i> - GASB standards require the statements of cash flows to include Information about all investing, capital, and financing activities of a governmental enterprise during a period that affect recognized assets or liabilities but do not result in cash receipts or cash payments in the period should be reported. The District did not report all noncash activities in the statement of cash flows in prior years nor was the balance reported in the 2022 financials updated from the previously reported

Reference Number	Finding
	<p>2021 amount. Corrections were made to the 2022 financials to properly report the cash flow statement.</p> <p>Cause:</p> <ul style="list-style-type: none">a) Management was not aware of the associated GASB implementation guidance that requires current assets exclude assets that will not be used in current operations, are restricted for acquisition or construction of noncurrent assets, or are restricted for liquidation of long-term debt.b) Management did not have a template to help assist in the calculation of net investment in capital assets and was not aware of the GASB implementation guidance to include accounts payable type items in the calculation. Additionally, management considered internal designations as restricted net position instead of only items with true external restrictions.c) Management did not have a template that considers the noncash items in the capital and related financing section of the financials and review of financials did not identify that the noncash item for investing activities had not changed from 2021. <p>Effect: The items outlined above resulted in a reclassification of \$11.1 million current restricted cash and cash equivalents to noncurrent restricted cash and cash equivalents. The net investment in capital assets amount reported for 2022 was reduced by \$16.7 million and \$41.0 million of restricted net position was reclassified to unrestricted net position which combined resulted in a total increase to unrestricted net position of \$57.7 million. The 2022 statement of cash flow was restated to report \$3.7 million of net noncash activities resulting in adjustments to all reporting categories on the statements of cash flow for 2022.</p> <p>Recommendation: We recommend the following to address the above items:</p> <ul style="list-style-type: none">a) Management should implement a way to track restrictions in cash and cash equivalents within the general ledger so they are easily identifiable for reporting purposes.b) Management should create or utilize a template in the calculation of net position that takes into consideration all required elements.c) Management should create or utilize a cash flow template that properly identifies and tracks all items that should be considered noncash for reporting purposes. <p>Views of Responsible Officials: We agree with the auditors' recommendations, and the following action will be taken to improve the situation: We will have management attend trainings, annually, on new pronouncements with how to properly adopt them. Additionally, we will reconcile cash and cash equivalents to identify restrictions in cash and cash equivalents while management will explore ideas on how to implement tracking restrictions in cash and cash equivalents within the general ledger. Lastly, we will utilize a template in the calculation of net position and a cash flow template to ensure all required elements are considered and provided.</p>