

**CENTENNIAL**  
WATER AND SANITATION DISTRICT

# **CWSD Participation in the Chatfield Reservoir Reallocation Project**

a CWCB Loan Feasibility Study,  
prepared by the Centennial Water and Sanitation District

**FEASIBILITY STUDY APPROVAL**  
Pursuant to Colorado Revised Statutes 37-60-121 & 122, and  
in accordance with policies adopted by the Board, the  
CWCB staff has determined this Feasibility Study meets all  
applicable requirements for approval.

August 2013

Signed

Date

5/9/2014

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## COLORADO WATER CONSERVATION BOARD WATER PROJECT LOAN APPLICATION

**Instructions:** This application should be typed or printed neatly with black ink. Attach additional sheets as necessary to fully answer any question or to provide additional information that would be helpful in the evaluation of this application. When finished, please sign and return this application to:

**THE COLORADO WATER CONSERVATION BOARD**  
Finance Section  
1580 Logan St., Suite 600  
Denver, CO 80203  
Attn: Anna Mauss, P.E.  
Phone: (303) 866-3441 x3224 Fax (303) 894-2578  
Email: [anna.mauss@state.co.us](mailto:anna.mauss@state.co.us)

**Part A. - Description of the Applicant** (Generally, the applicant is also the prospective owner and sponsor of the proposed project)

1. Name of applicant Centennial Water and Sanitation District

Mailing Address 62 Plaza Dr., Highlands Ranch, CO 80129

Business Phone (303) 791-0430 Fax (303) 791-0437

Federal ID Number 84-0821008 email blebsack@highlandsranch.org

2. Person to contact regarding this application:

Name Bruce Lebsack

Position/Title Director of Finance

Address 62 Plaza Dr., Highlands Ranch, CO 80129

Business Phone (303) 791-0430 Cell (303) 981-1863

Email blebsack@highlandsranch.org

3. Type of organization (Ditch Co., Irrigation District, Municipality, etc.): Title 32 District

Date of Annual Meeting monthly

Is the organization incorporated in the State of Colorado? YES ☐ NO ☒ (If YES, please include a copy of the articles of incorporation, and the bylaws)

## CWCB Water Project Loan Application

4. Please provide a brief description of the owner's existing water supply facilities and describe any existing operational or maintenance problems. Attach a map of the service area

1 40mgd WTPlant, two groundwater treatment plants,  
shares in 3 ditches & 3 reservoirs, multiple pump stations  
and storage tanks, 51 wells, 437 miles of pipeline

For existing facilities indicate:

Number of shareholders N/A or Number of customers served 36,000

Current Assessment per share \$ N/A Number of shares N/A

Number of acres irrigated N/A Water Right: 12,500 CFS AF of storage

Average water <sup>delivered</sup> ~~diverted~~ per year: 17,000 acre-feet. in Chatfield Res.

### Part B. - Description of the Project

1. Name of the Project Chatfield Reservoir Reallocation Project

2. Purpose of this loan application. Check one.

☐ New project  
☐ Rehabilitation or replacement of existing facility  
☐ Enlargement of existing facility  
☐ Emergency Repair  
☒ Other (describe) reallocation of existing storage

3. If the project is for rehabilitation of an existing reservoir, is the reservoir currently under a storage restriction order from the State Engineer? YES ☐ NO ☐

4. General location of the project. (Please include county, and approximate distance and direction from nearest town, as well as legal description, if known.)

Chatfield Reservoir, 14 miles south of Denver

5. Please provide a brief narrative description of the proposed project including purpose, need, facilities, type of water uses to be served and service area. Attach separate sheet, if needed.

Reallocation of 20,600 AF of Flood storage in Chatfield to conservation/  
multi-use to reduce supply deficit in South Platte Basin  
w/o use of agricultural transfer

6. Will the acquisition of additional water rights be necessary? YES ☐ NO ☒

If YES, please explain. \_\_\_\_\_



## CWCB Water Project Loan Application

7. Please list the names, addresses and phone numbers of the Applicants' engineer(s) and attorney(s).

NAME

ADDRESS and PHONE

Hahn, Smith, Walsh & Mancuso 717 17th #1250, Denver, CO, 80202 (303)298-0221  
Mueller Engineering 777 S. Wadsworth, Lakewood, CO 80226 (303)988-4939

8. List any feasibility studies or other investigations that have been completed or are now in progress for the proposed project. If so, submit one copy of the study with this application

CWCB Feasibility Study (included), FR/EIS and  
Chatfield Reservoir Reallocation Project Wildlife and Recreation Mitigation Plan

9. Estimated cost of the project. Please include estimated engineering costs, and estimated construction costs, if known.

Estimated Engineering Costs: \$ \_\_\_\_\_

Estimated Construction Costs: \$ \_\_\_\_\_

Estimated Other Costs: \$ \_\_\_\_\_ (land, water rights purchase, etc.)

Estimated Total Costs: \$ 147 M (District portion is \$50 M)

10. Loan amount and terms you are requesting.

Requested Loan Amount: \$ 45M (Usually 90 % of est. Total Costs)

Term (length) of loan: 30 years (Usually 10, 20, or 30 years)

Interest Rate: 3.0 % (Please call for our current rates)

### **Part C. - Project Sponsor Financial Information**

Because the CWCB's Fund is a revolving fund, it is important that the project sponsor have the financial capacity to repay any loans made by the CWCB. The following information is needed to assist the CWCB in a preliminary assessment of the applicant's financial capacity. The project sponsor will submit the three most recent annual financial statements.

1. List any existing long-term liability (multi-year) or indebtedness that exceeds one thousand dollars. For example, bank loans, government agency loans, bond issues, accounts payable, etc. Include names and addresses of lenders, amounts, due dates and maturity dates.

**CWCB Water Project Loan Application**

<u>Lender Name &amp; Address</u>	<u>Remaining Amount</u>	<u>Annual Payment</u>	<u>Maturity Date</u>
multiple revenue bonds			
refunding loan			
*detailed list in Appendix of feasibility study	TOTAL \$66M	\$6.7M	

2. Are any of the above liabilities now in default, or been in default at any time in the past?  
YES ☐ NO ☒ . If YES, please give detailed explanation.

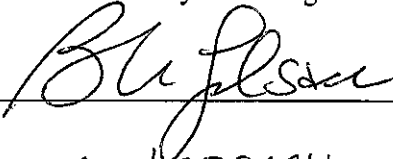
3. Please provide a brief narrative description of sources of funding, in addition to the CWCB, which have been explored for this project (Examples would be Banks, USDA Rural Development, NRCS, Colorado Water Resources and Power Development Authority, Colorado Division of Local Government, etc.).

Cash reserves and CWCB loan

4. What collateral will you be offering for this loan? Possibilities include a pledge of revenues, the project itself, real estate, water rights. Pledge of Enterprise Fund revenues and a rate covenant

The above statements are true, to the best of my knowledge:

Signature of Applicant



Printed Name

BRUCE A. LEBACK

Title

DIRECTOR, FINANCE & ADMINISTRATION

Date

AUGUST 1, 2013

## **INTRODUCTION**

In 1996, on behalf of fifteen water providers, the Colorado Water Conservation Board (CWCB) formally requested the U.S. Army Corps of Engineers (USACE) consider increasing water supply storage in Chatfield Reservoir (Chatfield) by reallocating existing flood storage. As a result, the federal Feasibility Report and Environmental Impact Statement (FR/EIS) process was initiated in 1999. The FR/EIS process is evaluating the environmental, social, and economic effects of the proposed reallocation now referred to as the Chatfield Reservoir Reallocation Project (Project). The USACE is expected to issue the final FR/EIS by October 2013.

The Centennial Water and Sanitation District (District) is applying for a CWCB loan to finance a portion of its participation in the Project. The overall Project is estimated to cost \$147 million (near-term cost only, does not include long-term operation and maintenance costs) which represents an approximate \$50 million share to the District. The District is requesting a \$45 million loan to assist with its funding of the Project.

## **CWCB FEASIBILITY STUDY AND SUPPORTING DOCUMENTATION**

The CWCB feasibility study was prepared by Ryan Edwards, P.E., District Project Manager, with support from Bruce Lebsack, District Director of Finance and Rick McCloud, District Water Resources Manager. Legal support was provided by Edward Walsh of Hahn, Smith, Walsh & Mancuso.

The loan feasibility study includes the CWCB Loan Application, a historic and financial background on the District, a summary of District water rights, an estimate of probable cost, and a project summary derived from two studies: the FR/EIS and a report titled "*Chatfield Reservoir Reallocation Project Fish, Wildlife and Recreation Mitigation Plan*." The most recent draft of the report, known as the Mitigation Plan, was prepared by the Chatfield Reservoir Reallocation Project Participants in response to the requirements of Colorado Revised Statute §37-60-122.2 (see Appendix B for a copy of the statute). The Mitigation Plan is scheduled to be formally submitted for review and approval to the Colorado Parks and Wildlife Commission (CPW) in November 2013, with a subsequent review and approval by the CWCB to follow.

The Mitigation Plan identifies proposed actions that the Project participants will implement to mitigate unavoidable adverse impacts the Project will have on fish, wildlife, and recreation facilities. The revised statute does not require that a mitigation plan for recreational impacts be approved by the CPW; however, the plan addresses all concerns raised by the CPW, and

significant efforts are proposed to mitigate unavoidable impacts to recreational facilities and amenities.

## **CHATFIELD RESERVOIR REALLOCATION PROJECT**

### **General Overview**

Chatfield Reservoir, completed by the USACE in 1975, was constructed to provide flood protection for the Denver metropolitan area following a disastrous South Platte River flood in 1965. Chatfield is a Platte River on-channel reservoir located at the confluence of the South Platte River and Plum Creek, approximately fourteen miles south of Denver. The reservoir is owned and operated by the USACE and has a maximum capacity of 350,653 acre-feet (AF). A Project Location Map is included in Appendix A.

The USACE designates storage in Chatfield in four distinct pools. Each pool is assigned a specific pool elevation in feet above mean sea level (m.s.l.), limiting the use of the water to a defined purpose. Currently 27,405 AF of storage is designated as conservation/multi-purpose pool storage, with a full pool water surface elevation of 5,432 feet above m.s.l. The maximum surcharge and flood control pools combine for 323,248 AF, and the inactive/sediment pool comprises 23 AF.

The Project proposes reallocating 20,600 AF of capacity in the flood control storage pool to the conservation/multi-purpose pool, increasing on-channel municipal and agricultural storage space in the upper reaches of the South Platte basin. It is projected that the average annual yield derived from the reallocation will result in approximately 8,500 AF of renewable surface water supplies that will benefit users along the South Platte River from Park County to Weld County. The reallocation will produce an infrequent twelve-foot maximum rise in the conservation/multi-purpose pool elevation, up to 5,444 feet. The USACE has determined that the reduction in flood storage capacity will not compromise the flood control functions of Chatfield.

Denver Water is the only water provider currently storing water in Chatfield's conservation/multi-purpose pool. Per a 1979 agreement, use of the pool by Denver Water is subject to certain conditions for maintaining water levels for recreation and conservation. Releases from Chatfield are administered by the State Engineer's Office, based on Colorado water law and the demand for water supply. As part of the 1979 agreement, Denver Water is required to minimize water level fluctuations during the recreation season (Memorial Day

through Labor Day). When the pool elevation is in excess of 5,432 feet, the USACE is responsible for the release of water from the flood control pool.

The Project scope of work covers participation in the FR/EIS; navigating the regulatory process; and planning, design and construction of mitigation measures for fisheries, aquatic, wetland, riparian, recreational and wildlife habitat impacted by the twelve foot increase in pool elevation. A benefit to the District is that the physical infrastructure systems required for storing, discharging, diverting and putting the water to beneficial use are already in place. Infrastructure improvements, if required for individual participants to utilize their share of water, are independent of the overall Project and are not included in the Project scope or estimated Project cost.

### **Project Participation**

The original number of fifteen participants has been reduced to eleven since the Project was initiated in 1996. The District represents the largest individual interest in the Project at 33%. The remaining levels of participation vary from 25% (the CWCB) down to 0.19% (Denver Botanic Gardens at Chatfield). Each participant will be responsible for funding their pro-rata share of the overall Project cost and will receive a proportionate share in the additional storage volume. The annual yield received per participant will be dependent on the individual water rights of each participant. Appendix B contains a list of the eleven current participants and their respective financial commitment in the Project.

The Project participants have consulted and conferred with a broad range of federal, state and local jurisdictions and environmental stakeholders to solicit input on appropriate mitigation of potentially adverse impacts associated with the Project. Public participation efforts included notices and public meetings, in compliance with National Environmental Policy Act (NEPA) requirements, during the release and review of the draft FR/EIS. Meetings with stakeholder entities started in 1994 and have continued with regularly scheduled meetings hosted by the CWCB. A list of Project stakeholders is provided in Appendix B.

### **Alternatives**

The FR/EIS used the CWCB's Statewide Water Supply Initiative (SWSI) and other relevant planning studies to identify storage alternatives. A total of 37 Project concepts were initially evaluated before being narrowed to four specific Project alternatives. The development of alternatives and the screening process are described in detail in Chapter 2 of the FR/EIS. The FR/EIS extensively evaluated the environmental, social, and economic impacts of the four prospective alternatives identified below:

Alternative #1 – No Action: Operation of Chatfield Reservoir would remain the same and water providers would use a combination of Penley Reservoir (off channel storage near Chatfield Reservoir) and gravel pit storage as a means to meet their future needs.

Alternative #2 – Least Cost Alternative to Chatfield Reservoir storage reallocation: Upstream users would continue to rely on non-tributary groundwater through the 50-year study period while downstream providers would be served by the development of gravel pits.

Alternative #3 – Reallocation to allow an additional 20,600 acre-feet of Water Supply Storage: USACE reallocates 20,600 AF of designated flood storage capacity in Chatfield Reservoir to conservation/multi-purpose storage.

Alternative #4 – Reallocation to allow an additional 7,700 acre-feet of Water Supply Storage: USACE reallocates 7,700 AF of designated flood storage capacity in Chatfield Reservoir to conservation/multi-purpose storage; non-tributary groundwater and gravel pits are used for the remaining yield.

The Project participants' preferred alternative is Alternative # 3 – Reallocation to allow an additional 20,600 acre-feet of Water Supply Storage, redefined as the Chatfield Reservoir Reallocation Project. It is desirable based on its ability to decrease the projected water deficit in the South Platte basin by utilizing an existing structure to enhance the raw water supply of multiple providers without drying up agricultural lands. The alternative is anchored around the conversion of flood storage to conservation/multi-purpose storage. Additional components of the project include the design and implementation of mitigation measures to address the impacts resulting from the increased and fluctuating pool elevation. The following list highlights some of the proposed mitigation measures:

- Compensatory Mitigation Plan (CMP), addressing wetlands, Preble's mouse and bird habitat
- Aquatic mitigation within Chatfield State Park
- Tree management plan
- Stream enhancement downstream of Chatfield Reservoir
- Stream enhancement upstream of Chatfield Reservoir
- Recreational facility mitigation within Chatfield State Park
- CPW revenue mitigation (Financial Plan)
- Shoreline stabilization

The table in Appendix C provides an expanded list of tasks associated with the mitigation measures.

### **Regulatory Process**

The Project has undergone significant regulatory scrutiny at federal, state and local levels. At the federal level the USACE performed extensive feasibility and environmental studies pursuant to its regulatory and planning requirements. The culmination of the process is a joint Feasibility Report/Environmental Impact Statement that will serve as the basis for issuance of the Department of the Army Record of Decision (ROD). Following the ROD, the USACE must execute a Water Supply Agreement that permanently conveys the reallocation, granting participants the authority to store water in the conservation/multi-purpose pool. The USACE and Environmental Protection Agency (EPA) have agreed on the appropriate regulatory process.

The following is a summary of regulatory approvals required to implement the Project:

Federal – Compliance with the USACE regulations on reallocating storage space in a USACE facility; compliance with NEPA; compliance with Section 404 of the Clean Water Act (CWA) for dredge and fill activities in designated water of the U.S. associated with the recreational facilities modification plan and other mitigation incident to the reallocation; compliance with Section 7 of the Endangered Species Act (ESA) related to impacts to Preble’s mouse and its designated critical habitat; and U.S. Forest Service (USFS) approval for work on USFS land along Sugar Creek.

State – Approval by CPW and the CWCB of the Fish, Wildlife and Recreation Mitigation Plan pursuant to C.R.S. §37-60-122.2; Colorado Department of Public Health and Environment (CDPHE) construction permits for air quality, water quality certification for any discharge-related mitigation activities, and permits for stormwater and construction dewatering.

Local – Douglas County permits for construction work along Sugar Creek and at Chatfield Reservoir; and Jefferson County permits for construction work at Chatfield Reservoir.

### **Estimate of Probable Cost**

The estimated total Project cost is approximately \$147 million and includes the reallocation of storage, engineering design and construction of state and federal mitigation measures, and a USACE storage fee based on the pro-rata cost of constructing Chatfield.

Table 1 provides a summarization of the Project cost. A more detailed list of itemized mitigation expenses is included in Appendix C.

**TABLE 1: Estimated Total Project Cost**

<b>Mitigation Measures Required by the USACE</b>	
Compensatory Mitigation Plan (CMP)	\$74,800,000
Recreational Facilities Modification Plan	\$30,100,000
Marina Plan	\$15,700,000
Tree Management Plan	\$1,600,000
Water Quality Monitoring and Modeling	\$1,300,000
<b>Sub Total</b>	<b>\$123,500,000</b>
<b>CPW Related Mitigation Activities</b>	
Plum Creek Restoration Plan	\$6,258,600
Financial Mitigation Plan	\$1,000,000
Stream Enhancement Downstream of Chatfield Reservoir	\$265,000
Stream Enhancement Upstream of Chatfield Reservoir	\$369,600
CPW Resident Engineer	\$225,000
Shoreline Stabilization Plan	\$716,100
Marketing Plan	\$30,000
<b>Sub Total</b>	<b>\$8,864,300</b>
<b>USACE Storage Cost</b>	
	<b>\$14,500,000</b>
<b>Project Total</b>	<b>\$146,864,300</b>

To date, the District has contributed roughly \$2 million towards legal and consulting fees related to independent studies. The fees expended to date, by the District or other Project participants, are not included in the total Project cost estimate and the District is not requesting reimbursement consideration on those expenses.

An explanation of existing infrastructure the District will utilize for conveyance of Chatfield water is provided in the Water Rights section of this study and an illustration is provided in Appendix A. The District does not require any infrastructure improvements beyond the defined Project scope of work.

#### **Project Schedule**

The general Project schedule is as follows:

Record of Decision signed	2014
Water Supply Agreement execution	2014
Recreational modifications completed	2017
On-site environmental mitigations completed	2017



Storage initiated	2017
Stream enhancements completed	2019
Off-site environmental mitigations completed	2024

The District is requesting loan funds be available by July 1, 2014.

## **CENTENNIAL WATER AND SANITATION DISTRICT**

### **District Background**

The Centennial Water and Sanitation District is a Colorado Title 32 Special District, operating its water and wastewater systems through an Enterprise Fund. Established in 1980, the District is the exclusive water and wastewater provider for:

- A 22,000-acre master planned community known as Highlands Ranch, located in unincorporated Douglas County, approximately twelve miles south of Denver. The community is home to over 93,000 residents and the District serves over 34,000 residential units and 4,000 commercial taps.
- Approximately 1,800 taps, consisting mostly of residential units, within the Northern Douglas County Water and Sanitation District (NDCWSD) that are not geographically feasible for NDCWSD to serve directly.

The District's water facilities include the 40 MGD Joseph B. Blake Water Treatment Plant (JBBWTP), two groundwater treatment plants, two reservoirs it owns and storage rights in a third, shares in several irrigation ditches, multiple pump stations and storage tanks, 51 non-tributary groundwater wells, and a distribution network that includes over 437 miles of pipeline.

For over 30 years the JBBWTP has treated and distributed potable water to meet the growing demand of the community. The District service area is approximately 90% developed from a demand perspective, with a projected average annual demand of 19,500 AF at full build-out. Annual potable water demands have averaged approximately 17,500 AF in recent years. As the community has grown and the number of customers has increased, the average demand has remained relatively stable due to a conservation program, initiated in the District's service plan in 1980, and intensified in 2003 following the 2002 drought.

The District's Water Conservation Plan was approved by the CWCB in February 2009. The District evaluates its conservation efforts on an annual basis to ensure the programs offered are cost effective and in compliance with current state regulations. The District will file a

conservation plan update with the CWCB every five years beginning on the date it was originally approved. Conservation efforts, including the development of an innovative water budget accounting program, have been successful in educating customers on the importance of water conservation. Since 2003 the average annual household water usage has declined by 18%.

In addition to supplying potable water, the District has a non-potable reuse system that supplies over 450 AF of irrigation water annually to a regional park, an area golf course, and a master-planned active adult development within Highlands Ranch. The District is continually looking for cost effective means to expand its reuse system to offset the reliance on potable water for irrigation purposes.

Centennial is governed by a five-member board of directors that meets on a monthly basis. In order to be eligible for nomination to the Board, prospective members must be electors of the District. Directors are elected to staggered four year terms of office at successive biennial elections. The Board has the authority to authorize the District to contract and incur debt, and to set water rates as required to cover operating expenses.

On July 30, 2013 the District Board approved a resolution authorizing the submittal of this CWCB feasibility study and loan request, in the amount of \$45 million, for funding District participation in the Chatfield Reservoir Reallocation Project. A copy of the resolution has been included in Appendix F.

### **Water Rights**

The District, located in Colorado Water District 8, maintains a water rights portfolio comprised of surface water and non-tributary groundwater rights. Included in its surface water portfolio are storage rights in three reservoirs, with a combined volume of 10,695 AF, shares in several irrigation ditches, and surface water rights allowing diversion directly through existing pipes and ditches at the Chatfield Outlet Manifold and through a well field in the South Platte River alluvium. The non-tributary groundwater rights include 51 active wells throughout Highlands Ranch that supplement surface water and provide drought protection. A summary of District water rights is provided in Appendix B.

In anticipation of this Project, the District submitted an application for a conditional storage right in Chatfield Reservoir to the Colorado Water Court in 1984. In 1987, Water Court ruled on Case No. 84CW411, appropriating 6,000 AF of conditional storage in Chatfield. Since 1984, the District has obtained additional conditional storage rights in Chatfield of 4,100 AF (Case No. 83CW184) and 2,500 AF (Case No. 85CW314). The District has 12,600 AF of cumulative conditional storage rights in Chatfield and has made the necessary diligence filings on the conditional rights as it has pursued the USACE for the right to store in Chatfield.

The primary focus of the Project is increasing municipal and agricultural storage in Chatfield Reservoir through reallocation of existing storage. Between the current water rights and raw water conveyance infrastructure owned by the District, no additional water right acquisitions or infrastructure improvements will be necessary for the District to utilize storage in Chatfield. The District has the option to use its shares in existing irrigation ditches (City Ditch, Nevada Ditch, and Last Chance Ditch), along with alluvial well diversion rights, to convey raw water from Chatfield to either South Platte Reservoir, McLellan Reservoir, or directly to the JBBWTP.

### **Financial Analysis and Contracting**

The District operates its water and wastewater services through an Enterprise Fund. The primary source of revenue is from the collection of water use fees, wastewater treatment fees, service availability charges, and tap fees. The Board determines rate requirements based on a two-year budget projection and approves rates annually at its December board meeting. Water use and wastewater treatment fees are set at a rate sufficient to fund all operational expenses and water leases. Service availability charges are designed to fund 100% of the base debt service and the major repair and reserve fund. Tap fees, collected at the time a new tap is issued, are used to fund capital improvement projects.

The District has relied on its AA+ bond rating for securing debt for financing the construction and maintenance of its infrastructure. The cumulative outstanding debt, as of December 31, 2012, is \$66 million and consists of revenue bonds and loans. The current annual obligation on debt service is approximately \$6.7 million. This Project is expected to increase the annual debt service by \$2.5 million, including the 10% reserve account requirement, assuming CWCBC approval of the full \$45 million loan request. The additional debt burden will be offset by a projected \$0.23/1,000 gallon increase in water use fees phased in over the projected 3-5 year construction window of the Project.

Over the past five years (2008-2012) operating revenues for the Enterprise Fund have averaged over \$28 million and non-operating revenues (tap fees) over \$2 million, while operating expenses, before depreciation, have averaged approximately \$20 million. The 12% excess in annual revenues to expenses/debts (\$30M to \$26.7M) has enabled the District to grow its non-restricted cash reserves in excess of \$40 million. The District will draw on its reserves to fund its estimated \$5 million cash contribution to the Project.

Copies of the financial audits for 2011 and 2012 and additional supporting financial documentation are provided in Appendix E.

The Centennial Water and Sanitation District is the proposed contracting entity that will execute the CWCB contract. As security for the loan the District is offering a pledge of Water Enterprise revenues backed by the rate covenant used in all District debts. The District will satisfy the CWCB reserve account requirement through deposits to the District's Financial Assurance Fund. Pending loan approval, the District will provide an Attorney Opinion Letter, Proof of Insurance, Federal W-9 Form and electronic fund transfer (ETF) information in accordance with CWCB guidelines.

In order to receive loan funds the District will submit pay requests in accordance with CWCB guidelines. The District is requesting the CWCB disburse loan funds at a rate of 90% per invoice for eligible Project related expenses, up to the loan amount approved by the CWCB Board of Directors.

## **APPENDIX A – MAPS & EXHIBITS**

A1 – Location Map

A2 – District Service Boundary

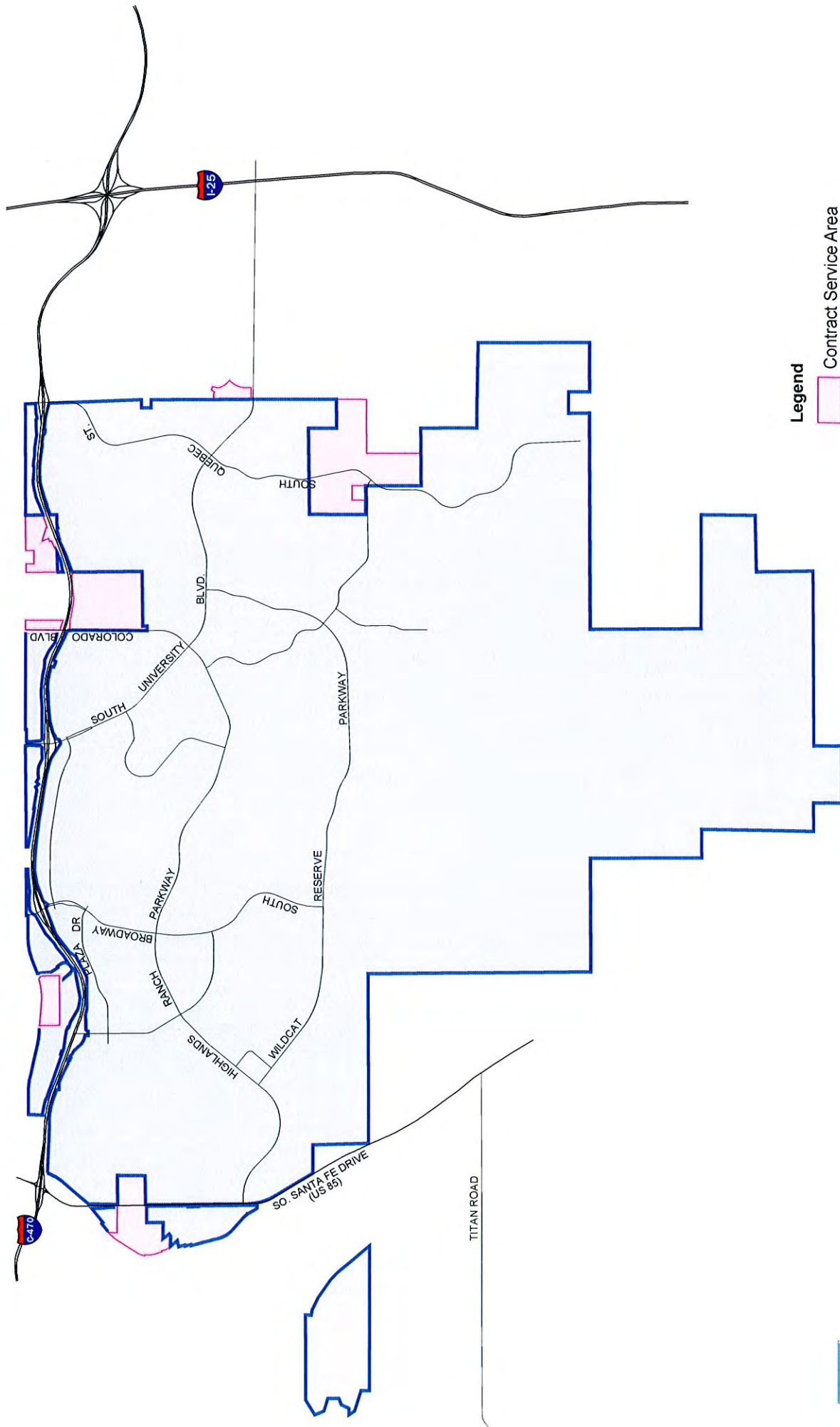
A3 – District Facility Map



## PROJECT LOCATION MAP

N.T.S.

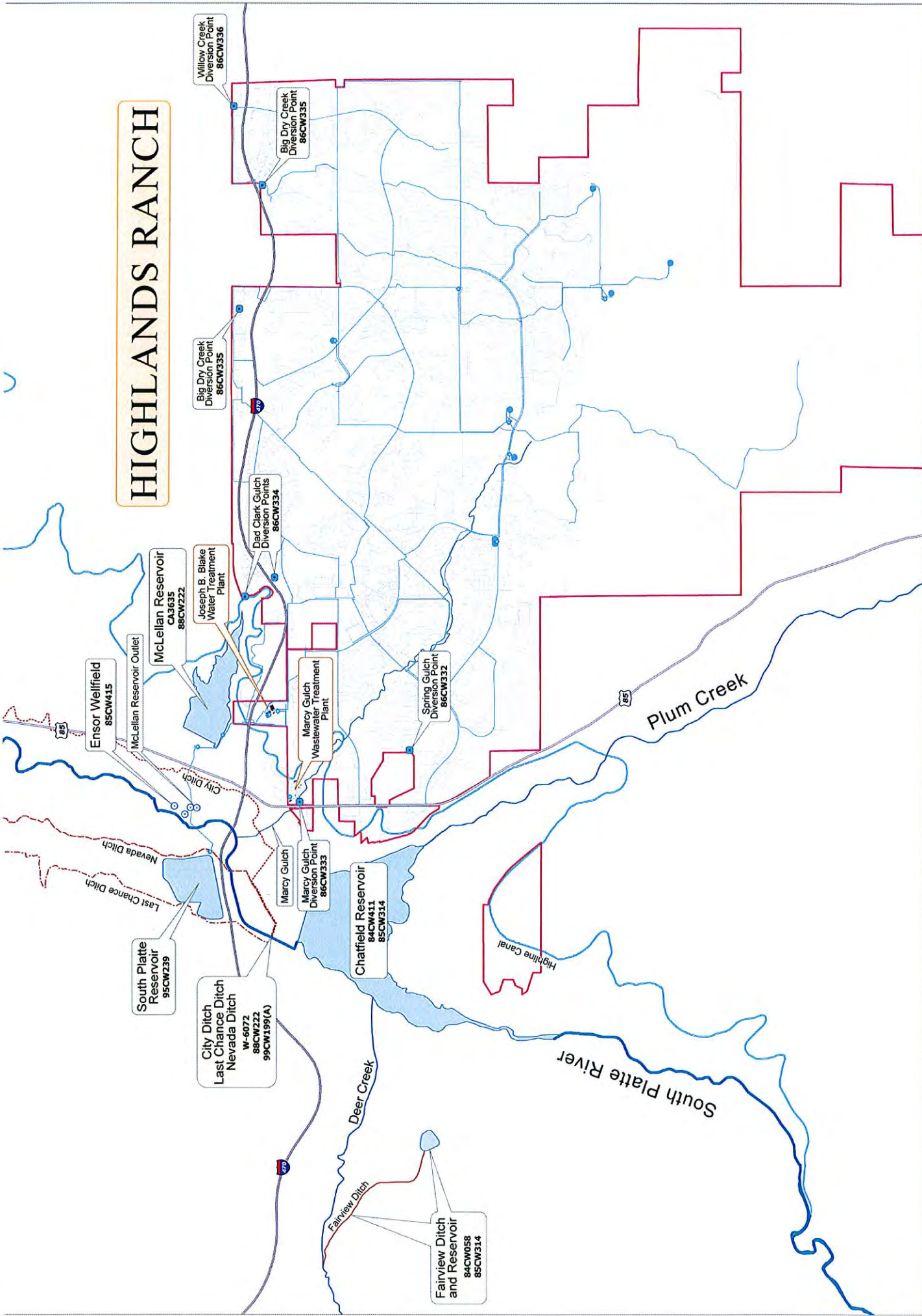




# Centennial Water and Sanitation District Service Area Map

- Legend**
- Contract Service Area
  - CWSD Service Area

# HIGHLANDS RANCH



**Legend**

- Diversion Point
- Ensor Wells
- Pump Station
- Water Storage Tank
- Water Lines - 12" and Smaller
- Water Lines - 16" and Larger

Scale: 0, 0.5, 1 Miles / 0, 0.5, 1 Kilometers

North Arrow

4/2/2009

## Highlands Ranch Water System



## **APPENDIX B – PROJECT PARTICIPANTS & STAKEHOLDERS**

B1 – Project Participation Table

B2 – Project Stakeholders List

B3 – Colorado Revised Statute C.R.S. §37-60-122.2

Chatfield Reallocation Project					5/23/13
List of Participants					
Storage allocations include SMWSA portions					
		Storage Amount, AF	% of Total	Estimate of Escrow amount	
1	Central Colo Water Conservancy Dist.	2,849.00	13.83%	\$20,261,092	
2	Western Mutual Ditch Company	1,425.00	6.92%	\$10,134,102	
3	Colorado Water Conservation Board*	5,225.30	25.37%	\$37,160,507	
4	Denver Botanic Gardens at Chatfield	40.00	0.19%	\$284,466	
5	Centennial Water and Sanitation Dist.	6,922.10	33.60%	\$49,227,556	
6	Castle Rock	1,500.30	7.28%	\$10,669,609	
7	Castle Pines North Metro Dist.	1,005.80	4.88%	\$7,152,898	
8	Castle Pines Metro Dist.	786.70	3.82%	\$5,594,735	
	Other South Metro Water Supply Authority				
9	ACWWA	121.58	0.59%	\$864,634	
10	Cottonwood	64.30	0.31%	\$457,279	
11	Stonegate	64.30	0.31%	\$457,279	
12	Pinery	64.30	0.31%	\$457,279	
13	Mount Carbon Metro Dist	400.00	1.94%	\$2,844,660	
14	Center of Colorado WCD	131.32	0.64%	\$933,902	
		20,600.00		\$146,500,000	
* - Pending					
Estimate of escrow sum: mitigations plus cost of storage					
	\$132,000,000 + \$14,500,000 = \$146,500,000				

## CHATFIELD RESERVOIR REALLOCATION PROJECT STAKEHOLDERS

FEDERAL: United States Army Corps of Engineers (USACE)  
United States Environmental Protection Agency (USEPA)  
United States Forest Service (USFS)  
United States Fish and Wildlife Service (USFWS)

STATE: Colorado Department of Natural Resources (DNR)  
Colorado Water Conservation Board (CWCB)  
Colorado Parks and Wildlife Commission (CPW)  
Colorado Division of Water Resources (CDWR)  
Colorado Department of Public Health and Environment (CDPHE)

LOCAL: (In addition to the Project Participants) Denver Water, City of Littleton, South Suburban Parks and Recreation District, City and County of Denver, Douglas County Commissioners, Jefferson County Commissioners, Weld County Commissioners, Metro Wastewater Reclamation District, Chatfield Watershed Authority, and Urban Drainage Flood Control District; and

### NON-GOVERNMENTAL

ORGANIZATIONS: The Greenway Foundation, Audubon Society of Greater Denver, Colorado Environmental Coalition, Sierra Club, Western Resources Advocates, Trout Unlimited, Chatfield Basin Conservation Network, and the Nature Conservancy

**37-60-122.2. Fish and wildlife resources - legislative declaration - fish and wildlife resources fund - authorization.**

(1) (a) The general assembly hereby recognizes the responsibility of the state for fish and wildlife resources found in and around state waters which are affected by the construction, operation, or maintenance of water diversion, delivery, or storage facilities. The general assembly hereby declares that such fish and wildlife resources are a matter of statewide concern and that impacts on such resources should be mitigated by the project applicants in a reasonable manner. It is the intent of the general assembly that fish and wildlife resources that are affected by the construction, operation, or maintenance of water diversion, delivery, or storage facilities should be mitigated to the extent, and in a manner, that is economically reasonable and maintains a balance between the development of the state's water resources and the protection of the state's fish and wildlife resources.

(b) Except as provided in this paragraph (b), the applicant for any water diversion, delivery, or storage facility which requires an application for a permit, license, or other approval from the United States shall inform the Colorado water conservation board, wildlife commission, and division of wildlife of its application and submit a mitigation proposal pursuant to this section. Exempted from such requirement are the Animas-La Plata project, the Two Forks dam and reservoir project, and the Homestake water project for which definite plan reports and final environmental impact statements have been approved or which are awaiting approval of the same, applicants for site specific dredge and fill permits for operations not requiring construction of a reservoir, and applicants for section 404 federal nationwide permits. If an applicant that is subject to the provisions of this section and the commission agree upon a mitigation plan for the facility, the commission shall forward such agreement to the Colorado water conservation board, and the board shall adopt such agreement at its next meeting as the official state position on the mitigation actions required of the applicant. In all cases the commission shall proceed expeditiously and, no later than sixty days from the applicant's notice, unless extended in writing by the applicant, make its evaluation regarding the probable impact of the proposed facility on fish and wildlife resources and their habitat and to make its recommendation regarding such reasonable mitigation actions as may be needed.

(c) The commission's evaluation and proposed mitigation recommendation shall be transmitted to the Colorado water conservation board. The board within sixty days, unless extended in writing by the applicant, shall either affirm the mitigation recommendation of the commission as the official state position or shall make modifications or additions thereto supported by a memorandum that sets out the basis for any changes made. Whenever modifications or additions are made by the board in the commission's mitigation recommendation, the governor, within sixty days, shall affirm or modify the mitigation recommendation which shall then be the official state position with respect to mitigation. The official state position, established pursuant to this subsection (1) shall be communicated to each federal, state, or other governmental agency from which the applicant must obtain a permit, license, or other approval.

(2) (a) Moneys transferred to the fish and wildlife resources fund pursuant to the provisions of section 37-60-121 (6) are hereby continuously appropriated to the Colorado water conservation board for the purpose of making grants pursuant to this subsection (2) and for offsetting the direct and indirect costs of the board for administering the grants. The interest earned from the investment of the moneys in the fund shall be credited to the fund.

(b) To the extent that the cost of implementing the mitigation recommendation made pursuant to subsection (1) of this section exceeds five percent of the costs of a water diversion, delivery, or storage facility, the board shall, upon the application of the applicant, make a mitigation grant to the applicant. The amount of the grant shall be sufficient to pay for the mitigation recommendation as determined by this section to the extent required above the applicant's five percent share. Any additional enhancement shall be at the discretion and within the means of the board. Under no circumstance shall the total amount of the grant exceed five percent of the construction costs of the project, or be disbursed in installments that exceed seventy percent of the amount of the grant during any fiscal year. Any mitigation cost in excess of ten percent of the construction costs of a project shall be borne by the applicant.

(c) An applicant may apply for an enhancement grant by submitting to the commission and the board an enhancement proposal for enhancing fish and wildlife resources over and above the levels existing without such facilities. The commission shall submit its recommendations on the proposal to the board for its consideration. The board, with the concurrence of the commission, may award a grant for fish and wildlife enhancement. Any such enhancement grant will be shared equally by the Colorado water conservation board's fish and wildlife resources fund and the division of wildlife's wildlife cash funds and other funds available to the division.

(d) For the purpose of this subsection (2), construction costs means the best estimate of the physical construction costs as fixed by the Colorado water conservation board as of the date of the grant application. Costs should be limited to design, engineering and physical construction and will not include the costs of planning, financing, and environmental documentation, mitigation costs, legal expenses, site acquisition or water rights.

(e) Species recovery grants from the fish and wildlife resources fund may be made for the purpose of responding to needs of declining native species and to those species protected under the federal "Endangered Species Act of 1973", 16 U.S.C. sec. 1531, et seq., as amended, in a manner that will carry out the state water policy.

(f) (Deleted by amendment, L. 2001, p. 692, § 28, effective May 30, 2001.)

(3) Decisions relating to the official state mitigation position made pursuant to paragraph (c) of subsection (1) of this section shall not be subject to judicial review.

(4) The board shall distribute mitigation and enhancement grants reasonably and equitably among water basins toward the end that those projects sponsored by beneficiaries east of the continental divide receive fifty percent of the money granted and those projects sponsored by beneficiaries west of the continental divide receive fifty percent of the money granted under this section.

(5) The general assembly hereby recognizes the role instream flows and river restoration projects play in mitigating the effects of the construction, operation, and maintenance of water diversion, delivery, and storage facilities. Therefore, the Colorado water conservation board and the operators of existing water diversion, delivery, or storage facilities projects are hereby authorized to apply directly to the board for moneys for projects to carry out the purposes of this section. The board is authorized to grant such moneys if it finds that such projects will further the purposes of this section.

**Source: L. 87:** Entire section added, p. 1297, § 5, effective July 13. **L. 97:** (1)(a) and (2)(a) amended and (2)(e) added, p. 1600, § 1, effective June 4. **L. 98:** (2)(f) added, p. 1004, § 5, effective May 27. **L. 99:** (2)(a) amended, p. 628, § 36, effective August 4. **L. 2001:** (2)(a), (2)(c), (2)(e), and (2)(f) amended, p. 692, § 28, effective May 30. **L. 2002:** (5) added, p. 456, § 28, effective May 23.

## **APPENDIX C – PROJECT SUMMARY TABLE: FISH, WILDLIFE and RECREATIONAL MITIGATION MEASURES**

Table 1: Chatfield Reallocation Project Fish, Wildlife and Recreation Mitigation Plan (FWRMP)				
Proposed Mitigation for Proposed Action				
RESOURCE	IMPACT	MITIGATIONS	SECTION OF FWRMP WHERE DISCUSSED	ESTIMATED COST
<b>WILDLIFE RESOURCES</b>				
<b>Within Chatfield State Park</b>				
<b><u>In-Reservoir Aquatics</u></b>				
Fish - Walleye	Disruption of Walleye Spawn period March 1 - April 15	1) Participants commit to ensure releases do not exceed 420 cfs during March 1 - April 15 period, understanding that critical time is March 15-30. 2) Regular coordination meetings between Participants and CPW to forecast upcoming operations - close coordination to minimize adverse impact from releases.	4.1.3.3(B)(1)	
Fish - Smallmouth Bass	Disruption of Smallmouth Bass spawn period June 1 - June 30	Mitigation dealt with in operations agreements - Participants commit to limit releases May 1-July 15 water decline will not be greater than 8000 AFT, July 16-Aug 31 water level decline not greater than 4000 AFT, May 1-Aug 31 collective daily discharge shall not exceed 420cfs	4.1.3.3(B)(2)	
Water Quality	Increase in phosphate and ammonia loading; Decreased Dissolved Oxygen; Increased mercury methylation - from anoxic or increased dissolved oxygen in the reservoir	1) Participants agree to water quality monitoring and modeling program in coordination with Chatfield Watershed Authority. 2) Wetland creation and habitat improvements on Plum Creek in the CMP. 3) Plum Creek riparian restoration.	4.4.1; 4.5; 4.3.2	\$1,300,000 (est.) for water quality monitoring and modeling, \$6,258,600 for Plum Creek restoration
<b><u>Terrestrial wildlife</u></b>				
Preble's Mouse - Plum Creek Critical Habitat	75 acres of critical habitat/ 65 EFU's	1) From CMP : Onsite: 6 acres / 3 EFUs habitat creation. 2) From CMP: Offsite: unknown acres private land protection and enhancement / 62 EFU's needed.	4.5	\$74,800,000 for CMP
Preble's Mouse - South Platte Critical Habitat	80 acres/ 2.8 miles	1) From CMP: Onsite: 17 acres habitat creation; 2) Offsite: 73 acres private land protection and enhancement. Chatfield Res Mitigation Company will coordinate w CPW in the development of this process; 3) 4.5 miles and 381 acres of Sugar Creek improvements	4.5	
Preble's Mouse - Non Critical Habitat	298 acres / 210 EFUs	1) From CMP: Onsite: 111 acres of habitat creation / 43 EFUs. 2) From CMP: Offsite: unknown acres private land protection and enhancement / 167 EFU's needed	4.5	
Other terrestrial wildlife and Birds	586 acres (inundation zone)/ 377 EFUs	1) From CMP: Onsite: 165 acres habitat creation and enhancement / 9 bird EFU's. 2) Plum Creek Restoration Plan; 3) Tree mitigation plan will address impacts as well. 4) From CMP: Offsite: unknown acres / 368 EFU's needed.	4.5; 4.3.2	
Amphibians/ Reptiles	Grouped into Prebles/wetlands/terrestrial	Mitigation actions covered under Prebles/wetlands/terrestrial resources	4.5	
Erosion of land area /habitat	Sediment erosion - due to new storage and water fluctuation	1) Bank stabilization / Erosion control/ Plum Creek erosion and stream erosion	4.3.4; 4.3.2	\$716,100 for shoreline stabilization plan
<b><u>CMP</u></b>				
Mature Cottonwoods and other cottonwoods	42.5 acres	1) 13 acres - new cottonwood generation on-site (in CMP) . 2) 22.5 acres - protection of existing off-site habitat (in CMP). 3) 10 acres - new cottonwood generation off-site (in CMP). 4) Recreation modificaton plan will mitigate for additional cottonwoods. 5) Tree management plan . 6) Res operations plan - water level in summer.	4.5.3; 5.1.1; 4.5.5; 4.1.3.3	\$1,600,000 for Tree Management Plan
Wetlands	up to 159 acres / 123 EFU's	1) In CMP: Onsite: 47 acres / 30 EFUs. 2) In CMP: Offsite: Unknown acres / 93 EFU's	4.5	



RESOURCE	IMPACT	MITIGATIONS	SECTION OF FWRMP WHERE DISCUSSED	ESTIMATED COST
Invasive Species/ Weeds	Increased invasives	1) BMPs to control spread (in CMP). 2) Monitoring and treatment of noxious weeds in project area (greater than 400ft2) (in CMP). 3) Weed monitoring and weed control for 5 years in revegetation / mitigation sites (in CMP and AMP). 4) Weed control in fluctuation zone is ongoing obligation (in CMP).	4.3.3	
<b>DOWNSTREAM OF CHATFIELD STATE PARK</b>				
<b>Aquatic Resources</b>				
Downstream aquatic habitat	Decreased streamflow impact on aquatic habitat; Increased lowflows / zero flow days	1) 0.5 mi of stream habitat improvement (Chatfield Dam to Marcy Gulch), potential use of CPW water rights to create an environmental pool to mitigate low flow days. 2) Best efforts to target releases to limit zero flow days and mitigate with environmental pool. 3) Development of environmental pool for target releases (first goal).	4.2.1.2; 4.1.3.3(D)	\$265,000 for .5 mile stream enhancement
Aquatic Habitat - water quality	Increase E.Coli from reduced flows; Increase temperature from reduced flows	1) Water quality monitoring program below dam. 2) Best efforts to target releases to limit zero flow days (in operations plan add citation). 3) Development of Environmental Pool for target releases.	4.4.2; 4.1.3.3(D)	
Chatfield State Fish Unit (Pete will rewrite this row)	Decreased flows	Agree not to exercise rights senior to the hatchery if would cause curtailment of SFU rights (only if historic flows would have passed by SFU).	4.1.3.3(A); 4.2.3	
	Increase in zero flow days	Development of environmental pool	4.2.1.2	
<b>UPSTREAM OF CHATFIELD STATE PARK</b>				
Aquatic habitat	Inundation of upstream fish habitat -Permanent habitat conversion from sediment deposition; Loss of stream channel for native fish - from inundation impacts on Plum Creek	1) Fund habitat improvement for 0.7 miles upstream. 2) Plum Creed Restoration plan. 3) Wetlands improvements in CMP - might mitigate intermitent stream mileage. 4) Sugar Creek Improvements.	4.2.1.1; 4.5.3; 4.3.2	\$369,600 for .7 mile stream enhancement
<b>RECREATIONAL RESOURCES</b>				
<b>WITHIN CHATFIELD STATE PARK</b>				
Facilities and Recreational Use	Loss of facilities due to inundation.	1) RMP details mitigation measures for facilities and recreational uses - includes contingency approach that gives the plan flexibility. 2) New temporary CPW engineering employee hired during design and construction of recreational facilities	5.1.1; 5.1.3	\$30,100,000 for recreational facilities modification plan, \$225,000 (est.) for temporary resident engineer
	Marina - unusable due to inundation	Chatfield Marina Coordination Committee (CMCC) working on separate mitigation plan for the marina.	5.1.2	\$15,700,000
	Loss of wildlife viewing and shade	1) CMP & Tree Management Plans detail mitigation for wildlife viewing and shade - Plum Creek restoration (if approved) would address access to viewing opportunities. 2) 13 acres of on-site mitigation (for mature cottonwoods). 3) 32.5 acres of offsite mitigation. 4) Tree management plan modified to leave trees down to 5432 and use of adaptive management to remove dead or dying trees within the fluctuation zone.	4.5.3; 4.5.5; 4.3.2	
	Facility vulnerability to future flooding	Could be addressed in the design phase to raise the roads by swim beach, baloon area and Deer Creek - to make roads still able to handle 10 year floods	5.1.1	
	Quality of Recreational Experiences	1) Restrict releases to 8,000 ac/ft total from May 1 - July 15th and 12,000 total to August 31st. 2) Fluctuation zone mitigations that includes: vegetation and weed control, new cottonwood regeneration along shoreline and facilities, shoreline stabilizastion plan, plum creek improvements.	4.1.3.3; 4.3.3; 4.5.3; 4.3.4; 4.3.2	
	Increased Boating Hazards	Funding of contract labor and equipment for hazard removal, signing, operational impacts due to increased inundation and fluctuations. Operational issues will be covered in the financial mitigation plan.	5.2	

RESOURCE	IMPACT	MITIGATIONS	SECTION OF FWRMP WHERE DISCUSSED	ESTIMATED COST
	Water Quality - raised elevation causes erosion which will affect access below campground	1) Monitoring and modeling of water quality. 2)Plum Creek restoration plan	4.4.1; 4.3.2	
	Public Understanding	1) PP have agreed to a marketing plan to be implemented prior to construction and continuing after construction is complete - part of financial mitigation plan, when approved.	5.2	
Stream fishing	Reduced Recreational Opportunities - reduced fishing from additional zero or low flow days	1) Establish an environmental pool to mitigate low flow days - use of hatchery, downstream uses. 2) Mitigation of 0.5 mi of stream habitat improvement 3) Operations plan language of good faith efforts to strategic releases.	4.2.1.2; 4.1.3.3(D)	
Stream fishing	Reduced Recreational Opportunities - reduced fishing from intermittent inundation	1) 0.7 mi of stream habitat improvements. 2) Sugar Creek improvements	4.2.1.1; 4.5.3	
Revenue and Operating Expenses				
Park Revenue	Decreased revenues during construction and post construction	1) Financial Mitigation plan. 2) WP to cover lost revenue	5.2	\$1,000,000 (est.) for financial plan
Park Operating	Increased operating expenses	WP to cover increased operating costs attributable to project	5.2	
Estimated Cost Totals				
Costs for mitigations required by the USACE				\$123,500,000
Additional costs for FWRMP mitigations				\$8,864,300
Total Mitigation Costs				\$132,364,300

## **APPENDIX D – WATER RIGHTS PORTFOLIO SUMMARY**

Chatfield Reservoir Reallocation Project		
	Appropriation	
Case	Date	Name
83CW184	8/24/1984	Chatfield Reservoir Storage
84CW411	9/7/1984	Chatfield Reservoir Storage
85CW314	5/9/1985	Chatfield Reservoir Storage

Surface Water		
	Appropriation	
Case	Date	Name
W-6072	12/30/1870	Lower Plum Creek Ditch
99CW199 (A)	4/5/1876	Dunbar Ditch
05CW111	5/1/1878	Randall Ditch
W-1318	6/1/1964	Hock Hocking
79CW316-330	5/30/1979	Highlands Ranch Reservoirs
86CW332-336	10/17/1985	Highlands Ranch Gulches
85CW415	10/17/1985	Augmentation and Exchange Plan
88CW222	12/21/1988	South Platte River
95CW239	11/28/1995	South Platte Reservoir Storage
09CW180	4/22/2009	James Tingle Reservoir

Non-Tributary Ground Water		
	Appropriation	
Case	Date	Name
80CW445	12/23/1980	Denver Aquifer
W-9192-78	12/31/1978	Arapahoe Aquifer
W-9192-78	12/31/1978	Laramie Fox-Hills Aquifer

7/16/2013

## **APPENDIX E – FINANCIAL DOCUMENTATION**

E1 – District Cash Flow Diagram

E2 – Five Year Financial Summary (2008 – 2012)

E3 – Long-Term Debt

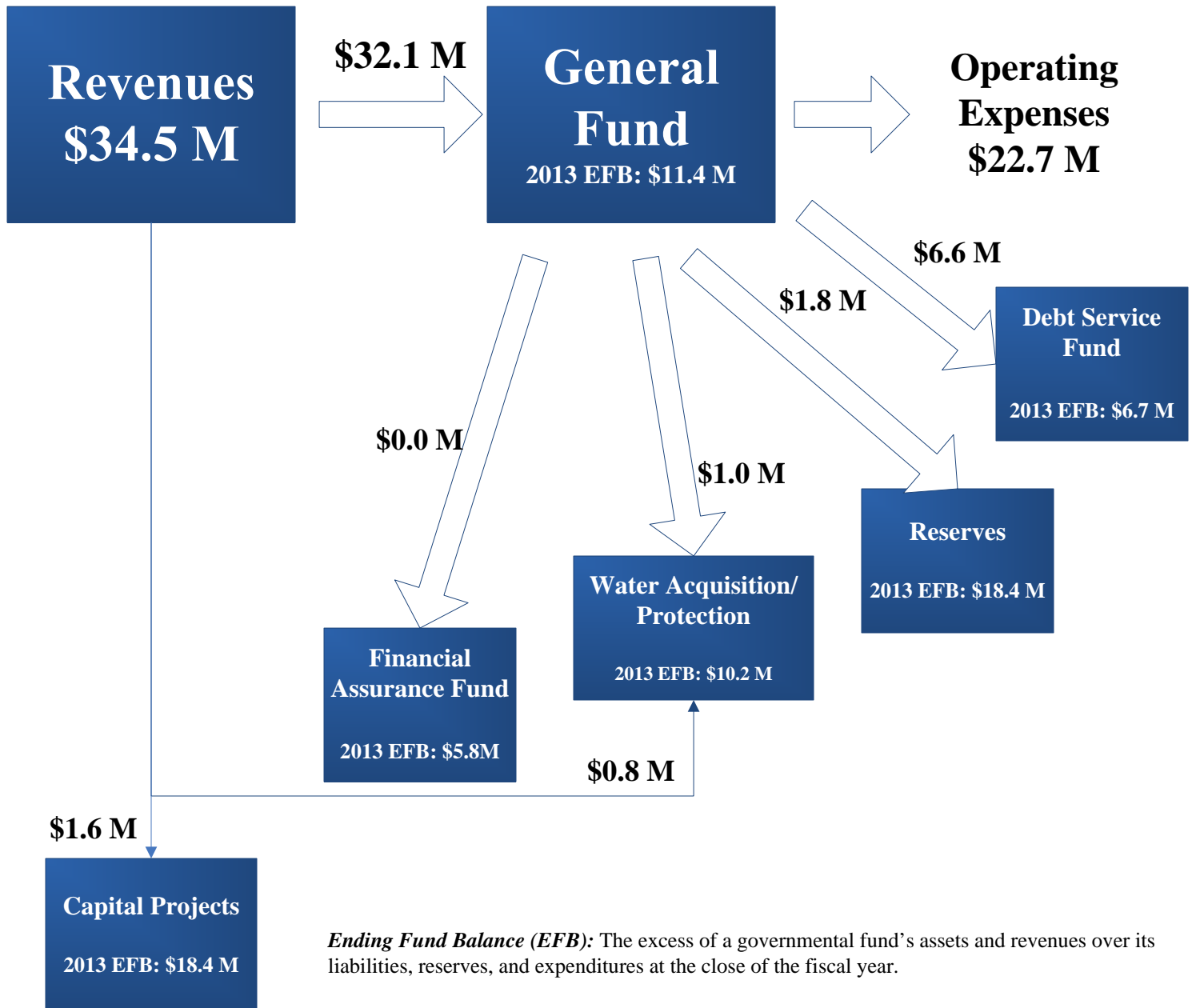
E4 – 5-year Operating Ratios

E5 – 2013 Adopted Budget (*in electronic version*)

E5 – 2012 Financial Audit (*in electronic version*)

E6 – 2011 Financial Audit (*in electronic version*)

## 2013 Budget Flow of Funds



**Centennial Water & Sanitation District**

	2008	2009	2010	2011	2012
<b>OPERATING REVENUES</b>					
Water Operations	\$ 20,661,418	\$ 18,032,909	\$ 20,725,452	\$ 20,634,689	\$ 23,356,395
Wastewater Operations	7,852,073	8,065,852	7,749,484	8,100,431	8,362,615
Total Operating Revenue	<u>28,513,491</u>	<u>26,098,761</u>	<u>28,474,936</u>	<u>28,735,120</u>	<u>31,719,010</u>
<b>OPERATING EXPENSES</b>					
Water operations	10,954,473	10,155,726	9,790,308	10,103,223	10,266,691
Wastewater operations	3,479,626	3,491,811	3,600,479	4,095,745	4,670,118
Administrative and general	5,606,502	5,679,667	5,378,632	5,451,604	5,571,191
Non capitalized expenses paid from major repair reserve	85,262	128,654	593,321	246,404	11
Depreciation	6,306,355	6,107,030	6,126,965	6,284,734	6,338,976
Amortization of bond issuance cost	111,639	182,502	709,303	75,516	425,646
Total Operating Expense	<u>26,543,857</u>	<u>25,745,390</u>	<u>26,199,008</u>	<u>26,257,226</u>	<u>27,272,633</u>
Operating Income (Loss)	<u>1,969,634</u>	<u>353,371</u>	<u>2,275,928</u>	<u>2,477,894</u>	<u>4,446,377</u>
<b>NONOPERATING REVENUES</b>					
Net investment income	3,401,632	1,017,116	758,214	879,186	605,546
Gain on disposal of equipment	22,755	42,835	14,970	236	-
Other income	150,200	-	591,285	8,248	-
Total Nonoperating Revenue	<u>3,574,587</u>	<u>1,059,951</u>	<u>1,364,469</u>	<u>887,670</u>	<u>605,546</u>
<b>NONOPERATING EXPENSES</b>					
Interest	3,207,095	3,188,992	3,074,563	2,939,724	2,711,616
Intergovernmental obligation	-	-	-	-	-
Loss on disposal of equipment	2,210	5,024	440,546	42,200	12,688
Capital grants to other governments	-	281,598	296,259	-	-
Water Transfer	96,480	64,140	-	42,760	-
Total Nonoperating Expense	<u>3,305,785</u>	<u>3,539,754</u>	<u>3,811,368</u>	<u>3,024,684</u>	<u>2,724,304</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<u>2,238,436</u>	<u>(2,126,432)</u>	<u>(170,971)</u>	<u>340,880</u>	<u>2,327,619</u>
<b>CAPITAL CONTRIBUTIONS IN/(OUT)</b>					
Reserved Capacity Fees	5,330,952	3,372,265	2,129,454	2,312,417	3,133,475
CHANGE IN NET POSITION	<u>7,569,388</u>	<u>1,245,833</u>	<u>1,958,483</u>	<u>2,653,297</u>	<u>5,461,094</u>
NET POSITION - BEGINNING OF YEAR	192,577,212	200,146,600	201,392,433	203,350,916	206,004,213
NET POSITION - END OF YEAR	<u>\$ 200,146,600</u>	<u>\$ 201,392,433</u>	<u>\$ 203,350,916</u>	<u>\$ 206,004,213</u>	<u>\$ 211,465,307</u>

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

**C) LONG-TERM DEBT**

The District has issued long term debt for the purposes of financing the construction of infrastructure including treatment facilities necessary to provide for the operations. Following is a summary of the District's long-term debt as of December 31, 2012 and its 2012 transactions:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Revenue Bonds Payable	\$ 61,793,826	\$ 49,240,000	\$ 44,001,696	\$ 67,032,130	\$ 4,835,000
Capital Leases	33,393	-	33,393	-	-
Compensated absences	255,512	349,157	352,166	252,503	3,270
Long-term Liabilities	<u>\$ 62,082,731</u>	<u>\$ 49,589,157</u>	<u>\$ 44,387,255</u>	<u>\$ 67,284,633</u>	<u>\$ 4,838,270</u>

The District's bonds and leases payable as of December 31, 2012 and its 2012 debt transactions are shown in more detail below:

	Balance at January 1, 2012	New Issues/ Refundings	Payments/ Amortization	Balance at December 31, 2012	Current Portion
<b>BONDS PAYABLE</b>					
Revenue Bonds					
Series 2004	\$ 39,195,000	\$ -	\$ 39,195,000	\$ -	\$ -
Series 2005	8,075,000	-	1,845,000	6,230,000	2,000,000
Series 2008	13,250,000	-	1,995,000	11,255,000	2,090,000
Series 2012	-	49,240,000	-	49,240,000	745,000
	<u>60,520,000</u>	<u>49,240,000</u>	<u>43,035,000</u>	<u>66,725,000</u>	<u>\$ 4,835,000</u>
Original issue premium	1,307,156	-	997,684	309,472	
Original issue discount	(33,330)	-	(30,988)	(2,342)	
	<u>61,793,826</u>	<u>49,240,000</u>	<u>\$ 44,001,696</u>	<u>67,032,130</u>	
Current portion	3,840,000			4,835,000	
Long term portion	<u>\$ 57,953,826</u>			<u>\$ 62,197,130</u>	
<b>LEASES PAYABLE</b>					
2008 Lease-Purchase	\$ 27,378	\$ -	\$ 27,378	\$ -	
2009 Lease Purchase	6,015	-	6,015	-	
	<u>33,393</u>	<u>\$ -</u>	<u>\$ 33,393</u>	<u>-</u>	<u>\$ -</u>
Current portion	33,393			-	
Long term portion	<u>\$ -</u>			<u>\$ -</u>	

On December 3, 2012, the District issued \$49,240,000 of debt as part of its Series 2012 A and B Water and Sewer Revenue Tax-Exempt Refunding and Improvement Notes of which 43,190,000 of the proceeds were used for refunding. Proceeds from the refunding portion of the debt were used to refund and defease (debt legally satisfied) existing debt as follows:



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

	Series 2012A	Series 2012B	Total
Refunded bonds			
Series 2004	\$ 22,180,000	\$ 17,015,000	\$ 39,195,000
Average coupon	4.949%	4.949%	
Average life	8.157	8.155	
Deposit to escrow	\$ 24,251,131	\$ 18,603,734	\$ 42,854,866
Par amount of refunding loan	\$ 24,440,000	\$ 18,750,000	\$ 43,190,000
Average coupon	2.090%	2.198157	2.130%
Average life in years	7.972	7.878	7.860
Net PV savings	\$ 2,434,637	\$ 1,690,426	\$ 4,125,063
Net PV savings as % of Bonds refunded	10.977%	9.935%	10.524%

The defeased bonds are not considered a liability of the District since sufficient funds (\$42,854,866) were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The District decreased its aggregate debt service payments as the result of the issues by \$1,487,732 but received additional improvements proceeds of \$6,000,000. The economic gain (difference between the present values of the old and new debt service payments) was \$4,125,063. The District incurred a cost on refunding in the amount of \$359,464 which has been expensed in the current year and a loss on refunding in the amount of \$3,842,581 which has been deferred and is being amortized over the life of the new debt.

**BONDS PAYABLE**

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

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

During the year ended December 31, 2012, \$11,210,999 of net operating revenues as defined was generated to make debt service principal and interest payments of \$6,639,841.

The outstanding bond issues are summarized as follows:

- The Series 2004 Water and Sewer Revenue Refunding and Improvement Bonds, dated April 1, 2004 were defeased by the issuance of the Series 2012 Refunding Loan.
- The Series 2005 Water and Sewer Revenue Refunding Bonds, dated March 1, 2005, in the amount of \$16,360,000 are serial bonds due in varying increasing amounts annually through 2015. Interest is at fixed rates ranging from 3.1 % to 5.50% payable semi-annually June 15 and December 15. Financial Guaranty Insurance Company insures the payment of principal and interest.
- The Series 2008 Water and Sewer Revenue Refunding Bonds dated April 1, 2008, in the amount of \$18,775,000 are serial bonds due in varying increasing amounts annually through 2017. Interest is at fixed rates ranging from 3.625% to 5.00% payable semi-annually June 1 and December 1. Financial Security Assurance insures the payment of principal and interest.
- The Series 2012 A Water and Sewer Revenue Tax-Exempt Refunding and Improvement Note dated December 1, 2012, in the amount of \$30,490,000 is a tax exempt loan due in varying increasing amounts annually through 2024. Interest is at fixed rates of 2.09% payable semi-annually June 1 and December 1.

# CENTENNIAL WATER AND SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS, continued

- The Series 2012 B Taxable Water and Sewer Revenue Refunding Note (Taxable Convertible to Tax-Exempt) dated December 1, 2012, in the amount of \$18,750,000 is due in varying increasing amounts annually through 2023. Interest is at a taxable fixed rate of 3.01% payable semi-annually June 1 and December 1. It is anticipated that the Note will convert to tax-exempt status on September 3, 2014 at a new rate of 1.96%.

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

	Principal	Interest	Total
2013	\$ 4,835,000	\$ 1,865,003	\$ 6,700,003
2014	5,030,000	1,619,040	6,649,040
2015	5,375,000	1,282,444	6,657,444
2016	5,545,000	1,140,720	6,685,720
2017	5,695,000	984,860	6,679,860
2018-2022	31,185,000	2,861,336	34,046,336
2023-2024	9,060,000	236,892	9,296,892
	<u>\$ 66,725,000</u>	<u>\$ 9,990,295</u>	<u>\$ 76,715,295</u>

### LEASES PAYABLE

The District has entered into several lease-purchase obligations. For financial statement presentation, the lease obligations have been capitalized and the equipment acquired with the proceeds of the lease-purchases recorded as assets of the District. The lease-purchase agreements do not constitute general obligation debt of the District as defined by the Colorado Revised Statutes, as there are annual appropriation clauses in the agreements. The 2008 and 2009 governmental lease-purchase agreement with Key Government Finance Inc. and CIT Communications Finance Corporation were paid in full during 2012.

### OTHER INFORMATION

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

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

During the period ended December 31, 2012 interest costs were incurred as follows:

	<u>2012</u>	<u>2011</u>
Interest costs incurred	\$ 2,711,616	\$ 2,939,724
Interest costs capitalized	-	-
Net interest expense	<u>\$ 2,711,616</u>	<u>\$ 2,939,724</u>
Interest costs capitalized - inception to date	<u>\$ 14,849,434</u>	<u>\$ 14,849,434</u>

	<b>Operating Ratio</b>				
	2008	2009	2010	2011	2012
Operating Revenues	28,513,491	26,098,761	28,474,936	28,735,120	31,719,010
Operating Expenditures before Depreciation	20,237,502	19,638,360	20,072,043	19,972,492	20,933,657
<b>Operating Ratio</b>	<b>141%</b>	<b>133%</b>	<b>142%</b>	<b>144%</b>	<b>152%</b>

	<b>Debt Service Coverage Ratio</b>				
	2008	2009	2010	2011	2012
Revenues	32,088,078	27,158,712	29,839,405	29,622,790	32,324,556
Operating Expenditures before Depreciation	20,237,502	19,638,360	20,072,043	19,972,492	20,933,657
Available	11,850,576	7,520,352	9,767,362	9,650,298	11,390,899
Annual Debt Service	6,566,632	6,599,896	6,627,871	6,805,308	6,767,871
<b>Debt Ratio</b>	<b>180%</b>	<b>114%</b>	<b>147%</b>	<b>142%</b>	<b>168%</b>

	<b>Cash Reserves to Current Expenses</b>				
	2008	2009	2010	2011	2012
Current Operating Cash -nonrestricted	\$ 30,686,033	\$ 29,881,702	\$ 32,388,753	\$ 41,924,036	\$ 45,725,030
Operating Expenditures before Depreciation	20,237,502	19,638,360	20,072,043	19,972,492	20,933,657
<b>Cash to Current Expenses Ratio</b>	<b>152%</b>	<b>152%</b>	<b>161%</b>	<b>210%</b>	<b>218%</b>

	<b>Annual Operating Cost per Acre Foot</b>				
	2008	2009	2010	2011	2012
Water Operations	10,954,473	10,155,726	9,790,308	10,103,223	10,266,691
General & Technical Admin (50% of total)	2,845,882	2,904,161	2,985,977	2,849,004	2,785,601
Total Annual Water Operations	13,800,355	13,059,887	12,776,285	12,952,227	13,052,292
Acre Fee Consumed	15,025	12,039	13,948	14,740	15,225
<b>Cost per Acre Foot</b>	<b>\$ 919</b>	<b>\$ 1,085</b>	<b>\$ 916</b>	<b>\$ 879</b>	<b>\$ 857</b>



**CENTENNIAL**  
WATER AND SANITATION DISTRICT

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the year ended December 31, 2011**



Prepared by Department of Finance and Administration

**CENTENNIAL WATER and SANITATION DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended December 31, 2011**

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# CENTENNIAL

## WATER AND SANITATION DISTRICT

May 29, 2012

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

We are pleased to present the comprehensive annual financial report ("CAFR") of Centennial Water and Sanitation District ("District or Centennial") for the year ended December 31, 2011.

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

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

The financial statements have been audited by Haynie & Company a firm of licensed certified public accountants. Haynie has issued an unqualified opinion that the Highlands Ranch Metropolitan District financial statements for the year ended December 31, 2011. The independent auditor's report is located at the front of the financial section of the report. Haynie is in the second year of a five year engagement. The Board reviews proposals every five years although there is no mandatory rotation.

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

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

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



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

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

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

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

The service area, primarily Highlands Ranch and adjacent areas are located in Douglas County, Colorado, which is located at the southern edge of the Denver metropolitan area. Highlands Ranch enjoys a favorable economic environment in relation to other communities in the Denver Metro area.

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

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

The basis for determining the reporting entity is established by the Governmental Accounting Standards Board's (GASB) *Statement No. 14, The Financial Reporting Entity*. The financial reporting entity for the CAFR is for 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**

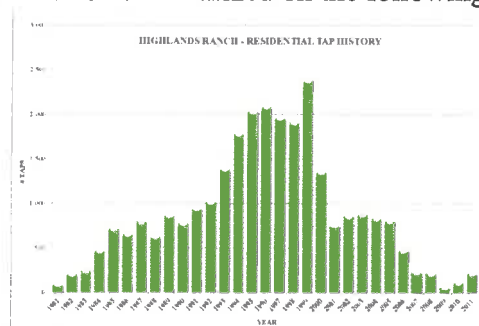
The District's primary revenue sources are rates assessed based on usage and consumption and reserved capacity fees based on tap fees assessed against new property as it is connected. The rates are designed to fund general operation and maintenance expenses, debt service, major repair reserves and portions 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 especially 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 2011 for the two areas the District serves, the Highlands Ranch Metro Districts and Northern Douglas County Water and Sanitation District, can be summarized on the following table:

	Highlands Ranch	Northern Douglas
In 2011		
Single Family Residential	212	0
Multi Family Residential	32	0
Nonresidential acres	15	0
Nonresidential 3/4" equivalents	57	4
1981 - 2011		
Single Family Residential	27,619	1,527
Multi Family Residential	6,053	104
Nonresidential acres	954	na
Nonresidential 3/4" equivalents		
Indoor Use	2,478	151
Irrigation Uses	2,526	107

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



With the 2011 development, Highlands Ranch has reached approximately 91% of the current anticipated ultimate development of single and multi-family residential dwelling units of approximately 28,500 and 8,800 respectively. Overall residential development within Highlands Ranch should remain at the current steady growth rate in relation to the Denver Metro area for the foreseeable future even as it approaches maturity.

914 of the 1,341 net acres (68%) zoned for nonresidential development (and not anticipated to be developed with multi-family product) within the Highlands Ranch service area have been developed. Long-term, the Highlands Ranch Business Park, located off of Lucent Boulevard and the C-470 interchange will be the primary area for office development. There is no material growth anticipated in Northern Douglas County Water and Sanitation District.

#### *Fiscal Policy and Fund Balance*

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



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

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

Commencing in 2011, the policy for transferring current assets in excess of the above requirements are:

- to the Reserve Fund a transfer of \$1.725 million less any miscellaneous capital expenditures that occurred during the fiscal year
- to the Water Acquisition Fund a minimum amount equal to \$ .15/ 1,000 gallons of water billed up to a maximum equivalent to the revenue collected for usage in higher tiers
- any remaining net currents are transferred to a Financial Assurance Fund which is to be established in 2011 with an initial deposit of \$5.2 million from the existing Water Acquisition Fund. During the adoption for the 2012 budget the Board will review the forecasted fund balances and 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 Facility Plan that is reviewed on an annual basis and updated as necessary. The plan:

- Details the infrastructure necessary to provide basic service at build out of the service area. This amount is funded from reserve capacity payments
- Provides a look at the short-term requirements for additional surface water acquisition. This is funded from an established portion of the base water rate as well as additional funding from revenue generated from the tiered rate structure for usage above the prescribed water budget for a customer.
- Identifies shorter term facilities required due to the changing regulatory environment. Funding will be evaluated for these facilities and upgrades as the improvements are required.

In recent years, accumulated reserved capacity fee collections have not only been sufficient to pay for all of the identified base infrastructure capital projects but currently capital projects fund balance exceeds the identified remaining project costs.

In the early years, debt was issued to fund all major capital outlay. In addition, future water acquisition and regulatory improvements may require some additional debt. During the most recent reviews by both Standard & Poor's and Fitch the District's rating was increased to AA+. The District achieved this level in part based on:

- Strength of the district's financial performance as indicated by five consecutive years of good debt service coverage and very strong liquidity.
- Overall low debt levels
- Average monthly utility charges are well below Fitch's affordability threshold of 2.0% of median household income (MHI).
- Ample water supply which officials believe will be sufficient to meet projected build out demand.

### *Pension and other employee benefits*

The District does not participate in Social Security but does maintain a defined contribution pension plan. All regular District employees are required to participate in the Plan and are eligible on their date of hire. Eligible employees are required to contribute 6.2% of pay, which is matched by the District. The contribution level was established equivalent to the Social Security requirements and commencing in 2011 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 employee contributions to the 457 plan up to a maximum of 3%.

The District is a member of the Colorado Special District Association pool that provided a medical, dental, vision, short-term disability and life insurance benefits. The health insurance plans allow retirees who have reached age 50 and 15 years of service to retire and stay in the plan until age 65. All premiums are the responsibility of the retired employee. There are no past employees taking advantage of the benefit.

## **MAJOR INITIATIVES**

The Colorado Water Quality Commission recently approved new regulations for more stringent standards for treating discharges from wastewater treatment plants across the state. Plant upgrades to meet the applicable requirements are currently under investigation and will continue to be addressed over the next 5 years. In addition, independent but beneficial to mitigating the impacts of the regulations, selected treatment process components have been evaluated, and design work is underway to modify the current primary treatment process for improved efficiency. The plant modifications scheduled for completion in 2013 are projected to cost under \$6 million. Financing is available from existing balances but the cost benefits of issuing revenue bonds to take advantage of the existing low rates, thus saving the available funding for the projects described below will be evaluated.

Additional supplies of renewable surface water to supplement the existing water portfolio are planned through participation in two major regional projects. The District is a major participant in reallocating flood storage space to municipal uses in Chatfield Reservoir. The use of the existing structure is in the final phases of approval through the US Army Corps of Engineers. The District's share is expected to ultimately cost around \$50 million, and will not be incurred until final approval, design, and construction of project mitigation measures begins several years from now. The second project involves participation in a regional drinking water supply to several communities in the area in cooperation with Denver Water and the City of Aurora. The "WISE" project will incur capital costs of several million dollars for infrastructure, and a rate structure as actual deliveries take place. An agreement is expected by late 2012, and capital costs may be incurred during 2013, with deliveries expected to begin by 2014. Financing will be through the use of existing cash balances and rates either as direct obligations or through a regional financing entity.

## AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Highlands Ranch Metropolitan District for its comprehensive annual financial report for the year ended December 31, 2010. One or more of the pre-consolidated Highlands Ranch Metropolitan Districts received the Certificate of Achievement for the fourteenth consecutive year.

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

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

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

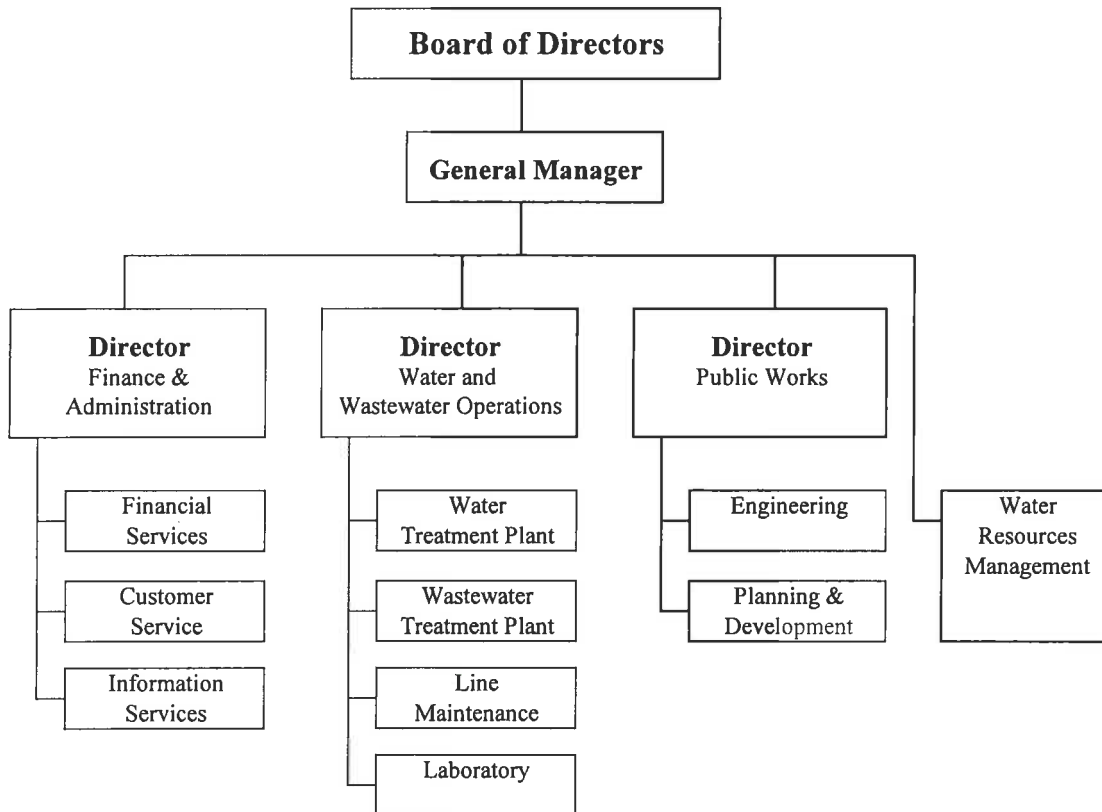
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bruce A. Lehsack", written in a cursive style.

Bruce A. Lehsack

Director, Finance and Administration

# Centennial Water and Sanitation District



CENTENNIAL WATER and SANITATION DISTRICT  
HIGHLANDS RANCH, COLORADO

BOARD OF DIRECTORS AND DISTRICT OFFICIALS

ELECTED BOARD OF DIRECTORS  
AS OF DECEMBER 31, 2011

<u>OFFICE</u>		<u>TERM OF OFFICE</u>
CHAIRMAN	Terri Kershisnik	May 2008 - May 2012
VICE-CHAIRPERSON	John Kilrow	May 2008 - May 2012
TREASURER	Jeffrey Kappes	May 2008 - May 2012
ASST. SECRETARY	Steve Ormiston	May 2010 - May 2014
ASST. SECRETARY	Tim Roberts	May 2010 - May 2014

APPOINTED DISTRICT OFFICIALS

GENERAL MANAGER  
John Hendrick

DIRECTOR, FINANCE AND ADMINISTRATION  
Bruce A. Lebsack

DIRECTOR, WATER & WASTEWATER OPERATIONS  
Tim Grotheer

DIRECTOR, PUBLIC WORKS  
Jeff Case

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Centennial Water and Sanitation District Colorado

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

President

*Jeffrey R. Enser*

Executive Director



**Haynie &  
Company**

**Certified Public Accountants** (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Centennial Water & Sanitation District  
Highlands Ranch, Colorado

We have audited the accompanying financial statements of the business-type activities of Centennial Water & Sanitation District (the "District") as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Centennial Water & Sanitation District's management. Our responsibility is to express our opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's 2010 financial statements and, in our report dated May 11, 2011, we expressed an unqualified opinion on the respective financial statements of the business-type activities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, as of December 31, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Associate Office At  
1785 West Printers Row  
Salt Lake City, UT 84110  
(801) 972-4800  
Fax (801) 972-8941

**IGAF POLARIS**  
Audit Firm

Associate Office At  
5974 South Fashion Pointe Dr., Suite 200  
South Ogden, UT 84403  
(801) 479-4800  
Fax (801) 479-8941

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, supplemental information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information, as listed in the table of contents, is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Haynie & Co.*

Littleton, Colorado  
May 23, 2012

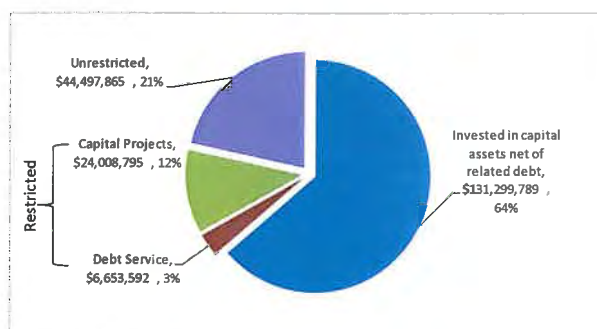


## Management's Discussion and Analysis

As management of the Centennial Water and Sanitation District we are pleased to provide a discussion and analysis of the District's 2011 financial statements. This narrative overview provides a more detailed and insightful examination of the financial condition and operating results for the fiscal year ended December 31, 2011 as well as information on any financial issues and activities. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to vii of this report.

### Financial Highlights

- The net assets represent the amount that assets exceed liabilities. At the close of the current fiscal year the District had net assets of \$206,460,041 an increase over fiscal 2010 of \$2,570,621. The components of the 2011 net assets are categorized as follows:



Prudent fiscal stewardship by the District continues.

- The Board continues to monitor and expand its reserve policy to ensure that the District has financial stability during both changing economic times as well as annual fluctuation in water demands. In addition to past reserves created for major equipment repair and replacement and funding of additional acquisition of sustainable water supplies, the Board created a financial stability fund. This fund can be used for various Board determined purposes ranging from rate stability, debt payments and acquisition of water supplies.
  - The cost of employee benefits remains manageable as the result of maintaining a defined contribution plan and annual review of employee benefits. The base health insurance plan was changed during 2011 resulting in small increases in employee out of pocket expenses but allowing the District to maintain the premium sharing arrangement with the employees.
  - Accumulated development fees continue to be sufficient to pay for the components of the Capital Improvements Plan without issuing new debt.
- The liabilities decreased by \$3,882,864 from 2010 to a year-end balance of \$62,745,912. This decrease is consistent with the following actions
    - The District's long-term debt, in the form of revenue bonds payable, decreased by \$3,670,000 (6 percent) to a total outstanding balance of \$60,520,000 during the current fiscal year as a result of scheduled principal payments.
    - Leases payable decreased by \$46,404 to a total outstanding balance of \$33,393 during the current fiscal year as a result of scheduled principal payments. The balance is scheduled for retirement in 2012

## Overview of the Financial Statements

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

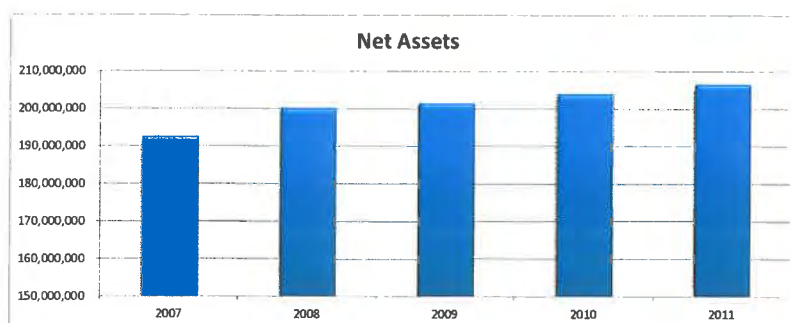
The **notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 5 of this report.

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

## Financial Analysis

### Net assets

Net assets serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$206,460,041 at the close of the most recent fiscal year.



The following table summarizes the Statements of Net Assets for the comparative two years.

### Centennial Water and Sanitation District Net Assets

	2011	2010
<b>Assets</b>		
Current assets	\$ 45,883,211	\$ 43,837,730
Current restricted assets	30,705,980	29,213,299
Capital assets net of accumulated depreciation	191,862,231	196,554,244
Other Assets	754,531	912,723
<b>Total Assets</b>	<b>269,205,953</b>	<b>270,517,996</b>
<b>Liabilities</b>		
Current liabilities payable from current assets	1,709,988	1,952,234
Current liabilities payable from restricted assets	4,101,823	3,900,472
Long-term debt	56,934,101	60,775,870
<b>Total Liabilities</b>	<b>62,745,912</b>	<b>66,628,576</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	131,299,789	132,261,857
Restricted	30,662,387	29,213,299
Unrestricted	44,497,865	42,414,264
<b>Total net assets</b>	<b>\$206,460,041</b>	<b>\$203,889,420</b>

As would be expected for a utility, the largest portion of the District's net assets (64 percent) reflects its investment in capital assets (e.g., infrastructure, plant, buildings, 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.

- ✓ \$131,299,789 of the net assets is invested in the District's capital assets net of any outstanding debt related to the acquisition of those assets. The key changes in 2011 included:
  - ❖ Capital assets decreased by \$4,692,013 after considering new acquisitions, retirements and current year depreciation of \$ 6,284,734.
  - ❖ The District reduced the total long-term Revenue debt by \$3,670,000 (6 percent) as the result of scheduled principal payments.

- ❖ The District reduced the total Capital leases payable by \$ \$46,604 as the result of scheduled principal payments.

The District has restricted net assets (15 percent) consistent with various legal and other outside requirements as follows:

- ✓ \$6,653,592 has been restricted for the payment of the 2012 debt service. The Board has determined that, in order to guarantee future compliance with various provisions of bond covenants, it would be appropriate to restrict an amount equal to the following years scheduled debt service payments. As a result the financial statements reflect these restricted assets.
- ✓ \$24,008,795 is related to unexpended reserved capacity payments received from the various governmental entities that the District serves. This amount is restricted on the books for the construction of future capital projects pursuant to the terms of the agreements with the entities served by the District. The funds may be transferred at the discretion of the Board to be used for debt service if needed.

After considering the above restrictions, the District has unrestricted net assets that may be used to meet the government's ongoing obligations to citizens and creditors of \$44,497,865. Of this amount the Board has internally designated \$33,281,130 for future needs related to major repair, replacement and renovation of equipment and for the acquisition of additional water supplies and financial assurance.

- ✓ The District has internally designated by resolution as part of the budget process two distinct reserves for funding future funding requirements:
  - ❖ a major repair, maintenance and replacement of equipment reserve
  - ❖ a long term surface water acquisition reserve.
- ✓ As of December 31, 2011 the amount designated was approximately \$27.5 million from these unrestricted net assets 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	\$ 1,578,950	\$ 17,326,094	\$ 1,459,322	\$ 14,890,322	\$32,216,416
Development fees	-	-	477,085	16,860,520	16,860,520
Misc. Income	1,248	92,533	0	14,913	107,446
Interfund Transfers	-	-	(5,507,150)	2,056,850	2,056,850
Expended	(1,229,039)	(6,862,086)	(184,391)	(16,925,274)	(23,787,361)
	<u>\$ 351,159</u>	<u>\$ 10,556,541</u>	<u>\$ (3,755,134)</u>	<u>\$ 16,897,331</u>	<u>\$27,453,871</u>

- ✓ The financial assurance fund was initially funded with \$5,507,150. An additional \$320,109 was contributed in 2011.
- ✓ The remaining \$10.6 million of unrestricted assets is sufficient to meet the 6 months of working capital that has been targeted by District policy to be maintained.

### ***Changes in net assets***

The following table summarizes the components of changes in net assets and the impact on total net assets for the two years.

<b>Centennial Water and Sanitation District Changes in Net Assets</b>			
	2011	2010	
<b>Revenues:</b>			
Operating:			
Water operations	\$ 20,634,689	\$ 20,725,452	
Wastewater operations	8,100,431	7,749,484	
Total operating revenues	\$ 28,735,120	\$ 28,474,936	
Non-operating:			
Net investment income	879,186	758,214	
Gain on disposal of equipment	236	14,970	
Other Income	8,248	591,285	
Total non-operating revenues	887,670	1,364,469	
Total revenues	29,622,790	29,839,405	29,839,405
<b>Expenses:</b>			
Business operating:			
Water operations	10,103,223	9,790,308	
Wastewater operations	4,095,745	3,600,479	
Noncapitalized major repair	246,404	593,321	
Total business operating expenses	14,445,372	13,984,108	
Non-cash operating:			
Administrative and general	5,451,604	5,378,632	
Depreciation and amortization	6,442,926	6,297,764	
Total non-cash operating expenses	11,894,530	11,676,396	
Non-operating:			
Interest	2,939,724	3,074,563	
Other	84,960	736,805	
Total non-operating expenses	3,024,684	3,811,368	
Total expenses	29,364,586	29,471,872	
Income (loss) before contributions	258,204	367,533	
Capital Contributions	2,312,417	2,129,454	
Change in net assets	2,570,621	2,496,987	
Net assets - beginning	203,889,420	201,392,433	
Net assets - ending	\$206,460,041	\$203,889,420	

In 2011 net assets increased by \$2,570,621 or 1.3%. The day to day business operations (operating revenues less operating expenses before the non-cash expenses for depreciation and amortization) increased the Centennial Water and Sanitation District's net assets by \$9,084,548. When the income from business operation is adjusted for depreciation, amortization and the major repairs, operating income contributed \$2,395,218 towards the payment of interest on the District's outstanding debt and the transfer to the reserves discussed previously.

The major components of the increase are:

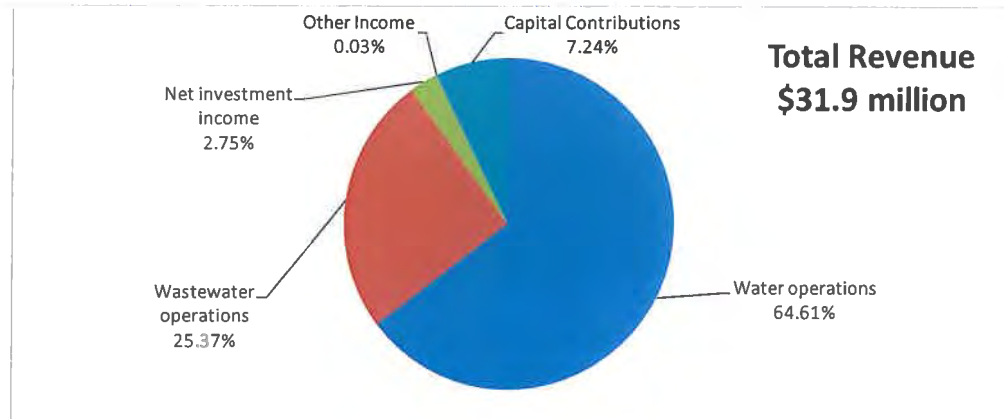
- ✓ Operating income before considering depreciation and amortization was \$8,838,144, a decrease of \$274,052 over 2010. This decrease was generated as the result of:
  - ❖ Total operating revenues increased \$260,184 (approximately 0.6%)
  - ❖ Total operating expenses before depreciation and amortization increased \$534,236 (approximately 3%).
  - ❖ Total operating expenses, including depreciation and amortization increased by \$679,398.
- ✓ Capital assets before depreciation increased by \$1,392,755 but after considering depreciation and retirements decreased by \$4,692,013.

- ✓ Capital contributions, from Highlands Ranch Metropolitan District and Northern Douglas County Water & Sanitation District in 2011, generated by the contractual requirement for the acquisition of reserved capacity in the District's system, amounted to \$2,312,417. This was an increase of \$182,963 from the total capital contributions received in 2010 that were received from Highlands Ranch Metropolitan District.

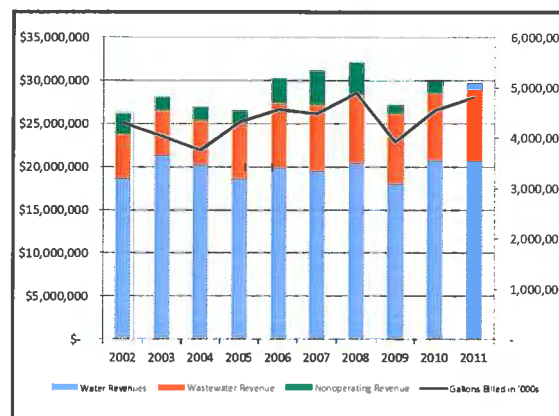
Key elements contributing to the changes in net assets are as follows.

## Revenues and Capital Contributions

The graph below summarizes the 2011 revenues and capital contributions by types.



The following table demonstrates the volatility in the operating revenues, especially water and to a lesser degree the non-operating revenues of the District over time.



### Operating revenues

- Operating revenue from rates charged for water consumption decreased slightly in 2011 while revenue from wastewater increased.
- The 2011 operating revenues were influenced by the following:
  - ✓ Water –
    - ❖ the base water rates per 1,000 gallons increased from \$2.55 to \$2.60
    - ❖ however, surcharge revenue for high users continues to decrease slightly due to numerous factors including better management by irrigation only customers and the changes due to an annual water budget for commercial customers that has benefited seasonal operations.



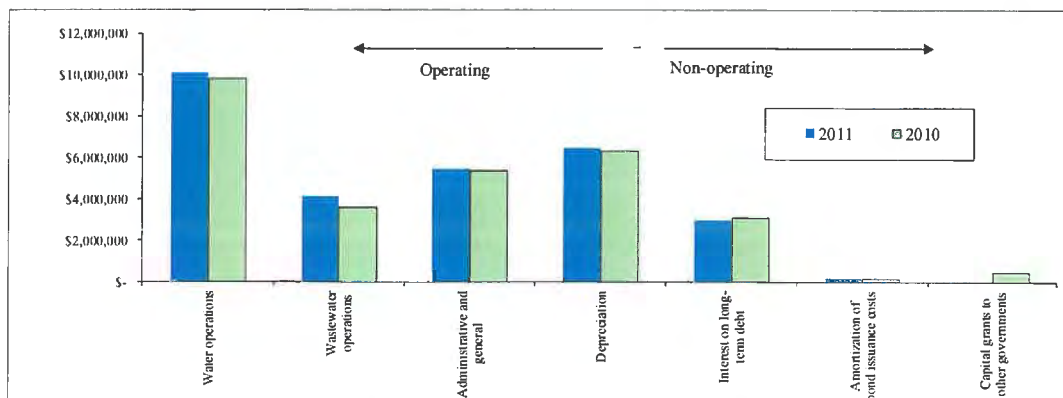
- ✓ Wastewater
  - ❖ the base wastewater rates per 1,000 gallons increased from \$2.35 to \$2.52
  - ❖ wintertime consumption, the basis for the charge for residential customers continued stable.
- In 2010, water revenues increased compared to 2009. In 2009 the area received timely rainfall that resulted in a drop in usage by customers. In 2010, the patterns were closer to the norm and as a result the water revenues rebounded to a more normal expectation. The increase in revenue was entirely due to this consumption.
- Water revenues are generated using a structure based on individual customer water budgets. The innovative structure is designed for and continues to generate sufficient revenues to comply with the requirements found in the District's bond covenants and to meet the internal objectives defined by the Board during both drought and wet year scenarios. The rate structure includes the following key elements and objectives:
  - ✓ "Water Budgets" established for each individual customer that are the basis for a steeply increasing block rate structure to encourage conservation
  - ✓ A significant fixed rate "Water Service Availability Fee" charged to customers is intended to increase the fixed revenue for the District to better match the costs of paying debt service and customer related billing costs as well as establishing appropriate reserves for equipment replacement.
  - ✓ Accumulation of funds for major repair and/or replacement of equipment
  - ✓ Accumulation of funds for long-term water acquisition.
- Wastewater revenue increased 4.5% due to the increase in rates.

#### Non-operating revenues

- Capital contributions continued as a significant revenue source during the current fiscal year, increasing both total net assets and the restricted net assets for capital projects by \$2,312,417. These capacity fees, which are in excess of the actual physical connection costs, are designed to recover the cost of building the entire system of infrastructure necessary to serve the customer base. These capital contributions are restricted by intergovernmental agreements for use either to construct capital assets or to repay the principal on debt used to fund prior capital assets.
- In 2011 the District experienced continued low returns on investment income as the result of the declining rate market.

## Operating and Non-operating Expenses

The relationship between 2011 and 2010 operating and non-operating expenses can be shown as follows:



- Operating expenses are predominantly fixed and therefore change little in response to demands. These fixed costs which represent approximately 75 % of the budget include:
  - ✓ cost of personnel which is fixed within the basic functions of production
  - ✓ contracted services including contractual obligations for the purchase of water, significant legal related expenses and insurance
  - ✓ materials and supplies for routine maintenance
  - ✓ purchased services related maintenance to outside lab services etc
- In addition to the above fixed costs, the electrical and power costs represent approximately 13% of the budget and are semi-variable. These semi-variable costs change in a stepped pattern as various production trains are started to accommodate different production levels.

## **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, 2011, amounts to \$191,862,231. This investment in capital assets includes:

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

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

- In 2011, staff worked closely with CH2M Hill to update planning for improvements to the Marcy Gulch Wastewater Treatment Plan that will be required by regulatory changes and the need to update aging and inefficient equipment and processes. The District intends to execute the plan in phases. Phase I, being designed in 2012, will address aging and inefficient WWTP processes and equipment and will provide a platform for additional upgrades that will likely be required by new state-wide nutrient regulations and the Barr/Milton TMDL (total maximum daily load). Neither of these regulatory actions are final and necessary upgrades to meet the regulations will be phased in as they are finalized.
- In 2011 well lines and connections were completed to connect Well LFH-1A to the water treatment plant.

Additional information on the Centennial Water and Sanitation District's capital assets can be found in Note IIIB on page 12 and in the supplemental information on page 23 of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total revenue bonded debt outstanding of \$60,520,000. The District's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The District's total debt decreased by 6 percent during the current fiscal year as a result of scheduled principal payments of \$3,530,000 and miscellaneous other bond related transactions.

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

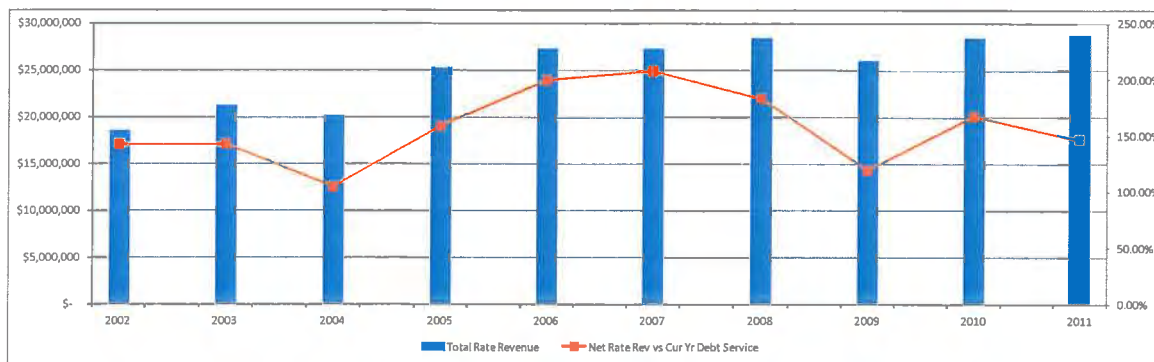
- In April of 2011, Standard and Poor's, as the result of a periodic review, the rating was increased from AA- to AA+
- In February 2012, Fitch as a result of a periodic review, increased the District's rating from an AA- to AA+.



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

- The minimum bond covenants require a coverage ratio of over 100 percent based on the ratio of “Net Utility Funding” (net utility revenue vs. current year debt service). The ratio decreased in 2011 to 146 percent from 167 percent in 2010 a result of anticipated decreases in other utility revenue.
- The other significant ratio, net direct rate revenue to debt service ratio, increased in 2010 to 146 percent from 102 percent in 2009 but decreased to 133 percent in 2011 for the same reason.
- However, when the newly created financial assurance set-aside is factored in as available for rate stabilization, the coverage of succeeding year debt service increase from 194 percent to 273 percent.

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

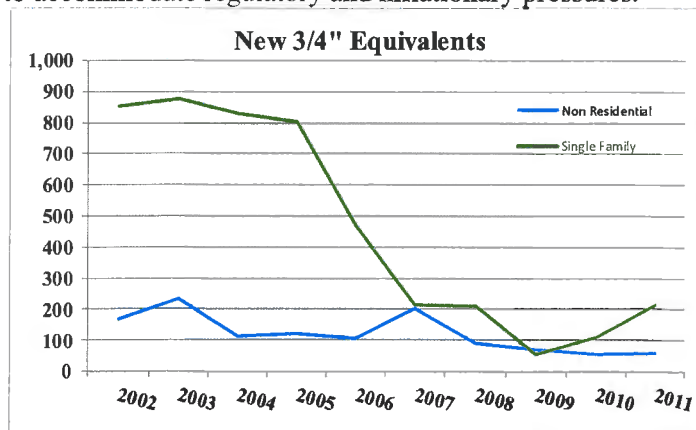


Additional information on the District’s long-term debt can be found in note IIIC on pages 13-15 of this report.

## Economic Factors and Next Year’s Budgets and Rates

The following factors were considered in preparing the District’s budget for 2012:

- The unemployment rate for the county within which the District is located is currently 6.7 percent, which is lower than a year ago. This compares favorably to the state’s average unemployment rate of 8.5 percent as of December 2011.
- The growth in water and wastewater customers within the District’s service area continues to increase slowly but in a relatively stable pattern. This will continue to result in flat annual increases in operating revenue without periodic rate increases that will be necessary to accommodate regulatory and inflationary pressures.



- Effective January 1, 2012, the rates for water and wastewater service charged by the District were increased based primarily to adjust for changing usage patterns and expected increase in electrical costs. The combined impact of the changes will result in the average homeowner paying approximately 2% more in 2012.
- Inflationary trends in the region compare favorably to national indices with the exception of electrical costs. Electrical costs in the west are less than elsewhere but to date the anticipated increases have been applied inconsistently and are not increasing to match the nationwide costs at the rates anticipated over the last few years.

At year-end, unrestricted net assets were \$ 44,497,865. The unrestricted net assets significantly exceed the 2012 fiscal year budget appropriations of \$21,360,866 for operations spending and \$6,642,000 for debt service. In addition, the District has specifically restricted assets for debt service in the amount of \$6,653,592 which is slightly more than the 2012 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.HighlandsRanch.org](http://www.HighlandsRanch.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 Plaza Drive, Highlands Ranch, Colorado 80129.

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2011**

ASSETS	2011	2010
<b>CURRENT ASSETS</b>		
<i>CURRENT OPERATING ASSETS</i>		
Cash deposits and investments	\$ 41,924,036	\$ 39,952,753
Accounts receivable	2,076,343	1,941,273
Due from other governments	1,591,084	1,549,955
Inventory	18,318	24,788
Net investment income receivable	273,430	368,961
	<u>45,883,211</u>	<u>43,837,730</u>
<i>CURRENT RESTRICTED ASSETS</i>		
Cash deposits and investments	30,655,860	29,213,299
Receivables	50,120	-
	<u>30,705,980</u>	<u>29,213,299</u>
Total Current Assets	<u>76,589,191</u>	<u>73,051,029</u>
<b>NONCURRENT ASSETS</b>		
Deferred charges	754,531	912,723
Capital assets		
Buildings	2,301,047	2,301,047
Treatment system	238,735,703	238,436,692
Machinery and equipment	9,594,163	8,133,753
Water rights	40,532,735	40,531,582
Construction in progress	1,666,241	2,034,060
Less accumulated depreciation	(100,967,658)	(94,882,890)
Total capital assets	<u>191,862,231</u>	<u>196,554,244</u>
Total Noncurrent Assets	<u>192,616,762</u>	<u>197,466,967</u>
Total Assets	<u>\$ 269,205,953</u>	<u>\$ 270,517,996</u>

(Continued to next page)

The accompanying notes are an integral part of the financial statements

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2011**

<b>LIABILITIES AND NET ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>CURRENT LIABILITIES</b>		
<i>CURRENT LIABILITIES PAYABLE FROM CURRENT OPERATING ASSETS</i>		
Accounts payable	\$ 1,183,108	\$ 1,424,770
Accrued payroll liabilities	143,473	118,792
Retainages payable	25,684	44,614
Deposits	313,870	307,000
Current portion of capital leases payable	33,393	46,598
Current portion of compensated absences	10,460	10,460
	<u>1,709,988</u>	<u>1,952,234</u>
<i>CURRENT LIABILITIES PAYABLE FROM CURRENT RESTRICTED ASSETS</i>		
Accounts and contracts payable	43,593	-
Accrued interest payable	218,230	230,472
Current portion of bonds payable	3,840,000	3,670,000
	<u>4,101,823</u>	<u>3,900,472</u>
Total Current Liabilities	<u>5,811,811</u>	<u>5,852,706</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences	245,052	200,081
Revenue bonds payable (net of unamortized premiums, discounts and refunding deferrals)	56,689,049	60,542,390
Capital leases payable	-	33,399
Total Noncurrent Liabilities	<u>56,934,101</u>	<u>60,775,870</u>
Total Liabilities	<u>62,745,912</u>	<u>66,628,576</u>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	131,299,789	132,261,857
Restricted		
Debt Service	6,653,592	6,636,700
Capital Projects	24,008,795	22,576,599
Unrestricted	44,497,865	42,414,264
Total Net Assets	<u>206,460,041</u>	<u>203,889,420</u>
Total Liabilities and Net Assets	<u>\$ 269,205,953</u>	<u>\$ 270,517,996</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 ASSETS**  
**FOR THE YEAR ENDED**  
**December 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUE</b>		
Water operations (pledged as security for revenue bonds)	\$ 20,634,689	\$ 20,725,452
Wastewater operations (pledged as security for revenue bonds)	8,100,431	7,749,484
Total Operating Revenue	<u>28,735,120</u>	<u>28,474,936</u>
<b>OPERATING EXPENSES</b>		
Water operations	10,103,223	9,790,308
Wastewater operations	4,095,745	3,600,479
Administrative and general	5,451,604	5,378,632
Noncapitalized major repair	246,404	593,321
Depreciation	6,284,734	6,126,965
Amortization of bond issuance costs	158,192	170,799
Total Operating Expenses	<u>26,339,902</u>	<u>25,660,504</u>
Operating Income	<u>2,395,218</u>	<u>2,814,432</u>
<b>NONOPERATING REVENUE</b>		
Net investment income	879,186	758,214
Gain on disposal of equipment	236	14,970
Other income	8,248	591,285
Total Nonoperating Revenue	<u>887,670</u>	<u>1,364,469</u>
<b>NONOPERATING EXPENSES</b>		
Interest	2,939,724	3,074,563
Capital grants to other governments	-	440,546
Loss on disposal of equipment	42,200	296,259
Water transfer agreement	42,760	-
Total Nonoperating Expenses	<u>3,024,684</u>	<u>3,811,368</u>
<b>INCOME / (LOSS) BEFORE CONTRIBUTIONS</b>	258,204	367,533
<b>CAPITAL CONTRIBUTIONS</b>		
Reserved capacity fees	2,312,417	2,129,454
<b>CHANGE IN NET ASSETS</b>	<u>2,570,621</u>	<u>2,496,987</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	203,889,420	201,392,433
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 206,460,041</u>	<u>\$ 203,889,420</u>

The accompanying notes are an integral part of the financial statements

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED**  
**December 31, 2011**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 28,558,921	\$ 28,272,015
Payments to suppliers	(15,021,073)	(13,642,435)
Payments to employees	(5,053,503)	(5,037,319)
Net cash provided by operating activities	<u>8,484,345</u>	<u>9,592,261</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Grants to other governments	-	(440,546)
Net cash (used) by noncapital financing activities	<u>-</u>	<u>(440,546)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions	2,312,417	2,129,454
Purchase of capital assets and investment in undivided interest	(1,677,734)	(600,716)
Proceeds from sale of assets	236	14,970
Principal paid on capital lease	(46,604)	(84,401)
Principal paid on capital debt	(3,670,000)	(3,530,000)
Interest paid on capital debt	(2,951,966)	(3,082,675)
Net cash (used) by capital and related financing activities	<u>(6,033,651)</u>	<u>(5,153,368)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	982,681	1,421,077
Purchase of long-term investments	(62,793,582)	(51,066,584)
Maturity of long-term investments	61,398,703	45,495,389
Net cash provided (used) by investing activities	<u>(412,198)</u>	<u>(4,150,118)</u>
<b>NET INCREASE (DECREASE) IN CASH EQUIVALENTS</b>	2,038,496	(151,771)
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	870,929	1,022,700
<b>CASH AND CASH EQUIVALENTS END OF YEAR (NOTE IIIA)</b>	<u>2,909,425</u>	<u>870,929</u>
<b>LONG TERM INVESTMENTS</b>	69,670,471	68,295,079
<b>TOTAL CASH DEPOSITS AND INVESTMENTS</b>	<u>\$ 72,579,896</u>	<u>\$ 69,166,008</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 2,395,218	\$ 2,814,432
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	6,442,926	6,297,764
(Increase) / decrease in accounts receivables	(135,070)	(231,168)
(Increase) / decrease in due from other governments	(41,129)	28,247
(Increase) / decrease in inventory	6,470	24,720
Increase / (decrease) in accounts payable	(241,662)	661,328
Increase / (decrease) in accrued payroll costs	24,681	29,739
Increase / (decrease) in retainages payable	(18,930)	44,614
Increase / (decrease) in deposits	6,870	(34,469)
Increase / (decrease) in compensated absences payable	44,971	(42,946)
Total adjustments	<u>6,089,127</u>	<u>6,777,829</u>
Net cash provided by operating activities	<u>\$ 8,484,345</u>	<u>\$ 9,592,261</u>
<b>Noncash investing, capital and financing activities</b>		
Increase (decrease) in fair value of investments	\$ (318,191)	\$ (993,274)

The accompanying notes are an integral part of the financial statements

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) REPORTING ENTITY**

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

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

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

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

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

The District has elected not to apply statements issued by the Financial Accounting Standards Board after November 30, 1989. GASB pronouncements on accounting and financial reporting for proprietary activities are followed.

The District's records are maintained on the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense, expenditures for property, plant and equipment are shown as increases in assets, and redemption of bonds is recorded as a reduction in liabilities. Capacity fees are recorded as capital contributions when received.

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

The District distinguishes between *operating* revenues and expenses and *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing business of providing water and wastewater service. The primary operating revenues are for charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

1) Cash deposits and investments

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

Investments are reported at fair value.

2) Inventory

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

3) Restricted Assets / Designated Assets

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

In addition the District designates a portion of its current operating assets for future major repair, replacement and renovation of its capital assets and the acquisition of surface water supplies. \$27,453,871 has been so designated as of year-end.

4) Capital Assets

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

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



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

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

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

Interest expense incurred by the District during the period of construction of the water and wastewater treatment facilities has been capitalized (Note IIIC).

5) Amortization of bond issue costs

Bond issue costs and original issue premiums and discounts are being amortized using the interest expense method over the term of the respective bonds.

6) Compensated Absences

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

7) Postemployment benefits

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

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

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

8) Capital Contributions  
Reserved Capacity Fees

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

## CENTENNIAL WATER AND SANITATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS, *continued*

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#### 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 IVD). 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. The repayments, as more fully described in Note IV.D) 2) have reduced the original contribution amount of \$32,500,000. Capacity fees collected for services provided outside of Highlands Ranch and paid to Shea Homes are reflected as distributions of capital contributions.

9) Comparative Information

Comparative information for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Certain prior year amounts have been reclassified to conform to the current year presentation.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### **A) BUDGETS**

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

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

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

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

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

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

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

**III. DETAILED NOTES**

**A) CASH DEPOSITS AND INVESTMENTS**

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

At December 31, 2011, the District had the following cash and investments:

Cash on hand	\$ 700
Cash deposits	2,848,624
Investments	69,730,572
Total Cash Deposits and Investments	<u>\$ 72,579,896</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. Deposits covered by PDPA are not subject to custodial credit risk. The State Regulatory Commission for banks is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2011, the District had \$2,790,558 of bank balance cash deposits collateralized pursuant to PDPA.

Investments

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

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, and Treasury Bonds with a final maturity not exceeding five years from the date of purchase and U.S. Treasury Strips with maturities not exceeding five years from the date of purchase.
2. Federal Instrumentality Securities: Debentures, discount notes, and callable securities with a final maturity not exceeding three years from the date of purchase issued by the following: Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Student Loan Marketing Association (SLMA).
3. Corporate Debt: debt issued by any corporation or bank organized and operating within the United States with a maturity not exceeding three years from the date of trade settlement. The debt must be rated at least AA- or the equivalent at the time of purchase by at least two NRSROs, and rated not less by any NRSRO that rates it. The District shall limit investments in Corporate Debt to no more than 25 percent of the total portfolio and 5 percent per issuer.

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

4. Repurchase Agreements, executed subject to an approved Master Purchase Agreement, with a termination date of 90 days or less collateralized by U.S. Treasury Securities listed in 1 above with maturities not exceeding ten years.
5. Prime Commercial Paper with an original maturity of 180 days or less which is rated at least A-1 by Standard & Poors or P-1 by Moody's at the time of purchase by each service which rates the commercial paper.
6. Eligible Bankers Acceptances with original maturities not exceeding 180 days, issued on domestic banks whose senior long-term debt is similar to 4 above; have a combined capital and surplus of at least \$250,000,000; and have deposits insured by the FDIC.
7. Local Government Investment Pools authorized under CRS 24-75-701 and 702.
8. Money Market Mutual funds which have a rating of AAA by Standard and Poors or AAAM by Moody's.

At December 31, 2011 the District investments reported on the financial statements can be summarized as follows:

Investment	Moody Rating	Investment Maturities (in Years)		
		Less than 1	1 - 5	Total
US Treasury securities	NA	\$ 2,009,766	\$ 4,194,220	\$ 6,203,986
US Agency securities	Aaa	9,704,839	18,287,125	27,991,964
US Agency securities - with 2012 call	Aaa	-	28,349,756	28,349,756
Commercial paper		3,249,023		3,249,023
Corporate debt	Aaa	2,074,178		2,074,178
Corporate debt	Aa3		1,801,565	1,801,565
Local Government investment pool	Aaa	60,101	-	60,101
		<u>\$ 17,097,906</u>	<u>\$ 52,632,666</u>	<u>\$ 69,730,572</u>

As of December 31, 2011, the District had invested \$60,101 in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST is rated AAAM by Standard and Poor's. Investments of COLOTRUST are limited to those allowed by State statutes. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments.

The District has executed a safekeeping agreement with a financial institution that provides for the financial institution to act in a custodial capacity. The custodian holds investments acquired by the District in a Federal Reserve custodial account. The investments in this account are not available to the general creditors of the custodian. Ownership of the securities by the District is maintained in the custodian's internal accounting records.

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

*Concentration of Credit Risk* – State statutes do not limit the amount the District may invest in one issuer. At December 31, 2011 the District maintained investments in excess of 5% in the following issuers:

	<u>% of portfolio</u>
US Treasury securities	8.90%
US Agency securities	
Federal Home Loan Bank	15.95%
Federal Farm Credit Bank	16.83%
Federal Home Loan Mortgage Corporation	20.94%
Federal National Mortgage Association	27.07%

Cash deposits and investments are reflected on the December 31, 2011 Statement of Net Assets and Statement of Cash Flows as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 41,924,036	\$ 39,952,753
Restricted (Note IC3)	<u>30,655,860</u>	<u>29,213,299</u>
Total Cash Deposits and Investments	72,579,896	69,166,052
Less long-term investments	69,670,471	68,295,079
Cash and cash equivalents	<u><u>\$ 2,909,425</u></u>	<u><u>\$ 870,973</u></u>

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

**B) CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance at January 1, 2011	Increases	Decreases	Balance at December 31, 2011
<b>Capital assets not being depreciated:</b>				
Water rights	\$ 40,531,582	\$ 1,153	\$ -	\$ 40,532,735
Construction in progress	2,034,060	1,506,362	1,874,181	1,666,241
Total capital assets not being depreciated	42,565,642	1,507,515	1,874,181	42,198,976
<b>Capital assets being depreciated:</b>				
Buildings	2,301,047	-	-	2,301,047
Treatment system				
Water				
Source of supply	23,683,377	-	-	23,683,377
Storage reservoirs - treated water	14,808,733	-	-	14,808,733
Storage reservoirs - raw water	51,083,366	-	-	51,083,366
Treatment plant - water	31,628,322	-	-	31,628,322
Pump stations	6,989,598	-	-	6,989,598
Wastewater				
Treatment plant - wastewater	32,329,047	-	-	32,329,047
Lift stations	1,805,771	12,500	-	1,818,271
Infrastructure				
Transmission and distribution	61,761,551	286,511	-	62,048,062
Collection and transmission	14,346,927	-	-	14,346,927
Machinery and equipment	8,133,753	1,686,128	225,718	9,594,163
Total capital assets being depreciated	248,871,492	1,985,139	225,718	250,630,913
<b>Less accumulated depreciation for:</b>				
Buildings	1,486,648	83,159	-	1,569,807
Treatment system	83,365,835	5,212,994	-	88,578,829
Machinery and equipment	10,030,407	988,581	199,966	10,819,022
Total accumulated depreciation	94,882,890	6,284,734	199,966	100,967,658
Total capital assets being depreciated, net	153,988,602	(4,299,595)	25,752	149,663,255
Capital assets, net	\$ 196,554,244	\$ (2,792,079)	\$ 1,899,933	\$ 191,862,231

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

**C) LONG-TERM DEBT**

The District has issued long term debt for the purposes of financing the construction of infrastructure including treatment facilities necessary to provide for the operations. Following is a summary of the District's long-term debt as of December 31, 2011 and its 2011 transactions:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Revenue Bonds Payable	\$ 64,212,390	\$ -	\$ 3,683,341	\$ 60,529,049	\$ 3,840,000
Capital Leases	79,997	-	46,604	33,393	33,393
Compensated absences	210,541	304,051	259,080	255,512	10,460
Long-term Liabilities	<u>\$ 64,502,928</u>	<u>\$ 304,051.00</u>	<u>\$ 3,989,025</u>	<u>\$ 60,817,954</u>	<u>\$ 3,883,853</u>

The District's bonds and leases payable as of December 31, 2011 and its 2011 debt transactions are shown in more detail below:

	Balance at January 1, 2011	Additions	Payments/ Amortization	Balance at December 31, 2011	Current Portion
<b>BONDS PAYABLE</b>					
Revenue Bonds					
Series 2004	\$ 39,195,000	\$ -	\$ -	\$ 39,195,000	\$ -
Series 2005	9,845,000	-	1,770,000	8,075,000	1,845,000
Series 2008	15,150,000	-	1,900,000	13,250,000	1,995,000
	<u>64,190,000</u>	<u>-</u>	<u>3,670,000</u>	<u>60,520,000</u>	<u>\$ 3,840,000</u>
Bond premium	1,592,582	-	285,426	1,307,156	
Loss on refunding	(1,531,403)	-	(266,626)	(1,264,777)	
Original issue discount	(38,789)	-	(5,459)	(33,330)	
	<u>64,212,390</u>	<u>\$ -</u>	<u>\$ 3,683,341</u>	<u>60,529,049</u>	
Current portion	3,670,000			3,840,000	
Long term portion	<u>\$ 60,542,390</u>			<u>\$ 56,689,049</u>	
<b>LEASES PAYABLE</b>					
2007 Lease-Purchase	\$ 12,733	\$ -	\$ 12,733	\$ -	\$ -
2008 Lease-Purchase	53,816	-	26,438	27,378	27,378
2009 Lease Purchase	13,448	-	7,433	6,015	6,015
	<u>79,997</u>	<u>\$ -</u>	<u>\$ 46,604</u>	<u>33,393</u>	<u>\$ 33,393</u>
Current portion	46,598			33,393	
Long term portion	<u>\$ 33,399</u>			<u>\$ -</u>	



# CENTENNIAL WATER AND SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS, continued

### BONDS PAYABLE

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

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

During the year ended December 31, 2011, \$9,084,548 of net operating (recurring) revenues were generated to make debt service principal and interest payments of \$6,621,966.

The outstanding bond issues are summarized as follows:

- The Series 2004 Water and Sewer Revenue Refunding and Improvement Bonds, dated April 1, 2004, in the amount of \$39,195,000 are serial bonds due in varying increasing amounts annually through 2023. Interest is at fixed rates ranging from 4.00% to 5.00% payable semi-annually June 1 and December 1. The bonds maturing on or after December 1, 2016, are callable at the option of the District on any date with 45 days notice on December 1, 2014 or thereafter at par. Financial Guaranty Insurance Company insures the payment of principal and interest.
- The Series 2005 Water and Sewer Revenue Refunding Bonds, dated March 1, 2005, in the amount of \$16,360,000 are serial bonds due in varying increasing amounts annually through 2015. Interest is at fixed rates ranging from 3.1 % to 5.50% payable semi-annually June 15 and December 15. Financial Guaranty Insurance Company insures the payment of principal and interest.
- The Series 2008 Water and Sewer Revenue Refunding Bonds dated April 1, 2008, in the amount of \$18,775,000 are serial bonds due in varying increasing amounts annually through 2017. Interest is at fixed rates ranging from 3.625% to 5.00% payable semi-annually June 1 and December 1. Financial Security Assurance insures the payment of principal and interest.

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

	Principal	Interest	Total
2012	\$ 3,840,000	\$ 2,799,841	\$ 6,639,841
2013	4,090,000	2,611,175	6,701,175
2014	4,230,000	2,423,625	6,653,625
2015	4,410,000	2,250,469	6,660,469
2016	4,560,000	2,128,394	6,688,394
2017-2021	26,705,000	7,222,588	33,927,588
2022-2023	12,685,000	941,038	13,626,038
	<u>\$ 60,520,000</u>	<u>\$ 20,377,130</u>	<u>\$ 80,897,130</u>

### LEASES PAYABLE

The District has entered into several lease-purchase obligations. For financial statement presentation, the lease obligations have been capitalized and the equipment acquired with the proceeds of the lease-purchases recorded as assets of the District. The lease-purchase agreements do not constitute general obligation debt of the District as defined by the Colorado Revised Statutes, as there are annual appropriation clauses in the agreements. The outstanding leases payable can be summarized as follows:

- The 2007 governmental lease-purchase agreement with Key Government Finance Inc. was paid in full during 2011.



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

- The 2008 governmental lease-purchase agreement is with Key Government Finance Inc. in the original amount of \$132,349 for purchase of equipment used in the operations with an aggregate original cost of \$132,349 with a down payment and annual payments of \$28,353 for four additional years. The interest cost included in the lease-purchase agreement is at a rate of 3.60%. The final payment is due March 15, 2012.
- The Districts share of the 2009 governmental lease-purchase agreement with CIT Communications Finance Corporation in the amount of \$21,499 is for the purchase of the telephone system located at operations and the general government operations with an aggregate original cost of \$21,499. The payments are made monthly at a rate of \$1,369 per month. There is no interest cost included in the lease-purchase agreement. The final payment is due October 2012, and the lease may be prepaid at any time without penalty.

Principal and interest on the leases payable mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 33,393	\$ 975	\$ 34,368

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 \$178,346,000 remains authorized but unissued. The District currently has no intention of issuing any general obligation debt but may issue revenue obligations.

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

During the period ended December 31, 2011 interest costs were incurred as follows:

	<u>2011</u>	<u>2010</u>
Interest costs incurred	\$ 2,939,724	\$ 3,074,563
Interest costs capitalized	-	-
Net interest expense	<u>\$ 2,939,724</u>	<u>\$ 3,074,563</u>
Interest costs capitalized - inception to date	<u>\$ 14,849,434</u>	<u>\$ 14,849,434</u>

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

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**D) INTERGOVERNMENTAL RECEIVABLES AND PAYABLES**

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

	December 31,	
	2011	2010
Highlands Ranch Metropolitan District	\$ 1,578,329	\$ 1,537,218
Highlands Ranch Metropolitan District No. 5	12,755	12,737
	<u>\$ 1,591,084</u>	<u>\$ 1,549,955</u>

These receivables from other governmental entities are classified as either Due from other governments on the statements of net assets under the following:

	December 31,	
	2011	2010
Current Operating Assets	\$ 1,591,084	\$ 1,549,955

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

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**IV OTHER INFORMATION**

**A) 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 3% of wages. 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.

**B) DEFINED CONTRIBUTION PENSION PLAN**

The 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. The Retirement Association 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. At December 31, 2011 there were 168 active plan members comprised of 84 full and part-time members employed by the District and 84 full and part-time members employed by the Highlands Ranch Metropolitan 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, 6.20% of the Plan members' compensation is withheld and remitted to the Plan Administrator along with a matching payment of 6.20% of Plan members' compensation from the District.

The District's contributions plus earnings become fully vested to the Plan members upon the completion of three years of Plan membership. District contributions for Plan members who leave employment before they are fully vested are used to reduce the District's contribution requirement. There is no liability for benefits under the Plan beyond the District's matching payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

Contributions actually made by Plan members and the District (the District's contributions are shown net of forfeitures (if any) for the years ended December 31:

	2011		2010
Employer	\$ 276,262	\$	288,426
Employee	285,070		290,312

The difference in contributions for 2011 is the result of the District, as allowed by the plan, utilizing plan forfeitures during 2011 to reduce its contribution.

**C) BOARD OF DIRECTORS**

The Board of Directors is elected for staggered four-year terms. Four members of the District's Board are currently the same elected director members as those that serve on the Board of Directors of Highlands Ranch Metropolitan District No. 5. In addition, all of the District's Board of Directors are employees of Shea Homes/Properties ("Shea"), the developer of Highlands Ranch.

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

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**D) COMMITMENTS AND CONTINGENCIES**

**1) Intergovernmental Agreements**

The District has entered into water and wastewater service agreements with the consolidated Highlands Ranch Metropolitan Districts ("Metro District"). The agreements provide for the District to provide potable water and wastewater treatment services to areas included within these districts 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 and well as billing the respective customers of the district. The agreement expires in 2030.

The District has also entered into a water and wastewater service agreement with Highlands Ranch Metropolitan District No. 5. Metro 5 is currently inactive. The agreement with Metro 5 expires in 2030.

Northern Douglas County Water and Sanitation District (Northern) is provided service under an extended service area agreement providing wholesale water and wastewater service to the district directly, not to individual customers. Northern is only guaranteed service for the number of taps and at the specific locations for which it has acquired capacity. Northern may purchase options to acquire future capacity. As of December 31, 2011 Northern has 124 approved but unpaid and unexercised multi-family residential dwelling unit tap options.

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

Related to the agreement the District rents a portion of the District's office building to the Metro District. The income generated in 2011 from the lease was \$164,280. The building has an original cost of \$2,301,047 with a carrying value of \$702,173.

**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, 2008 and is subject to additional increase adjustments in five-year increments. To date payment has been remitted to Shea for 1,897 taps. The current fee of \$10,690 per tap, subject to the 5 year adjustment, will be paid to the extent that the next 7,603 taps are sold. No payment for any taps provided beyond 9,500 taps is required.

The maximum total compensation if all 9,500 taps are sold is \$88,045,665 at the rates in effect as of December 31, 2011. 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 may be less than \$88,045,665. Cumulative payments under the agreement are \$6,769,595 through December 31, 2011.

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

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:

- 1) a "take or pay" minimum annual payment schedule;
- 2) annual deliveries from Englewood's Ranch Creek system;
- 3) the use of storage space in Englewood's McLellan Reservoir;
- 4) the exclusive use of water which is surplus to Englewood's needs.

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

- b. In 1994 the District entered into an agreement with the Board of Water Commissioners of the City and County of Denver ("Denver Water Board") to acquire 1,000 acre feet of water. 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 2011 and 2012 can be summarized as follows:

	2011			2012 Minimum Obligation	
	Acre Fee	Consumption \$	Lease \$	Acre Feet	\$
Long Term*					
a) City of Englewood	5,606	\$ 1,745,251	\$ 308,753	3,000	\$ 1,023,347
b) Denver Water Board	1,341	413,676		850	263,126
c) CCWCD/Bargas Ranch	200	193,655	20,000	200	220,000

4) Construction commitments

As of December 31, 2011 unexpended appropriations for capital projects and water acquisition amounted to approximately \$261,000.

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

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**E) RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2011. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to \$100,000,000 and liability coverage for claims up to \$1,000,000.

Workers compensation claims are covered by Pinnacol Assurance Co. 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.

**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, 2011**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>2011 Actual</u>	<u>Variance from final budget - Favorable (Unfavorable)</u>
<b>REVENUES AND OTHER RECEIPTS</b>				
<b>OPERATING</b>				
Water operations	\$ 19,015,200	\$ 19,015,200	\$ 19,545,754	\$ 530,554
Wastewater operations	8,156,900	8,156,900	8,100,431	(56,469)
Other operating	1,096,074	1,096,074	1,090,183	(5,891)
	<u>28,268,174</u>	<u>28,268,174</u>	<u>28,736,368</u>	<u>468,194</u>
<b>NONOPERATING and OTHER RECEIPTS</b>				
Net investment income	999,000	999,000	879,186	(119,814)
Proceeds from capital leases	-	-	-	-
Capital contributions	2,048,822	2,048,822	2,312,418	263,596
Other income (including gain on sale of equipment)	15,000	15,000	7,236	(7,764)
	<u>3,062,822</u>	<u>3,062,822</u>	<u>3,198,840</u>	<u>136,018</u>
Total Revenue and Other Receipts	<u>31,330,996</u>	<u>31,330,996</u>	<u>31,935,208</u>	<u>604,212</u>
<b>EXPENDITURES and OTHER OUTLAYS</b>				
<b>OPERATING</b>				
Water operations	10,871,247	10,871,247	10,103,223	768,024
Wastewater operations	4,241,077	4,241,077	4,095,745	145,332
Administrative and general technical	5,669,235	5,669,235	5,451,604	217,631
Miscellaneous capital	-	-	-	-
Capital outlay	183,250	183,250	112,111	71,139
Capital lease payment	51,750	51,750	46,604	5,146
	<u>21,016,559</u>	<u>21,016,559</u>	<u>19,809,287</u>	<u>1,207,272</u>
<b>NONOPERATING</b>				
Debt Service				
Interest paid on bonds	2,967,000	2,967,000	2,965,308	1,692
Principal paid on bonds	3,670,000	3,670,000	3,670,000	-
All other funds / capital related				
Capital grants to other projects	-	255,695	-	255,695
Capital improvement projects	2,294,936	418,949	354,631	64,318
Water acquisition	405,695	108,502	185,543	(77,041)
Major repair projects	1,883,000	1,466,255	1,229,039	237,216
Water transfer agreement payment	-	-	42,760	(42,760)
	<u>11,220,631</u>	<u>8,886,401</u>	<u>8,447,281</u>	<u>439,120</u>
Total Expenses	<u>32,237,190</u>	<u>29,902,960</u>	<u>28,256,568</u>	<u>1,646,392</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENSES (BUDGETARY BASIS)</b>	(906,194)	1,428,036	3,678,640	2,250,604
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	67,055,316	70,945,311	70,945,311	-
<b>FUNDS AVAILABLE - END OF PERIOD</b>	<u>\$ 66,149,122</u>	<u>\$ 72,373,347</u>	<u>74,623,951</u>	<u>\$ 2,250,604</u>

See accompanying Independent Auditors' Report



**CENTENNIAL WATER AND SANITATION DISTRICT  
BUDGET RECONCILIATION  
FOR THE YEAR ENDED  
December 31, 2011**

**BUDGETARY FUNDS AVAILABLE AT DECEMBER 31, 2010 IS COMPUTED AS FOLLOWS**

	<b>Restricted</b>			
	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Operating</b>	<b>Combined</b>
Current assets	\$ 6,653,592	\$ 24,052,388	\$ 45,883,211	\$ 76,589,191
Liabilities payable from current assets	(4,058,230)	(43,593)	(1,709,988)	(5,811,811)
Net current assets per financial statements	2,595,362	24,008,795	44,173,223	70,777,380
Budget adjustments:				
Transfers between funds				
Accrued interest payable	218,230	-	-	218,230
Long term compensated absences	-	-	(245,052)	(245,052)
Current portion of bonds payable	3,840,000	-	-	3,840,000
Current portion of leases payable	-	-	33,393	33,393
<b>Funds available at December 31, 2011</b>	<b>\$ 6,653,592</b>	<b>\$ 24,008,795</b>	<b>\$ 43,961,564</b>	<b>\$ 74,623,951</b>

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

<b>REVENUE (Budgetary basis)</b>	<b>\$ 31,935,208</b>
Less:	
Capital contributions	(2,312,418)
<b>REVENUE (GAAP basis)</b>	<b>29,622,790</b>
<b>EXPENDITURES (Budgetary basis)</b>	<b>28,256,568</b>
Plus:	
Depreciation	6,284,734
Amortization	144,850
Net decrease in accrued interest payable	(12,242)
Loss on disposal of assets	42,200
Noncapital major repair	246,404
Less:	
Operating miscellaneous capital	(158,715)
Water acquisition	(185,543)
Capital improvement projects	(354,631)
Major repair projects	(1,229,039)
Principal payments	(3,670,000)
<b>EXPENSES (GAAP basis)</b>	<b>29,364,586</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>\$ 258,204</b>

See accompanying Independent Auditors' Report



**CENTENNIAL WATER AND SANITATION DISTRICT  
STATISTICAL SECTION  
DECEMBER 31, 2011**

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

<u>Content</u>	<u>Schedules</u>	<u>Pages</u>
<b>FINANCIAL TRENDS</b> These schedules contain trend information to help the reader understand how the District's financial condition has changed over time.	A1 – A3	24-26
<b>REVENUE CAPACITY</b> These schedules contain information to help the reader assess the District's largest revenue sources.	B1 – B4	27-30
<b>DEBT CAPACITY</b> These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue debt in the future.	C1-C2	31-32
<b>DEMOGRAPHIC &amp; ECONOMIC INFORMATION</b> These schedules offer demographic and economic indicators to help the reader understand the environment that the District's financial activities are taking place within.	D1-D2	33-34
<b>OPERATING INFORMATION</b> These schedules contain service data to help the reader understand how information in the financial report relates to the services the District provides and the activities it performs.	E1	35

CENTENNIAL WATER and SANITATION DISTRICT  
TABLE A-1  
NET ASSETS  
Last Ten Years

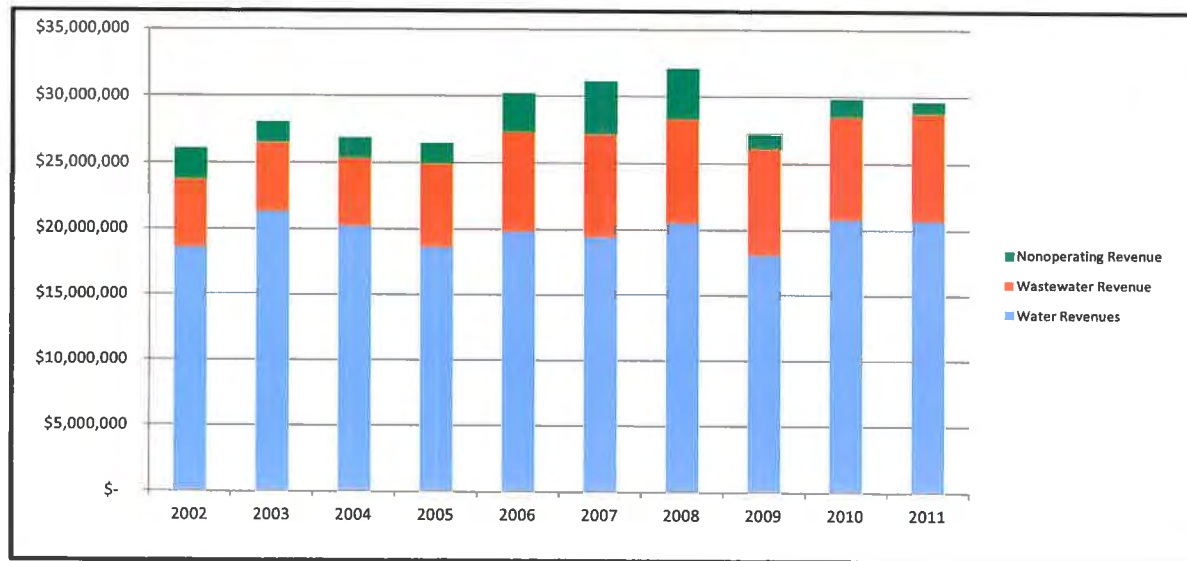
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>ASSETS</b>										
Current Assets										
Cash - Current Operating	\$ 22,579,907	\$ 9,125,119	\$ 8,126,798	\$ 13,430,148	\$ 18,220,093	\$ 28,149,941	\$ 30,686,033	\$ 29,881,702	\$ 32,388,753	\$ 41,924,036
Non-Cash Current Operating	2,026,918	3,531,971	3,610,471	3,697,870	4,206,607	4,251,872	4,341,926	3,887,360	3,884,977	3,959,175
Cash - Current Restricted	20,180,755	25,704,094	44,978,187	39,089,876	36,447,314	28,909,980	31,889,524	34,362,768	36,777,299	30,655,860
Non-Cash Current Restricted	47,628	136,940	124,415	47,595	36,740	45,769	13,913	-	-	50,120
Total Current Assets	<u>44,835,208</u>	<u>38,498,124</u>	<u>56,839,871</u>	<u>56,265,489</u>	<u>58,910,754</u>	<u>61,357,562</u>	<u>66,931,396</u>	<u>68,131,830</u>	<u>73,051,029</u>	<u>76,589,191</u>
Noncurrent Assets										
Deferred charges	1,588,790	1,399,048	1,691,890	1,621,418	1,443,090	1,272,930	1,316,951	1,083,522	912,723	754,531
Capital assets (less accumulated depreciation)	184,102,610	189,507,800	192,617,893	197,975,636	205,169,931	207,245,746	206,531,948	201,788,751	196,554,244	191,862,231
Total Noncurrent Assets	<u>185,691,400</u>	<u>190,906,848</u>	<u>194,309,783</u>	<u>199,597,054</u>	<u>206,613,021</u>	<u>208,518,676</u>	<u>207,848,899</u>	<u>202,872,273</u>	<u>197,466,967</u>	<u>192,616,762</u>
Total Assets	<u>230,526,608</u>	<u>229,404,972</u>	<u>251,149,654</u>	<u>255,862,543</u>	<u>265,523,775</u>	<u>269,876,238</u>	<u>274,780,295</u>	<u>271,004,103</u>	<u>270,517,996</u>	<u>269,205,953</u>
<b>LIABILITIES</b>										
Current Liabilities										
from Current Operating Assets	1,385,970	1,487,475	1,147,925	1,632,701	1,437,471	1,672,737	2,698,193	1,286,403	1,952,234	1,709,988
from Restricted Assets	7,396,268	4,991,191	3,852,061	4,197,489	6,113,372	4,251,632	3,743,520	3,772,106	3,900,472	4,101,823
Total Current Liabilities	<u>8,782,238</u>	<u>6,478,666</u>	<u>4,999,986</u>	<u>5,830,190</u>	<u>7,550,843</u>	<u>5,924,369</u>	<u>6,441,713</u>	<u>5,058,509</u>	<u>5,852,706</u>	<u>5,811,811</u>
Noncurrent Liabilities										
Compensated absences			219,558	202,201	196,138	192,817	223,062	243,027	200,081	245,052
Revenue bonds payable	62,575,000	59,210,000	80,103,660	77,267,030	74,225,688	71,054,622	67,825,400	64,227,585	60,542,390	56,689,049
Capital leases payable	151,755	137,181	251,377	186,642	201,685	127,218	143,520	82,549	33,399	-
Total Noncurrent Liabilities	<u>62,726,755</u>	<u>59,347,181</u>	<u>80,574,595</u>	<u>77,655,873</u>	<u>74,623,511</u>	<u>71,374,657</u>	<u>68,191,982</u>	<u>64,553,161</u>	<u>60,775,870</u>	<u>56,934,101</u>
Total Liabilities	<u>71,508,993</u>	<u>65,825,847</u>	<u>85,574,581</u>	<u>83,486,063</u>	<u>82,174,354</u>	<u>77,299,026</u>	<u>74,633,695</u>	<u>69,611,670</u>	<u>66,628,576</u>	<u>62,745,912</u>
<b>NET ASSETS</b>										
Invested in capital assets net of related debt	118,035,758	126,653,610	128,670,335	117,506,669	127,592,863	132,767,137	135,080,334	133,822,108	132,261,858	131,299,789
Restricted										
Debt Service	1,556,099	9,392,130	9,217,365	6,713,002	6,774,107	6,742,006	6,617,950	6,628,000	6,636,700	6,653,592
Capital Projects	14,719,105	15,053,953	17,468,776	31,433,765	26,938,520	21,398,000	24,808,890	27,731,246	30,140,599	24,008,795
Unrestricted	24,706,653	12,479,432	10,218,597	16,723,044	22,043,931	31,670,069	33,639,426	33,211,079	34,850,263	44,497,865
Total Net Assets	<u>159,017,615</u>	<u>163,579,125</u>	<u>165,575,073</u>	<u>172,376,480</u>	<u>183,349,421</u>	<u>192,577,212</u>	<u>200,146,600</u>	<u>201,392,433</u>	<u>203,889,420</u>	<u>206,460,041</u>
Total Liabilities and Net Assets	<u>\$ 230,526,608</u>	<u>\$ 229,404,972</u>	<u>\$ 251,149,654</u>	<u>\$ 255,862,543</u>	<u>\$ 265,523,775</u>	<u>\$ 269,876,238</u>	<u>\$ 274,780,295</u>	<u>\$ 271,004,103</u>	<u>\$ 270,517,996</u>	<u>\$ 269,205,953</u>

CENTENNIAL WATER and SANITATION DISTRICT  
TABLE A-2  
CHANGES IN NET ASSETS  
Last Ten Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>OPERATING REVENUES</b>										
Water operations (pledged as security - revenue bonds)	\$ 14,294,210	\$ 17,004,605	\$ 15,993,598	\$ 18,961,377	\$ 19,884,334	\$ 19,609,433	\$ 20,661,418	\$ 18,032,909	\$ 20,725,452	\$ 20,634,689
Wastewater operations (pledged as security - revenue bonds)	5,150,702	5,207,789	5,149,894	6,310,980	7,519,197	7,749,085	7,852,073	8,065,852	7,749,484	8,100,431
<b>Total Operating Revenue</b>	<b>19,444,912</b>	<b>22,212,394</b>	<b>21,143,492</b>	<b>25,272,357</b>	<b>27,403,531</b>	<b>27,358,518</b>	<b>28,513,491</b>	<b>26,098,761</b>	<b>28,474,936</b>	<b>28,735,120</b>
<b>OPERATING EXPENSES</b>										
Water operations					8,922,825	8,837,555	10,954,473	10,155,726	9,790,308	10,103,223
Wastewater operations	6,042,587	7,037,708	7,179,045	8,257,448	2,955,427	3,131,952	3,479,626	3,491,811	3,600,479	4,095,745
Administrative and general	2,253,646	2,748,499	3,169,018	3,067,081	4,962,137	5,382,231	5,606,502	5,679,667	5,378,632	5,451,604
Non capitalized expenses paid from major repair reserve	3,828,030	4,298,499	4,654,204	4,825,096	459,548	509,340	85,262	128,654	593,321	246,404
Depreciation	4,466,295	5,272,033	5,668,822	5,860,903	5,884,397	5,940,477	6,306,355	6,107,030	6,126,965	6,284,734
Amortization of bond issuance cost	197,568	189,741	176,849	168,694	171,986	164,094	111,639	182,502	170,799	158,192
<b>Total operating expense:</b>	<b>16,788,126</b>	<b>19,546,480</b>	<b>20,847,938</b>	<b>22,179,222</b>	<b>23,356,320</b>	<b>23,965,649</b>	<b>26,543,857</b>	<b>25,745,390</b>	<b>25,660,504</b>	<b>26,339,902</b>
<b>Operating Income (Loss)</b>	<b>2,656,786</b>	<b>2,665,914</b>	<b>295,554</b>	<b>3,093,135</b>	<b>4,047,211</b>	<b>3,392,869</b>	<b>1,969,634</b>	<b>353,371</b>	<b>2,814,432</b>	<b>2,395,218</b>
<b>NONOPERATING REVENUES:</b>										
Net investment income	1,449,718	629,508	569,819	1,183,525	2,551,783	3,523,074	3,401,632	1,017,116	758,214	879,186
Gain on disposal of equipment	-	7,196	6,285	6,283	12,459	24,550	22,755	42,835	14,970	236
Other Income	-	-	-	-	223,642	222,369	150,200	-	591,285	8,248
<b>Total Nonoperating Revenue</b>	<b>1,449,718</b>	<b>636,704</b>	<b>576,104</b>	<b>1,189,808</b>	<b>2,787,884</b>	<b>3,769,993</b>	<b>3,574,587</b>	<b>1,059,951</b>	<b>1,364,469</b>	<b>887,670</b>
<b>NONOPERATING EXPENSES</b>										
Interest	3,106,480	2,950,434	3,582,753	3,365,372	2,690,606	2,106,333	3,207,095	3,188,992	3,074,563	2,939,724
Intergovernmental obligation	2,694,670	2,583,625	2,464,021	2,193,559	-	-	-	-	-	-
Loss on disposal of equipment	37,383	-	-	115,851	-	-	2,210	5,024	440,546	-
Capital grants to other governments	1,676,875	243	131,430	435,200	-	240,792	-	281,598	296,259	42,200
Water Transfer	153,720	212,000	15,900	276,020	201,680	69,040	96,480	64,140	-	42,760
<b>Total nonoperating expense:</b>	<b>7,669,128</b>	<b>5,746,302</b>	<b>6,194,104</b>	<b>6,386,002</b>	<b>2,892,286</b>	<b>2,416,165</b>	<b>3,305,785</b>	<b>3,539,754</b>	<b>3,811,368</b>	<b>3,024,684</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>(3,562,624)</b>	<b>(2,443,684)</b>	<b>(5,322,446)</b>	<b>(2,103,059)</b>	<b>3,942,809</b>	<b>4,746,697</b>	<b>2,238,436</b>	<b>(2,126,432)</b>	<b>367,533</b>	<b>258,204</b>
<b>CAPITAL CONTRIBUTIONS IN/(OUT)</b>										
Reserved Capacity Fees	12,127,578	7,005,446	7,318,394	8,904,469	7,030,132	4,481,094	5,330,952	3,372,265	2,129,454	2,312,417
<b>CHANGE IN NET ASSETS</b>	<b>8,564,954</b>	<b>4,561,762</b>	<b>1,995,948</b>	<b>6,801,410</b>	<b>10,972,941</b>	<b>9,227,791</b>	<b>7,569,388</b>	<b>1,245,833</b>	<b>2,496,987</b>	<b>2,570,621</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>150,452,661</b>	<b>159,017,612</b>	<b>163,579,122</b>	<b>165,575,070</b>	<b>172,376,480</b>	<b>183,349,421</b>	<b>192,577,212</b>	<b>200,146,600</b>	<b>201,392,433</b>	<b>203,889,420</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 159,017,615</b>	<b>\$ 163,579,374</b>	<b>\$ 165,575,070</b>	<b>\$ 172,376,480</b>	<b>\$ 183,349,421</b>	<b>\$ 192,577,212</b>	<b>\$ 200,146,600</b>	<b>\$ 201,392,433</b>	<b>\$ 203,889,420</b>	<b>\$ 206,460,041</b>

CENTENNIAL WATER and SANITATION DISTRICT  
TABLE A-3  
REVENUES and RESERVED CAPACITY FEES  
Last Ten Years

Year	UTILITY REVENUES (1)				RESERVED CAPACITY FEES (2)		
	Water Operating Revenue	Wastewater Operating Revenue	Nonoperating Revenue	Total	Highlands Ranch Metro Districts	Northern Douglas Co. Water & Sanitation	Total
2002	\$ 18,554,412	\$ 5,150,702	\$ 2,340,218	\$ 26,045,332	\$ 11,608,398	\$ 519,180	\$ 12,127,578
2003	21,271,832	5,207,789	1,577,266	28,056,887	6,385,268	612,480	6,997,748
2004	20,169,936	5,149,894	1,549,660	26,869,490	7,267,899	50,495	7,318,394
2005	18,590,876	6,310,980	1,560,309	26,462,165	8,113,054	791,415	8,904,469
2006	19,785,051	7,519,197	2,887,167	30,191,415	7,019,226	10,906	7,030,132
2007	19,404,273	7,749,085	3,975,153	31,128,511	4,280,794	200,300	4,481,094
2008	20,442,540	7,852,073	3,793,465	32,088,078	5,204,392	126,560	5,330,952
2009	18,032,909	8,065,852	1,059,951	27,158,712	(2,303,096)	159,778	(2,143,318)
2010	20,725,452	7,749,484	1,364,469	29,839,405	2,129,454	-	2,129,454
2011	20,634,689	8,100,431	887,670	29,622,790	2,188,557	123,860	2,312,417

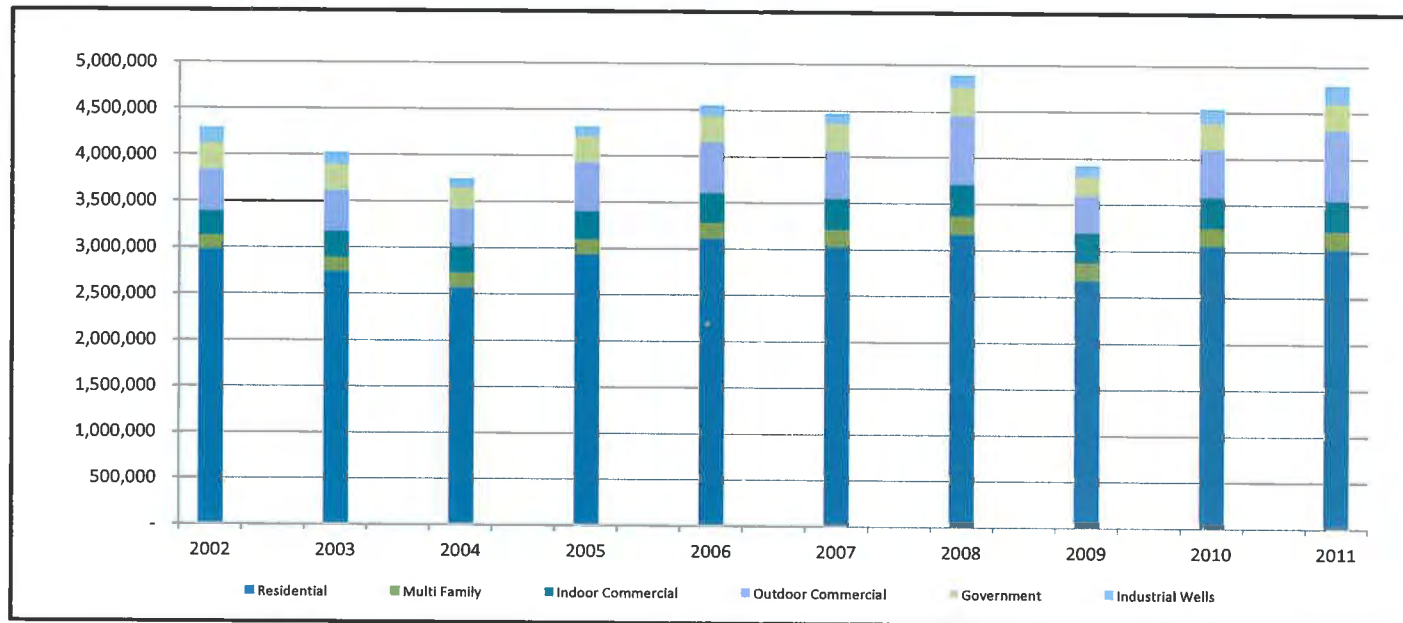


**NOTES:**

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

CENTENNIAL WATER and SANITATION DISTRICT  
TABLE B-1  
WATER SOLD BY CUSTOMER TYPE (in 1,000 gallons)  
Last Ten Years

Year	Residential	Multi-Family	Indoor Commercial	Outdoor Commercial	Government Irrigation	Industrial Wells	Total
2002	2,974,980	148,615	262,055	448,908	283,686	175,735	4,293,979
2003	2,732,878	155,656	282,337	441,645	281,871	134,552	4,028,939
2004	2,565,191	158,370	287,322	407,805	225,602	106,721	3,751,011
2005	2,932,300	162,126	301,807	528,791	277,160	118,474	4,320,658
2006	3,108,823	169,109	324,966	551,088	276,734	125,527	4,556,247
2007	3,023,711	185,724	337,478	514,561	294,377	124,559	4,480,410
2008	3,166,260	192,292	351,392	741,295	303,519	141,757	4,896,515
2009	2,675,872	189,461	327,222	398,538	210,900	121,608	3,923,601
2010	3,055,805	188,119	336,829	523,172	275,798	166,026	4,545,749
2011	3,024,741	192,313	334,857	765,218	281,417	205,065	4,803,611



SOURCE: District's Utility Billing Division

CENTENNIAL WATER and SANITATION DISTRICT  
TABLE B-2  
HISTORY OF WATER AND WASTEWATER RATES (1)  
Last Ten Years

Year	WATER RATES (2)		WASTEWATER RATES		SERVICE CHARGE (4)
	First 15,000 gallons	Over 15,000 gallons	Residential (3)	Nonresidential	
			Minimum (3)	/1,000 gallons X 80% Water used	
2002	2.15	2.55	13.50	1.80	4.95

Year	WATER RATES (2) (5)		WASTEWATER RATES		WATER SERVICE AVAILABILITY	
	Usage up to 100% of Water Budget Base Rate	Usage over 140% of Water Budget Top Tier	Residential (6)	Nonresidential		
			Base	Additional per 1,000 gallons wintertime use	Base	Additional per 1,000 gallons X 80% Water use
						Monthly fee (7)
2003	\$ 2.00	\$ 6.75	\$ 9.85	\$ 1.71	\$ 9.85	\$ 1.71
2004	2.00	6.75	9.85	1.71	9.85	1.71
2005	2.20	7.45	9.85	2.24	9.85	2.24
2006	2.30	7.80	13.64	2.29	6.82	2.29
2007	2.30	7.80	13.64	2.29	6.82	2.29
2008	2.30	7.80	13.64	2.29	6.82	2.29
2009	2.55	7.90	12.23	2.55	6.11	2.55
2010	2.55	7.90	12.23	2.35	6.11	2.35
2011	2.60	8.05	12.50	2.52	6.25	2.52

**NOTES:**

- (1) Rates shown are as of December 31 of each year. Residential property is billed bimonthly and nonresidential property is billed monthly.
- (2) Water rates are per 1,000 gallons of water consumed.
- (3) Rates are computed based on wintertime water usage. The minimum residential sewer charge is given.
- (4) Service charges are per 3/4" equivalent tap size on a monthly basis.
- (5) Commencing in 2003 the District made a significant change to its rate structure to provide an increased incentive for water conservation. Each customer has a unique Water Budget ("WB") that varies with lot size (or irrigated area) and time of year. Usage up to the Water Budget is billed at the Base Rate. Usage above the Water Budget is billed in increasing Rate Tiers up to the Top Tier shown above. At year end 2011 the Rate Tiers were:  
*up to 100% of WB = \$2.60, 101% to 120% of WB = \$3.57, 121% to 140% of WB = \$5.35, above 140% of WB = \$8.05.*
- (6) Rates are computed based on wintertime water usage. The minimum fee is \$20.06 calculated using the based plus 3,000 gallons of use.
- (7) Service Availability charges are per 3/4" equivalent tap size. Fees are designed to recover the cost of debt service and other administrative billing charges.

CENTENNIAL WATER and SANITATION DISTRICT  
TABLE B-3  
HISTORY OF WATER AND SEWER TAPS SOLD WITHIN THE SERVICE AREA (1)  
and CURRENT POPULATION ESTIMATE  
Last Ten Years

Year	Highlands Ranch Metropolitan Districts (2)				Northern Douglas County (2)				Total
	Single Family Residential	Multi Family Residential	Commercial	Total	Single Family Residential	Multi Family Residential	Commercial	Total	Taps
Prior to 2002	22,970	4,407	2,747	30,124	1,478	-	152	1,630	31,754
2002	853	21	165	1,039	20	-	16	36	1,075
2003	875	70	234	1,179	29	-	28	57	1,236
2004	831	163	111	1,105	-	-	3	3	1,108
2005	801	191	119	1,111	-	48	38	86	1,197
2006	469	306	106	881	-	32	2	34	915
2007	215	515	200	930	-	8	4	12	942
2008	210	332	88	630	-	16	-	16	646
2009	76	8	78	162	-	-	6	6	168
2010	107	8	55	170	-	-	-	-	170
2011	212	32	57	301	-	-	4	4	305
Total	27,619	6,053	3,960	37,632	1,527	104	268	1,884	39,516
Tap fees as of 12/31/2011	\$7,545/ 3/4" residential	\$5,365/ unit	\$11,235/ 3/4 equiv.		\$19,858/ 3/4" residential	\$12,525/ unit	\$23,548/ 3/4 equiv.		
Est. population served (3)	77,057	16,888	-	93,945	4,260	290	0	4,550	98,495

**NOTES:**

- (1) Centennial Water and Sanitation District serves special districts located both within the Highlands Ranch Metropolitan District and outside the boundaries of Highlands Ranch through Northern Douglas County Water and Sanitation District.
- (2) Tap Fee units are given in number of dwelling units for single and multi-family residential and in 3/4" water tap equivalents for commercial. Tap Fees are collected prior to certificates of occupancy being approved.
- (3) Population is estimated based on information shown in table D-1 per housing unit and assumes a vacancy rate of 4%.

## CENTENNIAL WATER and SANITATION DISTRICT

TABLE B-4

Top Ten Customers by Revenue

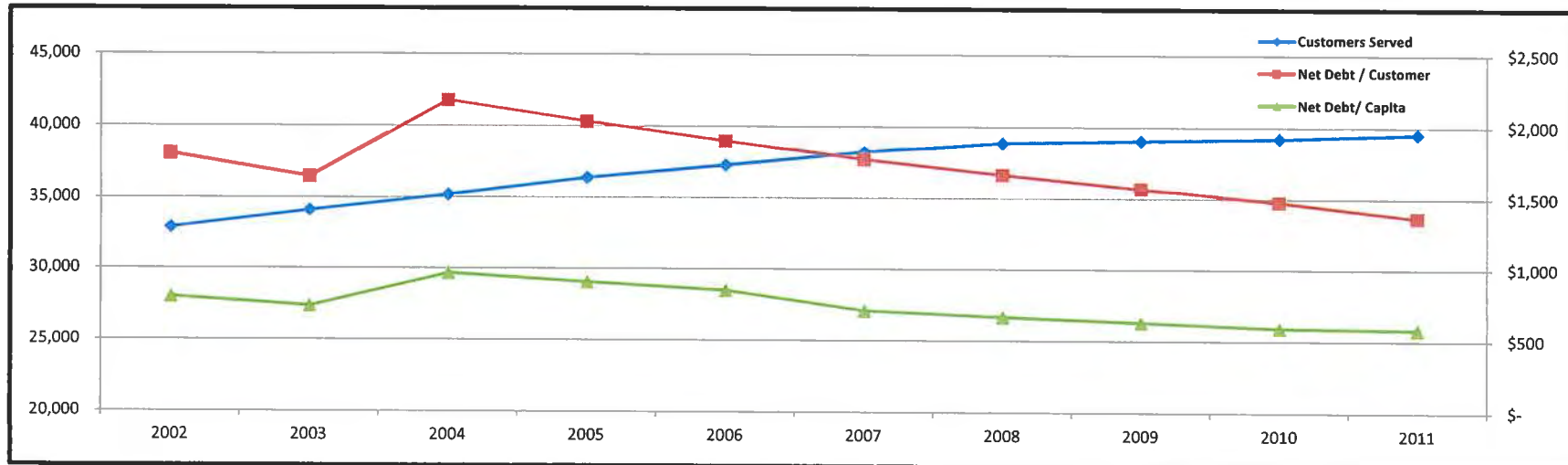
		2011		2002		
		Revenues	% of total	Revenues	% of total	Prior rank
1	Highlands Ranch Metropolitan District	\$ 903,640	3.14%	\$ 747,253	3.15%	1
2	Douglas County School District	336,682	1.17%	247,559	1.04%	2
3	Feld Company (Palamino Park)	272,456	0.95%			
4	Qwest Communications	172,067	0.60%	181,785	0.77%	3
5	Visa	140,000	0.49%			
6	Windcrest	123,953	0.43%			
7	Highlands Ranch Community Assoctiaion	98,540	0.34%	52,098	0.22%	7
8	Fairway & Greens	89,658	0.31%	123,493	0.52%	4
9	Hyatt Classic Residences	65,616	0.23%			
10	The Links Golf Course	60,462	0.21%	76,299	0.32%	5
	Gleneagles HOA			73,456	0.31%	6
	Cherry Hills Community Church			46,948	0.20%	8
	AMC			35,074	0.15%	9
	Highwoods HOA			29,545	0.12%	10
TOTAL		<u>\$ 2,263,072</u>	<u>7.88%</u>	<u>\$ 1,613,510</u>	<u>6.81%</u>	
Total Revenue from Water and Wastewater Operations		\$ 28,735,120		\$ 23,705,114		

SOURCE: District billing records



CENTENNIAL WATER and SANITATION DISTRICT  
TABLE C-1  
RATIO OF BONDED DEBT  
NET BONDED DEBT PER CUSTOMER and PER CAPITA SERVED  
Last Ten Years

Year	Customers Served (1)	Population Served (2)	Capital Leases	Gross Bonded Debt Outstanding (3)	Less Debt Service Funds (4)	Net Indebtedness	RATIO OF GROSS DEBT		RATIO OF NET DEBT	
							Per Customer (1)	Per Capita (2)	Per Customer (1)	Per Capita (2)
2002	32,829	78,820	\$ 291,852	\$ 65,775,000	\$ 6,774,107	\$ 59,292,745	\$ 2,003	\$ 880	\$ 1,805	\$ 794
2003	34,065	81,457	279,190	62,575,000	6,742,006	56,112,184	1,837	811	1,647	727
2004	35,173	84,230	410,374	82,770,000	6,617,950	76,562,424	2,353	1,039	2,177	961
2005	36,370	86,998	311,937	80,130,000	6,628,000	73,813,937	2,207	975	2,033	898
2006	37,285	89,160	316,380	77,240,000	6,774,107	70,782,273	2,075	918	1,901	842
2007	38,227	91,197	258,987	74,205,000	6,742,006	67,721,981	1,941	768	1,772	701
2008	38,873	92,709	231,214	71,115,000	6,617,950	64,728,264	1,829	724	1,665	659
2009	39,041	92,943	164,398	67,720,000	6,628,000	61,256,398	1,735	688	1,569	623
2010	39,211	93,264	79,996	64,190,000	6,636,700	57,642,125	1,644	650	1,476	584
2011	39,516	93,945	33,393	60,520,000	6,653,592	53,899,801	1,532	644	1,364	574

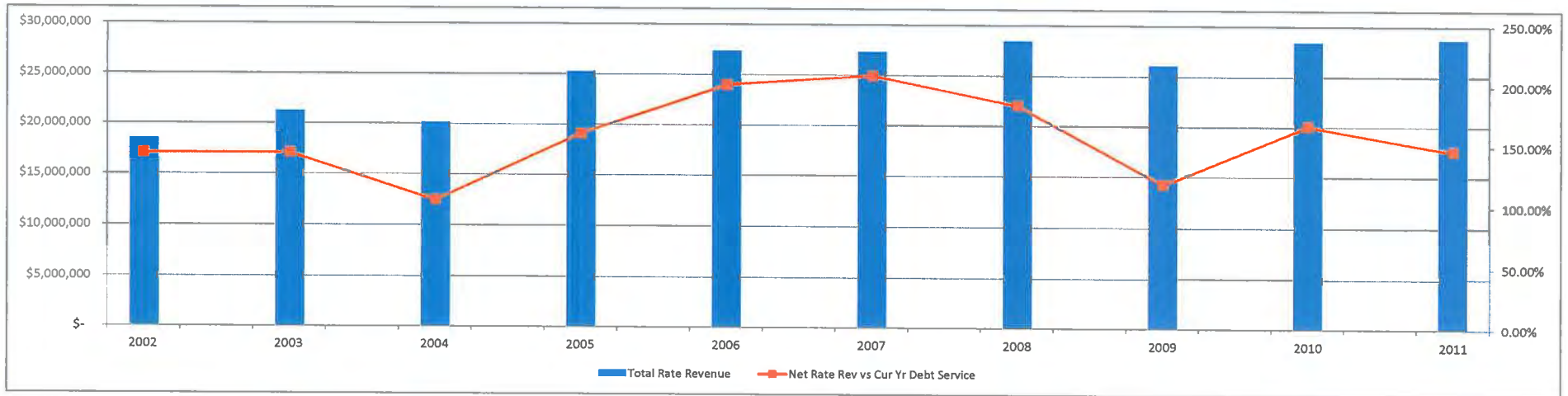


**NOTES:**

- (1) Customers served is based on the number of 3/4" equivalents per Table B-3
- (2) Population is based on the estimated total populations for Highlands Ranch Metropolitan Districts and Northern Douglas County Water and Sanitation District per Table B-3
- (3) Gross bonded debt includes the principal on Revenue Bonds outstanding as of year-end not adjusted for premium and loss on refunding..
- (4) Net Debt Service Funds reflects investment amount held at year end (net of interfunds) included in Restricted Assets

CENTENNIAL WATER and SANITATION DISTRICT  
TABLE C-2  
COVENANT REQUIRED BOND COVERAGE (1)  
Last Ten Years

Year	Total Operating Revenue	Total Other Utility Revenue	Total Recurring Revenue (2)	Operating Expenses Before Depreciation (3)	Net Recurring (Operating) Revenue Available for Debt Service	Total Net Capital Contributions	Total Funding Available for Debt Service and Capital Outlay (5)	Rate Stabilization Account Balance Required or Established (8)	Total Debt Service Net of Refunded Principal (4)	Debt Service Coverage Ratios			
										Net Operating Revenue vs. Current Year Debt Service	Net Recurring Revenue vs. Current Year Debt Service (6)	Total Funding vs. Current Year Debt Service	Total Funding + Rate Stabiliz. vs. Succeeding Year Debt Service (7)
2002	\$ 18,554,412	\$ 2,340,218	\$ 20,894,630	\$ 12,124,263	\$ 8,770,367	\$ 12,127,578	\$ 20,897,945	\$ -	\$ 6,156,480	104.45%	142.46%	339.45%	339.78%
2003	21,271,832	1,577,266	22,849,098	14,084,958	8,764,140	7,005,446	15,769,586	-	6,150,434	116.85%	142.50%	256.40%	243.77%
2004	20,169,936	1,549,660	21,719,596	15,002,267	6,717,329	7,318,394	14,035,723	-	6,468,983	79.88%	103.84%	216.97%	208.66%
2005	25,272,357	1,560,309	26,832,666	16,149,625	10,683,041	8,904,469	19,587,510	-	6,726,498	135.62%	158.82%	291.20%	291.06%
2006	27,403,531	2,887,167	30,290,698	16,840,389	13,450,309	7,030,132	20,480,441	-	6,729,801	156.96%	199.86%	304.32%	304.01%
2007	27,358,518	3,975,153	31,333,671	17,351,738	13,981,933	4,481,094	18,463,027	-	6,736,692	148.54%	207.55%	274.07%	281.16%
2008	28,513,491	3,574,587	32,088,078	20,040,601	12,047,477	5,330,952	17,378,429	-	6,566,632	129.03%	183.47%	264.65%	263.31%
2009	26,098,761	1,059,951	27,158,712	19,327,204	7,831,508	3,372,265	11,203,773	-	6,599,896	102.60%	118.66%	169.76%	169.04%
2010	28,474,936	1,364,469	29,839,405	18,769,419	11,069,986	2,129,454	13,199,440	-	6,627,871	146.43%	167.02%	199.15%	193.96%
2011	28,735,120	887,670	29,622,790	19,650,572	9,972,218	2,312,417	12,284,635	5,827,259	6,805,308	133.49%	146.54%	180.52%	272.78%



**NOTES:**

- (1) Bond coverage is based on the debt service on outstanding revenue bonds.
- (2) Includes all income received from the operation of the District facilities including rates, fees, tolls and charge, interest income and other operating income but excludes Capacity Fees
- (3) Expenses for normal operations and maintenance but not including depreciation, amortization or expenses for non-capitalized major repairs made from a reserve fund established for major repair.
- (4) Total Debt Service includes interest per financial statements increased by any amount capitalized plus annual principal payment but not principal retired by refunding
- (5) Total Revenue less O&M Expenses plus Capital Contributions (Reserved Capacity Payments).
- (6) Required 100% Coverage test contained in Series 2004, 2005 and 2008 bond resolutions.
- (7) 125% coverage test contained in Series 2004, 2005 and 2008 bond resolutions based on succeeding years debt service.
- (8) As part of the 2011 budget, the Board voluntarily by Resolution established the an internal fund that acts as the equivalent of a Rate Stabilization Fund.

CENTENNIAL WATER and SANITATION DISTRICT  
TABLE D-1  
DOUGLAS COUNTY, COLORADO  
DEMOGRAPHIC STATISTICS (1)  
Last Ten Years

Year	DOUGLAS COUNTY, COLORADO								
	Total all Highlands Ranch Districts (2)	Estimated Population	Personal Income (4) (,000's omitted)	Personal Income Per Capita(4)	Median Age(5)	Average House- hold Size(5)	Public School Enrollment(6)	School En- rollment to Population	Unemploy- ment Rate(7)
2002	78,820	210,130	\$ 8,336,227	\$ 39,672	34.1	2.90	39,200	18.7%	4.9%
2003	81,457	222,133	8,702,221	39,176	33.7	2.90	42,009	18.9%	4.2%
2004	84,230	235,081	9,657,842	41,083	33.7	2.87	44,762	19.0%	3.9%
2005	86,998	246,438	11,770,921	47,838	33.7	2.89	48,043	19.5%	3.6%
2006	89,160	259,727	13,659,789	52,562	34.7	2.89	50,385	19.4%	3.6%
2007	91,197	286,622 (3)	15,607,533	57,390	35.7	2.89	52,393	18.3%	3.2%
2008	92,709	289,961 (3)	16,969,723	60,361	33.9	2.89	54,921	18.9%	5.1%
2009	92,943	293,521 (3)	18,911,969	59,775	33.9	2.89	57,666	19.6%	6.6%
2010	93,264	285,465 (3)	21,370,411	59,358	34.3	2.79	59,932	21.0%	8.3%
2011	93,945	291,083 (3)	NA	NA	36.6	2.79	60,234	20.7%	6.7%

**NOTES**

- (1) The Highlands Ranch Metropolitan District is located within Douglas County. Demographic data, other than population estimates, for the district is not available, however the county data is generally representative of the district.
- (2) Consolidated 09/11/2006 - 2000-2006 reflected as though the Highlands Ranch Metropolitan Districts were combined

**SOURCES**

- (3) Douglas County Community Development Department estimate
- (4) U.S. Department of Commerce, Bureau of Economic Analysis. Current year data not available at this time
- (5) Denver Regional Council of Governments
- (6) Douglas County School District - Planning and Facilities
- (7) Colorado Division of Employment and Training, Labor Market Information, Overall Average

CENTENNIAL WATER and SANITATION DISTRICT  
TABLE D-2  
DOUGLAS COUNTY, COLORADO  
PRINCIPAL EMPLOYERS

<u>Employer</u>	2011			2002		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Douglas County School District RE 1	7,100	1	4.92%	5,396	1	6.58%
Echostar Communications	1,675	2	1.16%	2,616	2	3.19%
Western Union	1,100	3	0.76%			
Sprint Nextel	1,100	4	0.76%			
Douglas County Government	1,050	5	0.73%	946	8	1.15%
CH2MHILL	1,025	6	0.71%	1,200	5	1.46%
Healthone: Sky Ridge Medical	975	7	0.68%			
Parker Adventist Hospital	825	8	0.57%			
DISH Network	800	9	0.55%			
Information Handling Services	700	10		1,500	3	1.83%
Avaya				1,500	4	1.83%
Expanets				1,000	6	1.22%
Teletec Holdings				970	7	1.18%
Nordstrom				600	9	0.73%
Dillard's				550	10	0.67%
Total for Principal Employers	<u>16,350</u>			<u>16,278</u>		
Total Employment in Douglas County	144,208			82,000		
Percentage	11%			20%		

SOURCE - Douglas County Government ; Community Planning & Sustainable Development Dept.

## CENTENNIAL WATER and SANITATION DISTRICT

TABLE E-1

## OPERATING INFORMATION

December 31, 2011

	FULL TIME EQUIVALENT EMPLOYEES AS OF DECEMBER 31,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
O and M Management	4.5	3.5	5.0	5.0	5.0	4.0	5.0	5.0	5.0	5.0
Plant Operations	16.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Plant Maintenance	13.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Collection and Distribution	17.0	18.0	17.0	17.0	18.0	18.0	18.0	18.0	18.0	18.0
Lab	5.0	5.0	5.0	5.0	5.0	6.0	5.0	5.0	5.0	5.0
Engineering	5.0	6.0	6.0	6.0	7.4	7.4	7.5	7.5	7.5	7.5
General Management	2.0	2.0	2.0	2.0	4.6	4.6	4.5	4.5	4.5	4.5
Financial Services	4.5	5.5	6.3	5.3	6.8	6.8	6.8	7.3	7.3	7.3
Customer Service	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Temporaries	0.0	0.0	0.0	2.7	3.0	3.0	3.0	3.0	3.0	3.0
Total	74.5	80.5	81.8	83.5	90.3	90.3	90.3	90.8	90.8	90.8
	OPERATING INDICATORS									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Customers Served - Total	32,846	34,065	35,172	36,313	37,226	38,255	38,893	39,041	39,041	
Gallons Billed in Millions	4,294	4,029	3,751	4,321	4,556	4,480	4,897	4,546	0	
	CAPITAL ASSETS									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
WATER:										
Water Filtration Treatment Plant Capacity (in MGD)	40	40	40	40	40	40	40	40	40	40
Wells in service	47	54	54	59	59	52	52	52	52	52
Pump Stations	9	9	12	12	12	12	12	12	12	12
Raw Water Storage Reservoirs - number						1	1	2	2	2
Raw Water Storage Reservoirs - capacity						6400 AF	6400 AF	6605 AF	6605 AF	6605 AF
Treated Storage Reservoirs - number	6	7	8	8	8	8	8	8	8	8
Treated Storage Reservoirs - storage capacity	30MG	34MG	38MG	38MG	38MG	38MG	38MG	38MG	38MG	38MG
Ground Water Pressure Filtration Plants	2	2	2	2	2	2	2	2	2	2
Miles of water pipelines	380	391	402	405	406	423	427	432	433	434
Valves	8040	8329	8629	8761	8786	9565	9700	9893	9937	9999
Fire Hydrants	2496	2573	2689	2731	2738	2899	2928	2982	2991	3004
WASTEWATER:										
8.5 MGD Wastewater Treatment Plant	1	1	1	1	1	1	1	1	1	1
Lift Stations	4	4	4	4	4	4	4	4	4	4
Miles of sewer pipelines	284	292	300	302	307	313	315	319	319	319
Manholes	7303	7541	7738	7810	7812	8262	8343	8487	8490	8504

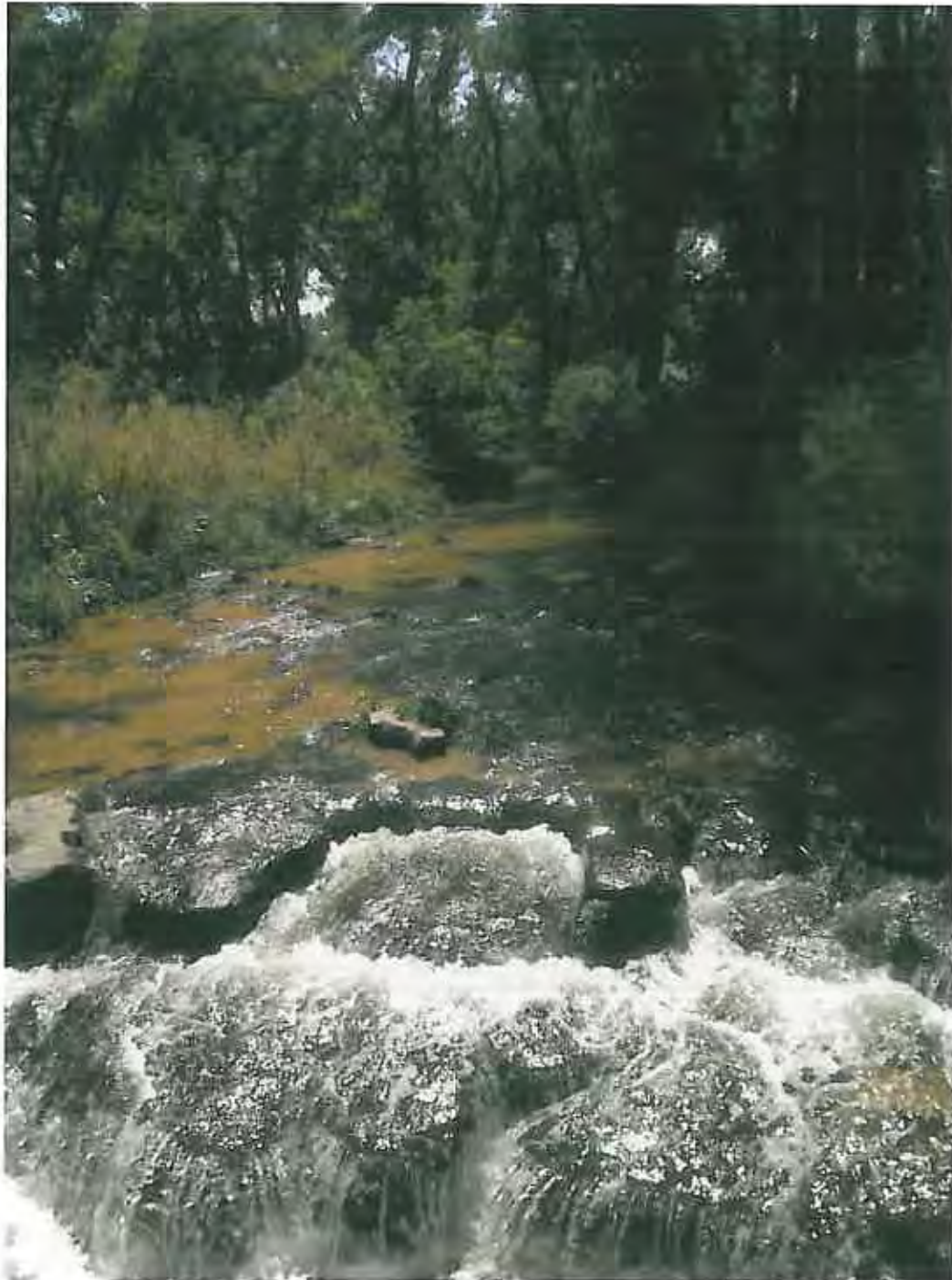




**CENTENNIAL**  
WATER AND SANITATION DISTRICT

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the year ended December 31, 2012**



**CENTENNIAL WATER and SANITATION DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended December 31, 2012**  
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# CENTENNIAL

## WATER AND SANITATION DISTRICT

June 24, 2013

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

We are pleased to present the comprehensive annual financial report ("CAFR") of Centennial Water and Sanitation District ("District or Centennial") for the year ended December 31, 2012.

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

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

The financial statements have been audited by Haynie & Company a firm of licensed certified public accountants. Haynie has issued an unqualified opinion that the Highlands Ranch Metropolitan District financial statements for the year ended December 31, 2012. The independent auditor's report is located at the front of the financial section of the report. Haynie is in the third year of a five year engagement. The Board reviews proposals every five years although there is no mandatory rotation.

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

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

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



62 West Plaza Drive  
Highlands Ranch, Colorado 80129  
[www.centennialwater.org](http://www.centennialwater.org) <sup>1</sup>

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



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

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

The service area, primarily Highlands Ranch and adjacent areas are located in Douglas County, Colorado, which is located at the southern edge of the Denver metropolitan area. Highlands Ranch enjoys a favorable economic environment in relation to other communities in the Denver Metro area.

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

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

The basis for determining the reporting entity is established by the Governmental Accounting Standards Board's (GASB) *Statement No. 14, The Financial Reporting Entity*. The financial reporting entity for the CAFR is for 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**

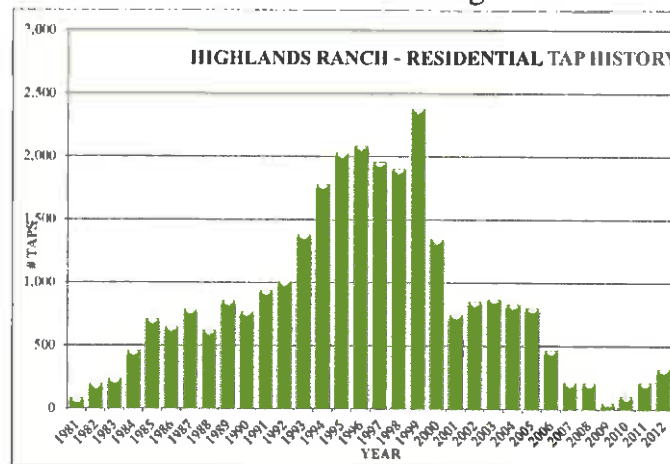
The District's primary revenue sources are rates assessed based on usage and consumption and reserved capacity fees based on tap fees assessed against new property as it is connected. The rates are designed to fund general operation and maintenance expenses, debt service, major repair reserves and portions 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 especially 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 2012 for the two areas the District serves, the Highlands Ranch Metro Districts and Northern Douglas County Water and Sanitation District, can be summarized on the following table:

	Highlands Ranch	Northern Douglas
In 2012		
Single Family Residential	322	1
Multi Family Residential	22	0
Nonresidential acres	21	0
Nonresidential 3/4" equivalents	89	0
1981 - 2012		
Single Family Residential	27,941	1528
Multi Family Residential	6,075	104
Nonresidential acres	954	na
Nonresidential 3/4" equivalents		
Indoor Use	2503	152
Irrigation Uses	2580	107

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



With the 2012 development, Highlands Ranch has reached approximately 98% and 71% respectively of the current anticipated ultimate development of single and multi-family residential dwelling units of approximately 28,500 and 8,600 respectively. Overall residential development within Highlands Ranch should remain at the current steady growth rate in relation to the Denver Metro area for the foreseeable future even as it approaches maturity.

954 of the 1,331 net acres (72%) zoned for nonresidential development (and not anticipated to be developed with multi-family product) within the Highlands Ranch service area have been developed. Long-term, the Highlands Ranch Business Park and C-470 corridor development, located off of Lucent Boulevard and the C-470 interchange will be the primary area for any additional office and retail development. There is no material growth anticipated in Northern Douglas County Water and Sanitation District.

### Fiscal Policy and Fund Balance

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

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

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

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

- to the Reserve Fund a transfer of \$1.77 million less any miscellaneous capital expenditures that occurred in the operations fund during the fiscal year
- to the Water Acquisition Fund a minimum amount equal to \$ .15/ 1,000 gallons of water billed up to a maximum equivalent to the revenue collected for usage in higher tiers
- 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 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 Facility Plan that is reviewed on an annual basis and updated as necessary. The plan:

- Details the infrastructure necessary to provide basic service at build out of the service area. This amount is funded from reserve capacity payments
- Provides a look at the short-term requirements for additional surface water acquisition. This is funded from an established portion of the base water rate as well as additional funding from revenue generated from the tiered rate structure for usage above the prescribed water budget for a customer.
- Identifies shorter term facilities required due to the changing regulatory environment. Funding will be evaluated for these facilities and upgrades as the improvements are required.

In recent years, accumulated reserved capacity fee collections have not only been sufficient to pay for all of the identified base infrastructure capital projects but currently capital projects fund balance exceeds the identified remaining capital improvement plan project costs.

In the early years, debt was issued to fund all major capital outlay. In addition, future water acquisition and regulatory improvements may require some additional debt. During the most recent reviews by both Standard & Poor's and Fitch the District's rating was increased to AA+.

The District achieved this level in part based on:

- Strength of the district's financial performance as indicated by five consecutive years of good debt service coverage and very strong liquidity.
- Overall low debt levels

- Average monthly utility charges are well below Fitch's affordability threshold of 2.0% of median household income (MHI).
- Ample water supply which officials believe will be sufficient to meet projected build out demand.

During 2012 the District issued a revenue loan to refund its 2004 debt and generate \$6 million in new money to fund the Phase I Wastewater Treatment Plant described below. The structure of the debt, more fully describe in the footnotes, was unique in that it refunded a portion of the 2004 issue that had been previously refund using convertible taxable debt. The debt is taxable until the first call date at which time it converts to tax-exempt debt. This debt was not rated but was issued with the same bond covenants and is the remaining outstanding revenue bonds.

#### *Pension and other employee benefits*

The District does not participate in Social Security but does maintain a defined contribution pension plan. All regular District employees are required to participate in the Plan and are eligible on their date of hire. Eligible employees are required to contribute 6.2% of pay, which is matched by the District. The contribution level was established equivalent to the Social Security requirements and total contributions will be capped at the same maximum as established for Social security contributions. In addition, the District offers all regular employees the option to contribute to a 457 plan. The District matches employee contributions to the 457 plan up to a maximum of 3%.

The District is a member of the Colorado Special District Association pool that provided a medical, dental, vision, short-term disability and life insurance benefits. The health insurance plans allow retirees who have reached age 50 and 15 years of service to retire and stay in the plan until age 65. All premiums are the responsibility of the retired employee. There are no past employees taking advantage of the benefit.

### **MAJOR INITIATIVES**

The Colorado Water Quality Commission recently approved new regulations for more stringent standards for treating discharges from wastewater treatment plants across the state. The District will continue to address the requirements over the next 5 years.

Independent, but beneficial to mitigating the impacts of the regulations, selected wastewater treatment process components have been evaluated, and construction work is underway at the treatment plant to modify the current primary treatment process for improved efficiency. The plant modifications scheduled for completion in 2013 are projected to cost approximately \$6 million.

The District is reviewing the water distribution system for any delivery constraints that may exist and that may be reduced or eliminated with additional capital outlay. One of the viable options currently being evaluated is another pump station at an estimated cost of \$5 million

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

- The District is a major participant in reallocating flood storage space to municipal uses in Chatfield Reservoir. The use of the existing structure is in the final phases of approval through the US Army Corps of Engineers. The District's share is expected to ultimately cost around \$50 million, and will not be incurred until final approval, design, and construction of project mitigation measures are approved.
- The second project involves participation in a regional drinking water supply to several communities in the area in cooperation with Denver Water and the City of Aurora. The "WISE" project will incur capital costs of up to \$8 million for infrastructure, in addition to an annual rate charge per thousand gallons as actual deliveries take place. An agreement is now expected by late 2013, and capital costs may be incurred during 2014, with deliveries expected to begin in 2015. It is anticipated that most of the project financing will be through the use of existing cash balances and rates.

### **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Centennial Water and Sanitation District for its comprehensive annual financial report for the year ended December 31, 2011. One or more of the pre-consolidated Highlands Ranch Metropolitan Districts received the Certificate of Achievement for the fifteenth consecutive year.

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

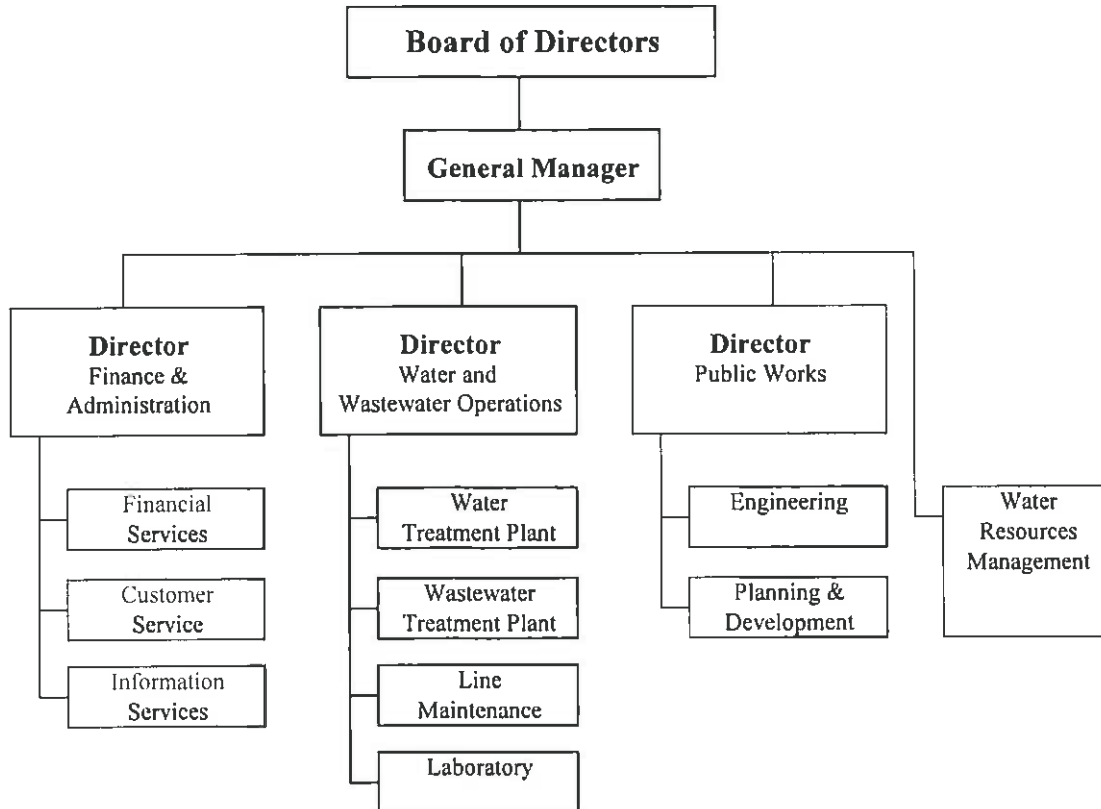
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

Bruce A. Lebsack  
Director, Finance and Administration

# Centennial Water and Sanitation District



CENTENNIAL WATER and SANITATION DISTRICT  
HIGHLANDS RANCH, COLORADO

BOARD OF DIRECTORS AND DISTRICT OFFICIALS

ELECTED BOARD OF DIRECTORS  
AS OF DECEMBER 31, 2012

<u>OFFICE</u>		<u>TERM OF OFFICE</u>
CHAIRMAN	Terri Kershisnik	May 2012 - May 2016
VICE-CHAIRPERSON	John Kilrow	May 2012 - May 2016
TREASURER	Jeffrey Kappes	May 2012 - May 2016
ASST. SECRETARY	Steve Ormiston	May 2010 - May 2014
ASST. SECRETARY	Tim Roberts	May 2010 - May 2014

APPOINTED DISTRICT OFFICIALS

GENERAL MANAGER  
John Hendrick

DIRECTOR, FINANCE AND ADMINISTRATION  
Bruce A. Lebsack

DIRECTOR, WATER & WASTEWATER OPERATIONS  
Tim Grotheer

DIRECTOR, PUBLIC WORKS  
Jeff Case

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Centennial Water and Sanitation District Colorado

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Moine*

President

*Jeffrey R. Emer*

Executive Director





**Certified Public Accountants** (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Centennial Water & Sanitation District  
Highlands Ranch, Colorado

We have audited the accompanying financial statements of Centennial Water & Sanitation District (the "District") as of and for the years ended December 31, 2012 and 2011 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Centennial Water & Sanitation District, as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note D to the financial statements, the District implemented Governmental Accounting Standards Board Statement 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. The District's beginning net position has been restated to reflect expensing of all debt issuance costs that had been previously capitalized. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Centennial Water & Sanitation District's financial statements as a whole. The introductory, supplemental information and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information as listed in the table of contents 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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



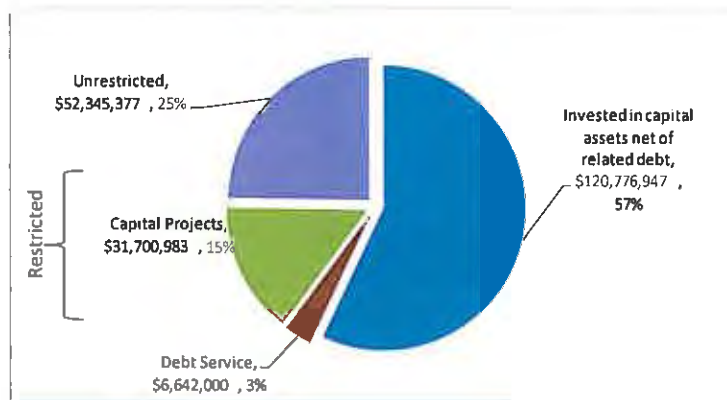
Littleton, Colorado  
June 24, 2013

## 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 2012 financial statements. This narrative overview provides a more detailed and insightful examination of the financial condition and operating results for the fiscal year ended December 31, 2012 as well as information on any financial issues and activities. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to vii of this report.

### Financial Highlights

- The net position represent the amount that assets and deferred outflow of resources exceed liabilities. At the close of the current fiscal year the District had a net position of \$211,465,307, an increase of \$5,461,094 over the fiscal 2011(restated) net position. The components of the 2012 net position are categorized as follows:



- Prudent fiscal stewardship by the District continues.
  - Monitoring and expansion of 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. In addition to past reserves created for major equipment repair and replacement and funding of additional acquisition of sustainable water supplies, the Board has created a financial assurance fund. This fund can be used for various Board determined purposes ranging from rate stability, debt payments and acquisition of water supplies.
  - The cost of employee benefits remains manageable as the result of maintaining a defined contribution plan and annual review of employee benefits. The base health insurance plan was not changed during 2012, but premium increases resulted in small increases in employee out of pocket expenses but allowed the District to maintain the same percentage premium sharing arrangement with the employees.
- All liabilities increased by \$6,449,244 during 2012 to a year-end balance of \$69,195,156.
  - The District's long-term debt includes compensated absences, revenue bonds payable and leases payable.
  - Revenue bonds payable, increased by \$6,205,000 (10 percent) to a total outstanding balance of \$66,725,000. The District issued new debt in 2012 to 1) retire the Series 2004 debt; 2) fund the Wastewater Treatment Plant improvements; and made scheduled principal payments on the remaining outstanding issues.
  - All leases payable were retired in 2012 as a result of scheduled principal payments.

## Overview of the Financial Statements

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

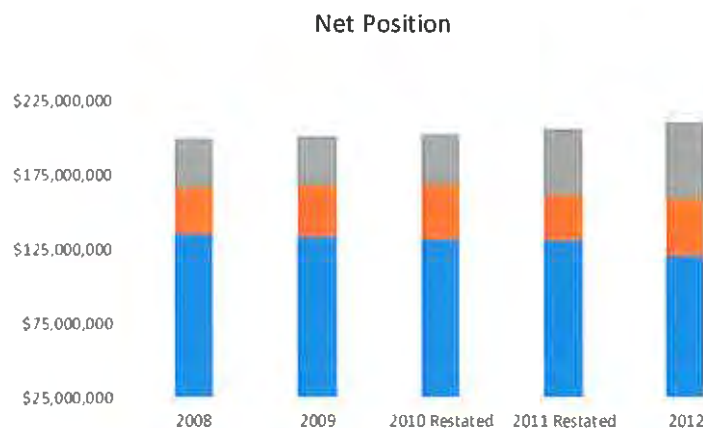
The **notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 5 of this report.

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

## Financial Analysis

### Net position

Net position serves over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$211,465,307 at the close of the most recent fiscal year.



The following table summarizes the Statements of Net Position for the comparative two years.

	2012	2011 Restated
<u>Assets and deferred outflow of resources</u>		
Current assets	\$ 50,289,456	\$ 45,883,211
Current restricted assets	38,447,114	30,705,980
Capital assets net of accumulated depreciation	187,809,077	191,862,231
Deferred outflow of resources	4,114,816	298,703
	<u>280,660,463</u>	<u>268,750,125</u>
<u>Liabilities</u>		
Current liabilities payable from current assets	1,755,309	1,709,988
Current liabilities payable from restricted assets	4,993,484	4,101,823
Long-term debt	62,446,363	56,934,101
	<u>69,195,156</u>	<u>62,745,912</u>
<u>Net Position</u>		
Net investment in capital assets	120,776,947	131,299,789
Restricted	38,342,983	30,662,387
Unrestricted	52,345,377	44,042,037
Net position	<u>\$ 211,465,307</u>	<u>\$ 206,004,213</u>

As would be expected for a utility, the largest portion of the District's net position is the net investment in capital assets (57 percent). This category reflects the District's total investment in capital assets (e.g., infrastructure, plant, buildings, 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 net investment in capital assets decreased by \$10,522,842 in 2012 to \$120,776,947. The reduction was the result of:

- Capital assets decreased by \$4,053,154 which was the net reduction after considering new acquisitions offset by retirements and current year depreciation of \$6,338,976.
- The total long-term revenue obligation debt increased by \$6,205,000 (10 percent) as the result of 1) issuing new debt for refunding the 2004 issues and generating new funding for the Wastewater Treatment Plant improvements; 2) reducing the other outstanding debt through scheduled principal payments.
- The total capital leases payable by \$33,393 as the result of scheduled principal payments.

The District has restricted assets (18 percent) consistent with various legal and other outside requirements as follows:

- \$6,642,000 has been restricted for the payment of the 2013 debt service. The Board has determined that, in order to guarantee future compliance with various provisions of bond covenants, it would be appropriate to restrict an amount equal to the following years scheduled debt service payments. As a result the financial statements reflect these restricted assets.
- \$31,700,983 is related to unexpended reserved capacity payments received from the various governmental entities that the District serves. This amount is restricted on the books for the construction of future capital projects required to provide service pursuant to the terms of the agreements with the entities served by the District. The funds may be transferred at the discretion of the Board to be used for the payment of principal on debt service previously issued to construct projects built to provide the contract service as needed.

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 \$52,345,377.

Of this amount the Board has internally designated \$36,919,085 for future needs related to major repair, replacement and renovation of equipment and for the acquisition of additional water supplies and financial assurance.

- The District has internally designated by resolution as part of the budget process two distinct reserves for funding future funding 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.
- As of December 31, 2012 the amount designated was approximately \$30.4 million from these 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	\$ 1,602,167	\$ 18,928,261	\$ 2,070,717	\$ 16,961,039	\$35,889,300
Development fees	-	-	869,805	17,730,325	17,730,325
Misc. Income	-	92,533	0	14,913	107,446
Interfund Transfers	-	-		2,056,850	2,056,850
Expended	(1,041,743)	(7,903,829)	(592,385)	(17,513,899)	(25,417,728)
	<u>\$ 560,424</u>	<u>\$ 11,116,965</u>	<u>\$ 2,348,137</u>	<u>\$ 19,249,228</u>	<u>\$30,366,193</u>

- The financial assurance fund increased by \$ .7 million for a total of \$6.5 in 2012. Although not required based on the financial position of the District, the fund has been created by the board consistent with bond covenant provisions.

The remaining \$11.4 million of unrestricted assets is sufficient to meet the 6 months of working capital that has been targeted by District policy to be maintained.

### ***Changes in net position***

The following table summarizes the components of changes in net position and the impact on total net position for the two years.

	2012	2011 Restated
<b>Operating income</b>		
Operating revenue:		
Water operations	\$ 23,356,395	\$ 20,634,689
Wastewater operations	8,362,615	8,100,431
Total operating revenues	\$ 31,719,010	\$ 28,735,120
Business operating expense:		
Water operations	(10,266,691)	(10,103,223)
Wastewater operations	(4,670,118)	(4,095,745)
Administrative and general	(5,571,191)	(5,451,604)
Noncapitalized major repair	(11)	(246,404)
Total business operating expenses	(20,508,011)	(19,896,976)
	11,210,999	8,838,144
Non-cash operating expenses:		
Depreciation and amortization	(6,764,622)	(6,360,250)
Total non-cash operating expenses	(6,764,622)	(6,360,250)
Operating income	4,446,377	2,477,894
<b>Non-operating income</b>		
Non-operating revenue:		
Net investment income	605,546	879,186
Gain on disposal of equipment	-	236
Other Income	-	8,248
Total non-operating revenues	605,546	887,670
Non-operating expense:		
Interest	(2,711,616)	(2,939,724)
Other	(12,688)	(84,960)
Total non-operating expenses	(2,724,304)	(3,024,684)
Income (loss) before contributions	2,327,619	340,880
<b>Capital Contributions</b>	3,133,475	2,312,417
Change in net position	5,461,094	2,653,297
Net position - beginning	206,004,213	203,350,916
Net position - ending	\$ 211,465,307	\$ 206,004,213

In 2012 net position increased by \$5,461,094 or 2.7%. The day to day business operations (operating revenues less operating expenses before the non-cash expenses for depreciation and amortization) increased the Centennial Water and Sanitation District's net position by \$11,210,999. When the income from business operation is adjusted for depreciation, amortization and non-capitalized major repairs, operating income was available to contribute \$4,446,377 towards the payment of interest on the District's outstanding debt and the transfer to the reserves discussed previously.

The major components of the increase are:

- Operating income before considering depreciation and amortization was \$11,210,999, an increase of \$2,372,855 over 2011. This increase was generated as the result of:
  - Total operating revenues increased \$2,983,890 (approximately 10.3%)
  - Total operating expenses before depreciation and amortization increased \$611,035 (approximately 3%).

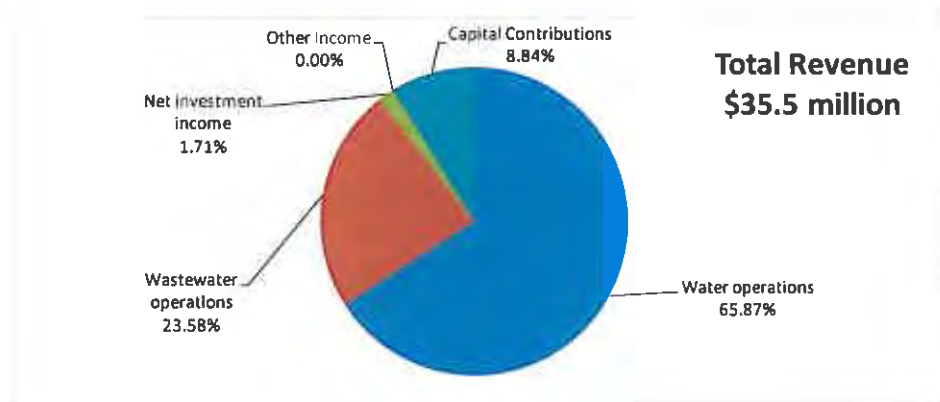


- When considering depreciation and amortization the total operating expenses increased by \$1,015,407.
- Capital contributions are paid by Highlands Ranch Metropolitan District and Northern Douglas County Water & Sanitation District. In 2012, generated by the contractual requirement for the acquisition of reserved capacity in the District's system, the contributions amounted to \$3,133,475 all from Highlands Ranch Metropolitan District. This was an increase of \$821,058 from the total capital contributions received in 2011.

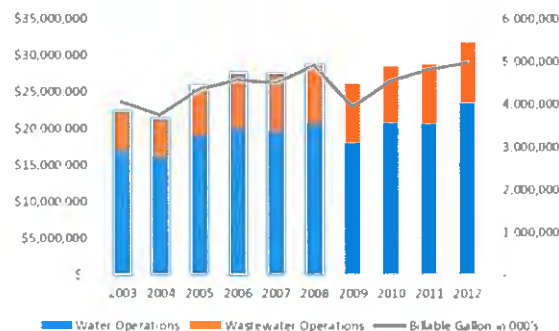
Key elements contributing to the changes in net position are more fully described below.

## Revenues and Capital Contributions

The graph below summarizes the 2012 revenues and capital contributions by types.



The following table demonstrates the volatility in the operating revenues, especially water and to a lesser extent wastewater revenues of the District over time.



### Operating revenues

- Operating revenue from rates charged for water consumption increased 13% in 2012 while revenue from wastewater increased 3%.
- The 2012 operating revenues were influenced by the following:
  - Water –
    - the base water rates per 1,000 gallons increased from \$2.60 to \$2.65
    - overall consumption increased 3.29%
    - surcharge revenue for high users increased due to warm and dry irrigation season
  - Wastewater
    - the base wastewater rates per 1,000 gallons increased from \$2.52 to \$2.55
    - wintertime consumption, the basis for the charge for residential customers continued stable.



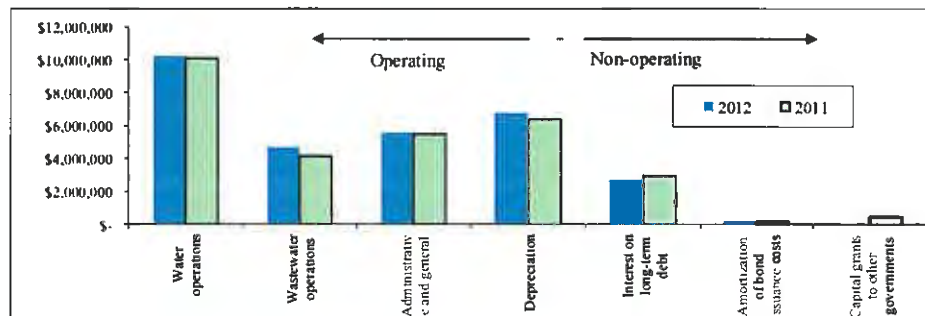
- Water revenues are generated using a structure based on individual customer water budgets. The innovative structure is designed for and continues to generate sufficient revenues to comply with the requirements found in the District's bond covenants and to meet the internal objectives defined by the Board during both drought and wet year scenarios. The rate structure includes the following key elements and objectives:
  - "Water Budgets" established for each individual customer that are the basis for a steeply increasing block rate structure to encourage conservation
  - A significant fixed rate "Water Service Availability Fee" charged to customers is intended to increase the fixed revenue for the District to better match the costs of paying debt service and customer related billing costs as well as establishing appropriate reserves for equipment replacement.
  - Accumulation of funds for major repair and/or replacement of equipment
  - Accumulation of funds for long-term water acquisition.

#### Non-operating revenues

- Capital contributions continued as a significant revenue source during the current fiscal year, increasing both total net position and the restricted net position for capital projects by \$3,133,475. These capacity fees, which are in excess of the actual physical connection costs, are designed to recover the cost of building the entire system of infrastructure necessary to serve the customer base. These capital contributions are restricted by intergovernmental agreements for use either to construct capital assets or to repay the principal on debt used to fund prior capital assets.
- In 2012 the District experienced continued low returns on investment income as the result of the declining rate market.

## Operating and Non-operating Expenses

The relationship between 2012 and 2011 operating and non-operating expenses can be shown as follows:



- Operating expenses are predominantly fixed and therefore change little in response to demands. These fixed costs which represent approximately 75 % of the budget include:
  - cost of personnel which is fixed within the basic functions of production
  - contracted services including contractual obligations for the purchase of water, significant legal related expenses and insurance
  - materials and supplies for routine maintenance
  - purchased services related maintenance to outside lab services etc.
- In addition to the above fixed costs, the electrical and power costs represent approximately 13% of the budget and are semi-variable. These semi-variable costs change in a stepped pattern as various production trains are started to accommodate different production levels.

## 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, 2012, amounts to \$187,809,077. This investment in capital assets includes:

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

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

- Prepared construction documents for improvements to the Marcy Gulch Wastewater Treatment Plan that will be required by regulatory changes and the need to update aging and inefficient equipment and processes. The District intends to execute the plan in phases. Phase I, designed in 2012 with the construction to occur in 2013, will address aging and inefficient WWTP processes and equipment and will provide a platform for additional upgrades that will likely be required by new state-wide nutrient regulations and the Barr/Milton TMDL (total maximum daily load). Neither of these regulatory actions are final and necessary upgrades to meet the regulations will be phased in as they are finalized.
- Continued design and administrative process related to the Chatfield reallocation process.
- Upgrades to the electrical distribution system at the Water Treatment Plant and the acquisition of emergency generator backup,

Additional information on the Centennial Water and Sanitation District's capital assets can be found in Note IIIB on page 12 and in the supplemental information on page 23 of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total revenue bonded debt outstanding of \$66,725,000. The District's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The District's total debt increased by 10 percent during the current fiscal year as a result of the issuance of new debt to fund improvements at the wastewater treatment plant.

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

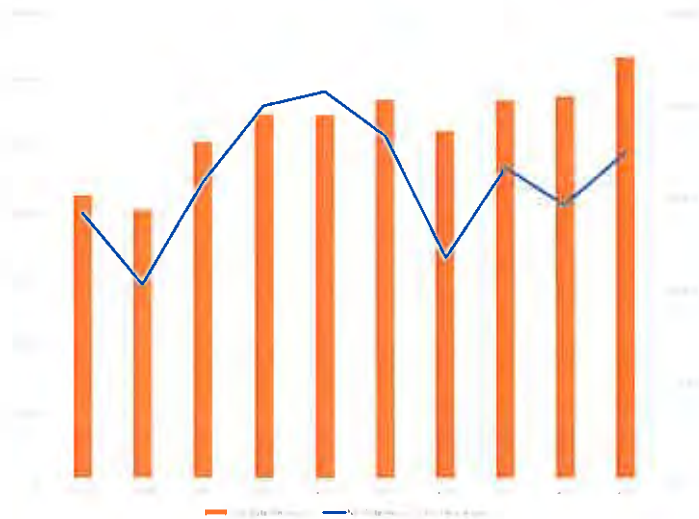
- In April of 2011, Standard and Poor's, as the result of a periodic review, the rating was increased from AA- to AA+
- In February 2012, Fitch as a result of a periodic review, increased the District's rating from an AA- to AA+.

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

- The minimum bond covenants require a coverage ratio of over 100 percent based on the ratio of "Net Utility Funding" (net utility revenue vs. current year debt service). The ratio increased in 2012 to 175 percent from 146 percent in 2011 a result of an increase in rate revenue.
- The other significant ratio, net direct rate revenue to debt service ratio, increased in 2012 to 165 percent from 133 percent in 2011.

- However, when the financial assurance set-aside is factored in as available for rate stabilization, the coverage of succeeding year debt service increased from 194 percent prior to the establishment of the fund in 2010 to 273 percent in 2011 and 321 percent in 2012.

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



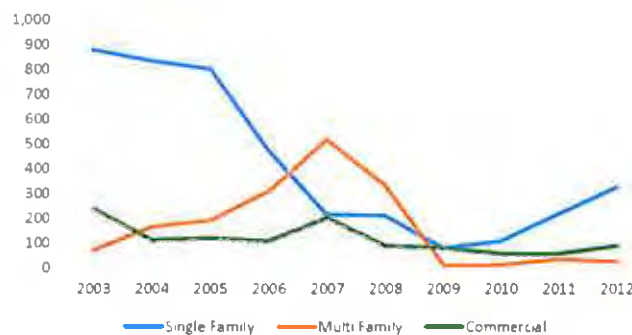
Additional information on the District's long-term debt can be found in note IIIC on pages 13-15 of this report.

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

The following factors were considered in preparing the District's budget for 2012:

- The unemployment rate for the county within which the District is located is currently 6.7 percent, which is lower than a year ago. This compares favorably to the state's average unemployment rate of 8.5 percent as of December 2011.
- The growth in water and wastewater customers within the District's service area continues to increase slowly but in a relatively stable pattern. This will continue to result in flat annual increases in operating revenue without periodic rate increases that will be necessary to accommodate regulatory and inflationary pressures.

New 3/4" Equivalents in Highlands Ranch



- Effective January 1, 2013, the rates for water and wastewater service charged by the District were increased based primarily to adjust for changing usage patterns and expected increase in electrical costs. The combined impact of the changes will result in the average homeowner paying approximately 2.4% more in 2013.
- Inflationary trends in the region compare favorably to national indices with the exception of electrical costs. Electrical costs in the west are less than elsewhere but to date the anticipated increases have been applied inconsistently and are not increasing to match the nationwide costs at the rates anticipated over the last few years.

At year-end, the unrestricted net position was \$52,345,377. The unrestricted net position significantly exceeds the 2013 fiscal year budget appropriations of \$22,683,471 for operations spending and \$6,642,000 for debt service. In addition to the unrestricted more than covering the debt service requirements, the District has specifically restricted assets for debt service in the amount of \$6,642,000.

### **Requests for Information**

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

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
**December 31, 2012**

<b>ASSETS</b>	<b>2012</b>	<b>2011 (as restated)</b>
<b>CURRENT ASSETS</b>		
<i>CURRENT OPERATING ASSETS</i>		
Cash deposits and investments	\$ 45,725,030	\$ 41,924,036
Accounts receivable	2,356,387	2,076,343
Due from other governments	1,936,951	1,591,084
Inventory	15,826	18,318
Net investment income receivable	255,262	273,430
	<u>50,289,456</u>	<u>45,883,211</u>
<i>CURRENT RESTRICTED ASSETS</i>		
Cash deposits and investments	38,360,802	30,655,860
Receivables	-	50,120
Prepays - cost of insurance	86,312	
	<u>38,447,114</u>	<u>30,705,980</u>
Total Current Assets	<u>88,736,570</u>	<u>76,589,191</u>
<b>NONCURRENT ASSETS</b>		
Capital assets		
Buildings	2,353,338	2,301,047
Treatment system	238,770,718	238,735,703
Machinery and equipment	10,713,417	9,594,163
Water rights	40,532,735	40,532,735
Construction in progress	2,745,503	1,666,241
Less accumulated depreciation	(107,306,634)	(100,967,658)
Total Noncurrent Assets	<u>187,809,077</u>	<u>191,862,231</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Cost of bond refunding	4,114,816	298,703
Total deferred outflows of resources	<u>4,114,816</u>	<u>298,703</u>
Total Assets and Deferred Outlaws of Resources	<u><u>\$ 280,660,463</u></u>	<u><u>\$ 268,750,125</u></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, 2012**

<b>LIABILITIES AND NET ASSETS</b>	<b>2012</b>	<b>2011 (as restated)</b>
<b>CURRENT LIABILITIES</b>		
<i>CURRENT LIABILITIES PAYABLE FROM CURRENT OPERATING ASSETS</i>		
Accounts payable	\$ 1,319,373	\$ 1,183,108
Accrued payroll liabilities	204,179	143,473
Retainages payable	-	25,684
Deposits	228,487	313,870
Current portion of capital leases payable	-	33,393
Current portion of compensated absences	3,270	10,460
	<u>1,755,309</u>	<u>1,709,988</u>
<i>CURRENT LIABILITIES PAYABLE FROM CURRENT RESTRICTED ASSETS</i>		
Accounts and contracts payable	17,819	43,593
Accrued interest payable	140,665	218,230
Current portion of bonds payable	4,835,000	3,840,000
	<u>4,993,484</u>	<u>4,101,823</u>
Total Current Liabilities	<u>6,748,793</u>	<u>5,811,811</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences	249,233	245,052
Revenue bonds payable (net of unamortized premiums, discounts and refunding deferrals)	62,197,130	56,689,049
Capital leases payable	-	-
Total Noncurrent Liabilities	<u>62,446,363</u>	<u>56,934,101</u>
Total Liabilities	<u>69,195,156</u>	<u>62,745,912</u>
<b>NET POSITION</b>		
Net investment in capital assets	120,776,947	131,299,789
Restricted		
Debt Service	6,642,000	6,653,592
Capital Projects	31,700,983	24,008,795
Unrestricted	52,345,377	44,042,037
Total Net Position	<u>211,465,307</u>	<u>206,004,213</u>
Total Liabilities and Net Position	<u>\$ 280,660,463</u>	<u>\$ 268,750,125</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 YEAR ENDED  
December 31, 2012**

	2012	2011 (as restated)
<b>OPERATING REVENUE</b>		
Water operations (pledged as security for revenue bonds)	\$ 23,356,395	\$ 20,634,689
Wastewater operations (pledged as security for revenue bonds)	8,362,615	8,100,431
Total Operating Revenue	<u>31,719,010</u>	<u>28,735,120</u>
<b>OPERATING EXPENSES</b>		
Water operations	10,266,691	10,103,223
Wastewater operations	4,670,118	4,095,745
Administrative and general	5,571,191	5,451,604
Noncapitalized major repair	11	246,404
Depreciation	6,338,976	6,284,734
Amortization / expense of bond issuance costs	425,646	75,516
Total Operating Expenses	<u>27,272,633</u>	<u>26,257,226</u>
Operating Income	<u>4,446,377</u>	<u>2,477,894</u>
<b>NONOPERATING REVENUE</b>		
Net investment income	605,546	879,186
Proceeds from disposal of equipment	-	236
Other income	-	8,248
Total Nonoperating Revenue	<u>605,546</u>	<u>887,670</u>
<b>NONOPERATING EXPENSES</b>		
Interest	2,711,616	2,939,724
Loss on disposal of equipment	12,688	42,200
Water transfer agreement	-	42,760
Total Nonoperating Expenses	<u>2,724,304</u>	<u>3,024,684</u>
<b>INCOME / (LOSS) BEFORE CONTRIBUTIONS</b>	2,327,619	340,880
<b>CAPITAL CONTRIBUTIONS</b>		
Reserved capacity fees	3,133,475	2,312,417
<b>CHANGE IN NET POSITION</b>	<u>5,461,094</u>	<u>2,653,297</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	206,004,213	203,350,916
<b>NET POSITION - END OF YEAR</b>	<u>\$ 211,465,307</u>	<u>\$ 206,004,213</u>

The accompanying notes are an integral part of the financial statements

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED**  
**December 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 31,093,099	\$ 28,558,921
Payments to suppliers	(14,701,479)	(15,021,073)
Payments to employees	(5,713,955)	(5,053,503)
Net cash provided by operating activities	<u>10,677,665</u>	<u>8,484,345</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions	3,133,475	2,312,417
Purchase of capital assets and investment in undivided interest	(2,285,843)	(1,677,734)
Proceeds from sale of assets	-	236
Principal paid on capital lease	(33,393)	(46,604)
Proceeds from revenue bonds	49,240,000	-
Transfer to refunding escrow	(42,854,866)	-
Bond issuance expenditures	(359,464)	-
Principal paid on capital debt	(3,840,000)	(3,670,000)
Interest paid on capital debt	(2,789,181)	(2,951,966)
Net cash provided (used) by capital and related financing activities	<u>210,728</u>	<u>(6,033,651)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	778,975	982,681
Purchase of long-term investments	(51,809,193)	(62,793,582)
Maturity of long-term investments	49,914,878	61,398,703
Net cash provided (used) by investing activities	<u>(1,115,340)</u>	<u>(412,198)</u>
<b>NET INCREASE (DECREASE) IN CASH EQUIVALENTS</b>	9,773,053	2,038,496
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	2,909,425	870,929
<b>CASH AND CASH EQUIVALENTS END OF YEAR (NOTE IIIA)</b>	<u>12,682,478</u>	<u>2,909,425</u>
<b>LONG TERM INVESTMENTS</b>	71,409,524	69,670,471
<b>TOTAL CASH DEPOSITS AND INVESTMENTS</b>	<u>\$ 84,092,002</u>	<u>\$ 72,579,896</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 4,446,377	\$ 2,395,218
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation and amortization expense	6,764,622	6,442,926
(Increase) / decrease in accounts receivables	(280,044)	(135,070)
(Increase) / decrease in due from other governments	(345,867)	(41,129)
(Increase) / decrease in inventory	2,492	6,470
Increase / (decrease) in accounts payable	136,265	(241,662)
Increase / (decrease) in accrued payroll costs	60,706	24,681
Increase / (decrease) in retainages payable	(25,684)	(18,930)
Increase / (decrease) in deposits	(85,383)	6,870
Increase / (decrease) in compensated absences payable	4,181	44,971
Total adjustments	<u>6,231,288</u>	<u>6,089,127</u>
Net cash provided by operating activities	<u>\$ 10,677,665</u>	<u>\$ 8,484,345</u>
<b>Noncash investing, capital and financing activities</b>		
Increase (decrease) in fair value of investments	\$ (513,200)	\$ (318,191)

The accompanying notes are an integral part of the financial statements



**CENTENNIAL WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) REPORTING ENTITY**

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

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

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

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

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

The District has elected not to apply statements issued by the Financial Accounting Standards Board after November 30, 1989. GASB pronouncements on accounting and financial reporting for proprietary activities are followed.

The District's records are maintained on the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense, expenditures for property, plant and equipment are shown as increases in assets, and redemption of bonds is recorded as a reduction in liabilities. Capacity fees are recorded as capital contributions when received.

## CENTENNIAL WATER AND SANITATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS, continued

The District distinguishes between *operating* revenues and expenses and *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing business of providing water and wastewater service. The primary operating revenues are for charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

##### 1) Cash deposits and investments

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

Investments are reported at fair value.

##### 2) Inventory

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

##### 3) Restricted Assets / Designated Assets

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

In addition the District designates a portion of its current operating assets for future major repair, replacement and renovation of its capital assets and the acquisition of surface water supplies. \$30,366,193 has been so designated as of year-end.

##### 4) Capital Assets

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

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

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

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

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

Interest expense incurred by the District during the period of construction of the water and wastewater treatment facilities has been capitalized (Note IIIC).

5) Amortization

Original Issue Premiums and Original Issue Discounts

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

Cost of Refunding

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

Prepaid Bond Insurance

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

6) Compensated Absences

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

7) Postemployment benefits

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

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

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

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

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8) Capital Contributions  
Reserved Capacity Fees

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

Source of Supply / Water Transfer

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

9) Comparative Information

Comparative information for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Certain prior year amounts have been reclassified to conform to the current year presentation including the new accounting pronouncements as described below.

**D) NEW ACCOUNTING PRONOUNCEMENTS**

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

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

GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Some assets previously reported as assets are now reported as an outflow of resources/expenses. One of these assets is Cost of Refunding which in prior years included the costs related to the issuance of bonds. The District's beginning net position has been restated to reflect exposing all debt issuance costs that had been previously capitalized except for those related to the cost of bond insurance. The effect of this treatment is as follows:

	2010	2011
Net position, December 31 as originally stated	\$203,889,420	\$206,460,041
Restatement for 2010 related to debt issuance costs	(538,504)	(538,504)
Restatement for 2011 related to debt issuance costs		82,676
Net position, December 31 restated	<u>\$203,350,916</u>	<u>\$206,004,213</u>

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

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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A) BUDGETS**

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

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

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

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

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

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

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

**III. DETAILED NOTES**

**A) CASH DEPOSITS AND INVESTMENTS**

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

At December 31, 2012, the District had the following cash and investments:

Cash on hand		\$	700
Cash deposits			2,874,185
Investments			
Held in safekeeping	\$	71,409,524	
Local government investment pools		10,000	
Money market mutual fund		9,791,423	81,210,947
Total Cash Deposits and Investments			<u>\$ 84,085,832</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. Deposits covered by PDPA are not subject to custodial credit risk. The State Regulatory Commission for banks is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2012, \$2,722,849 of the bank balance for the cash deposits were collateralized pursuant to PDPA.

Investments

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

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, and Treasury Bonds with a final maturity not exceeding five years from the date of purchase and U.S. Treasury Strips with maturities not exceeding five years from the date of purchase.
2. Federal Instrumentality Securities: Debentures, discount notes, and callable securities with a final maturity not exceeding three years from the date of purchase issued by the following: Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Student Loan Marketing Association (SLMA).
3. Corporate Debt: debt issued by any corporation or bank organized and operating within the United States with a maturity not exceeding three years from the date of trade settlement. The debt must be rated at least AA- or the equivalent at the time of purchase by at least two NRSROs, and rated not less by any NRSRO that rates it. The District shall limit investments in Corporate Debt to no more than 25 percent of the total portfolio and 5 percent per issuer.

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

4. Repurchase Agreements, executed subject to an approved Master Purchase Agreement, with a termination date of 90 days or less collateralized by U.S. Treasury Securities listed in 1 above with maturities not exceeding ten years.
5. Prime Commercial Paper with an original maturity of 180 days or less which is rated at least A-1 by Standard & Poors or P-1 by Moody's at the time of purchase by each service which rates the commercial paper.
6. Eligible Bankers Acceptances with original maturities not exceeding 180 days, issued on domestic banks whose senior long-term debt is similar to 4 above; have a combined capital and surplus of at least \$250,000,000; and have deposits insured by the FDIC.
7. Local Government Investment Pools authorized under CRS 24-75-701 and 702.
8. Money Market Mutual funds which have a rating of AAA by Standard and Poors or AAAm by Moody's.

At December 31, 2012 the District investments reported on the financial statements can be summarized as follows:

Investments held in safekeeping	Moody Rating	Investment Maturities (in Years)		
		Less than 1	1 - 5	Total
US Treasury securities	NA	\$ -	\$ 4,163,750	\$ 4,163,750
US Agency securities	Aaa	7,557,647	27,891,619	35,449,266
US Agency securities - with 2013 call	Aaa		16,039,125	16,039,125
Commercial paper	P-1	3,998,824		3,998,824
Corporate debt	A1-Aaa	6,864,826	4,893,734	11,758,560
		<u>\$ 18,421,297</u>	<u>\$ 52,988,228</u>	<u>\$ 71,409,524</u>

As of December 31, 2012, the District had invested \$10,000 in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST is rated AAAm by Standard and Poor's. Investments of COLOTRUST are limited to those allowed by State statutes. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments.

The District has executed a safekeeping agreement with a financial institution that provides for the financial institution to act in a custodial capacity. The custodian holds investments acquired by the District in a Federal Reserve custodial account. The investments in this account are not available to the general creditors of the custodian. Ownership of the securities by the District is maintained in the custodian's internal accounting records.

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

*Concentration of Credit Risk* – State statutes do not limit the amount the District may invest in one issuer. At December 31, 2012 the District maintained investments in excess of 5% in the following issuers:

	<u>% of portfolio</u>
Money Market Fund - CSIP	12.06%
US Treasury securities	5.13%
US Agency securities	
Federal Home Loan Bank	18.81%
Federal Home Loan Mortgage Corporation	18.01%
Federal National Mortgage Association	22.85%

Cash deposits and investments are reflected on the December 31, 2012 Statement of Net Position and Statement of Cash Flows as follows:

	<u>2012</u>	<u>2011</u>
Unrestricted	\$ 45,725,030	\$ 41,924,036
Restricted (Note IC3)	<u>38,360,802</u>	<u>30,355,860</u>
Total Cash Deposits and Investments	84,085,832	72,279,896
Less long-term investments	71,409,524	69,670,471
Cash and cash equivalents	<u>\$ 12,676,308</u>	<u>\$ 2,609,425</u>



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

**B) CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance at January 1, 2012	Increases	Decreases	Balance at December 31, 2012
<b>Capital assets not being depreciated:</b>				
Water rights	\$ 40,532,735	\$ -	\$ -	\$ 40,532,735
Construction in progress	1,666,241	2,187,017	1,107,755	2,745,503
Total capital assets not being depreciated	<u>42,198,976</u>	<u>2,187,017</u>	<u>1,107,755</u>	<u>43,278,238</u>
<b>Capital assets being depreciated:</b>				
Buildings	2,301,047	52,291	-	2,353,338
Treatment system				
Water				
Source of supply	23,683,377	-	-	23,683,377
Storage reservoirs - treated water	14,808,733	-	-	14,808,733
Storage reservoirs - raw water	51,083,366	-	-	51,083,366
Treatment plant - water	31,628,322	-	-	31,628,322
Pump stations	6,989,598	33,124	-	7,022,722
Wastewater				
Treatment plant - wastewater	32,329,047	-	-	32,329,047
Lift stations	1,818,271	-	-	1,818,271
Infrastructure				
Transmission and distribution	62,048,062	1,891	-	62,049,953
Collection and transmission	14,346,927	-	-	14,346,927
Machinery and equipment	9,594,163	1,119,254	-	10,713,417
Total capital assets being depreciated	<u>250,630,913</u>	<u>1,206,560</u>	<u>-</u>	<u>251,837,473</u>
<b>Less accumulated depreciation for:</b>				
Buildings	1,569,807	84,902	-	1,654,709
Treatment system	88,578,829	5,229,729	-	93,808,558
Machinery and equipment	10,819,022	1,024,346	-	11,843,368
Total accumulated depreciation	<u>100,967,658</u>	<u>6,338,976</u>	<u>-</u>	<u>107,306,634</u>
Total capital assets being depreciated, net	<u>149,663,255</u>	<u>(5,132,416)</u>	<u>-</u>	<u>144,530,839</u>
Capital assets, net	<u>\$ 191,862,231</u>	<u>\$ (2,945,399)</u>	<u>\$ 1,107,755</u>	<u>\$ 187,809,077</u>

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

**C) LONG-TERM DEBT**

The District has issued long term debt for the purposes of financing the construction of infrastructure including treatment facilities necessary to provide for the operations. Following is a summary of the District's long-term debt as of December 31, 2012 and its 2012 transactions:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Revenue Bonds Payable	\$ 61,793,826	\$ 49,240,000	\$ 44,001,696	\$ 67,032,130	\$ 4,835,000
Capital Leases	33,393	-	33,393	-	-
Compensated absences	255,512	349,157	352,166	252,503	3,270
Long-term Liabilities	<u>\$ 62,082,731</u>	<u>\$ 49,589,157</u>	<u>\$ 44,387,255</u>	<u>\$ 67,284,633</u>	<u>\$ 4,838,270</u>

The District's bonds and leases payable as of December 31, 2012 and its 2012 debt transactions are shown in more detail below:

	Balance at January 1, 2012	New Issues/ Refundings	Payments/ Amortization	Balance at December 31, 2012	Current Portion
<b>BONDS PAYABLE</b>					
Revenue Bonds					
Series 2004	\$ 39,195,000	\$ -	\$ 39,195,000	\$ -	\$ -
Series 2005	8,075,000	-	1,845,000	6,230,000	2,000,000
Series 2008	13,250,000	-	1,995,000	11,255,000	2,090,000
Series 2012	-	49,240,000	-	49,240,000	745,000
	<u>60,520,000</u>	<u>49,240,000</u>	<u>43,035,000</u>	<u>66,725,000</u>	<u>\$ 4,835,000</u>
Original issue premium	1,307,156	-	997,684	309,472	
Original issue discount	(33,330)	-	(30,988)	(2,342)	
	<u>61,793,826</u>	<u>49,240,000</u>	<u>\$ 44,001,696</u>	<u>67,032,130</u>	
Current portion	3,840,000			4,835,000	
Long term portion	<u>\$ 57,953,826</u>			<u>\$ 62,197,130</u>	
<b>LEASES PAYABLE</b>					
2008 Lease-Purchase	\$ 27,378	\$ -	\$ 27,378	\$ -	
2009 Lease Purchase	6,015	-	6,015	-	
	<u>33,393</u>	<u>\$ -</u>	<u>\$ 33,393</u>	<u>-</u>	<u>\$ -</u>
Current portion	33,393			-	
Long term portion	<u>\$ -</u>			<u>\$ -</u>	

On December 3, 2012, the District issued \$49,240,000 of debt as part of its Series 2012 A and B Water and Sewer Revenue Tax-Exempt Refunding and Improvement Notes of which 43,190,000 of the proceeds were used for refunding. Proceeds from the refunding portion of the debt were used to refund and defease (debt legally satisfied) existing debt as follows:

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

	Series 2012A	Series 2012B	Total
Refunded bonds			
Series 2004	\$ 22,180,000	\$ 17,015,000	\$ 39,195,000
Average coupon	4.949%	4.949%	
Average life	8.157	8.155	
Deposit to escrow	\$ 24,251,131	\$ 18,603,734	\$ 42,854,866
Par amount of refunding loan	\$ 24,440,000	\$ 18,750,000	\$ 43,190,000
Average coupon	2.090%	2.198157	2.130%
Average life in years	7.972	7.878	7.860
Net PV savings	\$ 2,434,637	\$ 1,690,426	\$ 4,125,063
Net PV savings as % of Bonds refunded	10.977%	9.935%	10.524%

The defeased bonds are not considered a liability of the District since sufficient funds (\$42,854,866) were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The District decreased its aggregate debt service payments as the result of the issues by \$1,487,732 but received additional improvements proceeds of \$6,000,000. The economic gain (difference between the present values of the old and new debt service payments) was \$4,125,063. The District incurred a cost on refunding in the amount of \$359,464 which has been expensed in the current year and a loss on refunding in the amount of \$3,842,581 which has been deferred and is being amortized over the life of the new debt.

**BONDS PAYABLE**

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

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

During the year ended December 31, 2012, \$11,210,999 of net operating revenues as defined was generated to make debt service principal and interest payments of \$6,639,841.

The outstanding bond issues are summarized as follows:

- The Series 2004 Water and Sewer Revenue Refunding and Improvement Bonds, dated April 1, 2004 were defeased by the issuance of the Series 2012 Refunding Loan.
- The Series 2005 Water and Sewer Revenue Refunding Bonds, dated March 1, 2005, in the amount of \$16,360,000 are serial bonds due in varying increasing amounts annually through 2015. Interest is at fixed rates ranging from 3.1 % to 5.50% payable semi-annually June 15 and December 15. Financial Guaranty Insurance Company insures the payment of principal and interest.
- The Series 2008 Water and Sewer Revenue Refunding Bonds dated April 1, 2008, in the amount of \$18,775,000 are serial bonds due in varying increasing amounts annually through 2017. Interest is at fixed rates ranging from 3.625% to 5.00% payable semi-annually June 1 and December 1. Financial Security Assurance insures the payment of principal and interest.
- The Series 2012 A Water and Sewer Revenue Tax-Exempt Refunding and Improvement Note dated December 1, 2012, in the amount of \$30,490,000 is a tax exempt loan due in varying increasing amounts annually through 2024. Interest is at fixed rates of 2.09% payable semi-annually June 1 and December 1.

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

- The Series 2012 B Taxable Water and Sewer Revenue Refunding Note (Taxable Convertible to Tax-Exempt) dated December 1, 2012, in the amount of \$18,750,000 is due in varying increasing amounts annually through 2023. Interest is at a taxable fixed rate of 3.01% payable semi-annually June 1 and December 1. It is anticipated that the Note will convert to tax-exempt status on September 3, 2014 at a new rate of 1.96%.

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

	Principal	Interest	Total
2013	\$ 4,835,000	\$ 1,865,003	\$ 6,700,003
2014	5,030,000	1,619,040	6,649,040
2015	5,375,000	1,282,444	6,657,444
2016	5,545,000	1,140,720	6,685,720
2017	5,695,000	984,860	6,679,860
2018-2022	31,185,000	2,861,336	34,046,336
2023-2024	9,060,000	236,892	9,296,892
	<u>\$ 66,725,000</u>	<u>\$ 9,990,295</u>	<u>\$ 76,715,295</u>

**LEASES PAYABLE**

The District has entered into several lease-purchase obligations. For financial statement presentation, the lease obligations have been capitalized and the equipment acquired with the proceeds of the lease-purchases recorded as assets of the District. The lease-purchase agreements do not constitute general obligation debt of the District as defined by the Colorado Revised Statutes, as there are annual appropriation clauses in the agreements. The 2008 and 2009 governmental lease-purchase agreement with Key Government Finance Inc. and CIT Communications Finance Corporation were paid in full during 2012.

**OTHER INFORMATION**

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

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

During the period ended December 31, 2012 interest costs were incurred as follows:

	2012	2011
Interest costs incurred	\$ 2,711,616	\$ 2,939,724
Interest costs capitalized	-	-
Net interest expense	<u>\$ 2,711,616</u>	<u>\$ 2,939,724</u>
Interest costs capitalized - inception to date	<u>\$ 14,849,434</u>	<u>\$ 14,849,434</u>

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

**D) INTERGOVERNMENTAL RECEIVABLES AND PAYABLES**

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

	December 31,	
	2012	2011
Highlands Ranch Metropolitan District	\$ 1,924,060	\$ 1,578,329
Highlands Ranch Metropolitan District No. 5	12,891	12,755
	<u>\$ 1,936,951</u>	<u>\$ 1,591,084</u>

These receivables from other governmental entities are classified as due from other governments on the statements of net position under the following section:

	December 31,	
	2012	2011
Current Operating Assets	\$ 1,936,951	\$ 1,591,084

**IV OTHER INFORMATION**

**A) 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 3% of wages. 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.

**B) DEFINED CONTRIBUTION PENSION PLAN**

The 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. The Retirement Association may recommend changes to the plans as well as the contribution amounts. The member Districts boards of directors must approve any changes recommended by the Retirement Association. The Retirement Association administers the Plan through the Principal Financial Group, Inc. No audited GAAP basis reports are prepared.

At December 31, 2012 there were 166 active plan members comprised of 88 full and part-time members employed by the District and 78 full and part-time members employed by the Highlands Ranch Metropolitan 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, 6.20% of the Plan members' compensation is withheld and remitted to the Plan Administrator along with a matching payment of 6.20% of Plan members' compensation from the District.

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

The District's contributions plus earnings become fully vested to the Plan members upon the completion of three years of Plan membership. District contributions for Plan members who leave employment before they are fully vested are used to reduce the District's contribution requirement. There is no liability for benefits under the Plan beyond the District's matching payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

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

	2012	2011
Employer	311,731	276,262
Employee	315,470	285,070

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

**C) BOARD OF DIRECTORS**

The Board of Directors is elected for staggered four-year terms. Four members of the District's Board are currently the same elected director members as those that serve on the Board of Directors of Highlands Ranch Metropolitan District No. 5. In addition, all of the District's Board of Directors are employees of Shea Homes/Properties ("Shea"), the developer of Highlands Ranch.

**D) COMMITMENTS AND CONTINGENCIES**

**1) Intergovernmental Agreements**

The District has entered into water and wastewater service agreements with the consolidated Highlands Ranch Metropolitan Districts ("Metro District"). The agreements provide for the District to provide potable water and wastewater treatment services to areas included within these districts 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 and well as billing the respective customers of the district. The agreement expires in 2030.

The District has also entered into a water and wastewater service agreement with Highlands Ranch Metropolitan District No. 5. Metro 5 is currently inactive. The agreement with Metro 5 expires in 2030.

Northern Douglas County Water and Sanitation District (Northern) is provided service under an extended service area agreement providing wholesale water and wastewater service to the district directly, not to individual customers. Northern is only guaranteed service for the number of taps and at the specific locations for which it has acquired capacity. Northern may purchase options to acquire future capacity. As of December 31, 2012 Northern has no approved but unpaid and unexercised multi-family residential dwelling unit tap options.

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

Related to the agreement the District rents a portion of the District's office building to the Metro District. The income generated in 2012 from the lease was \$164,280. The building has an original cost of \$2,301,047 with a carrying value of \$619,014.

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

### 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, 2008 and is subject to additional increase adjustments in five-year increments. To date payment has been remitted to Shea for 1,897 taps. The current fee of \$10,690 per tap, subject to the 5 year adjustment, will be paid to the extent that the next 7,603 taps are sold. No payment for any taps provided beyond 9,500 taps is required.

The maximum total compensation if all 9,500 taps are sold is \$88,045,665 at the rates in effect as of December 31, 2012. 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 may be less than \$88,045,665. Cumulative payments under the agreement are \$6,769,595 through December 31, 2012.

### 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:
  - 1) a "take or pay" minimum annual payment schedule;
  - 2) annual deliveries from Englewood's Ranch Creek system;
  - 3) the use of storage space in Englewood's McLellan Reservoir;
  - 4) the exclusive use of water which is surplus to Englewood's needs.

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

- b. In 1994 the District entered into an agreement with the Board of Water Commissioners of the City and County of Denver ("Denver Water Board") to acquire 1,000 acre feet of water. 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.

# CENTENNIAL WATER AND SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS, continued

- 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 2011 and 2012 can be summarized as follows:

	2012			2013	
	Acre Fee	Consumption	Lease	Minimum Obligation	
		\$	\$	Acre Feet	\$
Long Term*					
a) City of Englewood	3,124	\$ 1,478,754	\$ 321,301	3,000	\$1,341,013
b) Denver Water Board	783	257,683		1,000	329,110
c) CCWCD/Bargas Ranch	200	193,655		200	220,000

### 4) Construction commitments

As of December 31, 2012 unexpended appropriations for capital projects and water acquisition amounted to approximately \$388,000.

## E) **RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2012. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to \$100,000,000 and liability coverage for claims up to \$1,000,000.

Workers compensation claims are covered by Pinnacle Assurance Co. 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.



**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, 2012**

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>2012 Actual</b>	<b>Variance from final budget - Favorable (Unfavorable)</b>
<b>REVENUES AND OTHER RECEIPTS</b>				
<b>OPERATING</b>				
Water operations	\$ 19,899,900	\$ 19,899,900	\$ 21,586,883	\$ 1,686,983
Wastewater operations	8,182,400	8,182,400	8,362,615	180,215
Other operating	1,323,980	1,323,980	1,769,512	445,532
	<u>29,406,280</u>	<u>29,406,280</u>	<u>31,719,010</u>	<u>2,312,730</u>
<b>NONOPERATING and OTHER RECEIPTS</b>				
Net investment income	1,097,000	1,097,000	605,546	(491,454)
Proceeds from capital leases	-	-	-	-
Proceeds from bond issuance	-	6,150,000	6,138,934	(11,066)
Premium on debt net of OID	-	-	-	-
Capital contributions	2,776,288	2,776,288	3,133,475	357,187
Other income (including cash from sale of equipment)	15,000	15,000	-	(15,000)
	<u>3,888,288</u>	<u>10,038,288</u>	<u>9,877,955</u>	<u>(160,333)</u>
Total Revenue and Other Receipts	<u>33,294,568</u>	<u>39,444,568</u>	<u>41,596,965</u>	<u>2,152,397</u>
<b>EXPENDITURES and OTHER OUTLAYS</b>				
<b>OPERATING</b>				
Water operations	11,152,059	11,152,059	10,266,691	885,368
Wastewater operations	4,281,052	4,281,052	4,670,118	(389,066)
Administrative and general technical	5,811,177	5,811,177	5,571,191	239,986
Miscellaneous capital	-	-	-	-
Capital outlay	88,226	88,226	98,815	(10,589)
Capital lease payment	28,352	28,352	33,393	(5,041)
	<u>21,360,866</u>	<u>21,360,866</u>	<u>20,640,208</u>	<u>720,658</u>
<b>NONOPERATING</b>				
Debt Service				
Interest paid on bonds	2,802,000	2,802,000	2,799,841	2,159
Principal paid on bonds	3,840,000	3,840,000	3,840,000	-
Bond issuance expenditures	-	376,950	113,266	263,684
Transfer to Refunding Escrow	-	-	-	-
All other funds / capital related	-	-	-	-
Capital grants to other projects	-	-	-	-
Capital improvement projects	2,181,936	1,061,247	568,185	493,062
Water acquisition	1,320,000	485,131	589,778	(104,647)
Major repair projects	1,505,901	1,116,194	1,041,742	74,452
Water transfer agreement payment	-	10,690	-	10,690
	<u>11,649,837</u>	<u>9,692,212</u>	<u>8,952,812</u>	<u>739,400</u>
Total Expenses	<u>33,010,703</u>	<u>31,053,078</u>	<u>29,593,020</u>	<u>1,460,058</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENSES (BUDGETARY BASIS)</b>	<u>283,865</u>	<u>8,391,490</u>	<u>12,003,945</u>	<u>3,612,455</u>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>73,083,690</u>	<u>74,623,952</u>	<u>74,623,952</u>	<u>-</u>
<b>FUNDS AVAILABLE - END OF PERIOD</b>	<u>\$ 73,367,555</u>	<u>\$ 83,015,442</u>	<u>\$ 86,627,897</u>	<u>\$ 3,612,455</u>

See accompanying Independent Auditors' Report

**CENTENNIAL WATER AND SANITATION DISTRICT  
BUDGET RECONCILIATION  
FOR THE YEAR ENDED  
December 31, 2012**

**BUDGETARY FUNDS AVAILABLE AT DECEMBER 31, 2012 IS COMPUTED AS FOLLOWS**

	<b>Restricted</b>			
	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Operating</b>	<b>Combined</b>
Current assets	\$ 6,642,000	\$ 31,805,114	\$ 50,289,456	\$ 88,736,570
Liabilities payable from current assets	(4,889,353)	(104,131)	(1,755,309)	(6,748,793)
Net current assets per financial statements	1,752,647	31,700,983	48,534,147	81,987,777
Budget adjustments:				
Accrued interest payable	140,665	-	-	140,665
Long term compensated absences	-	-	(249,233)	(249,233)
Current portion of bonds payable	4,835,000	-	-	4,835,000
Current portion of leases payable	-	-	-	-
Prepays - cost of insurance	(86,312)	-	-	(86,312)
<b>Funds available at December 31, 2012</b>	<b>\$ 6,642,000</b>	<b>\$ 31,700,983</b>	<b>\$ 48,284,914</b>	<b>\$ 86,627,897</b>

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

<b>REVENUE (Budgetary basis)</b>	\$ 41,596,965
Less:	
Capital contributions	(3,133,475)
Bond proceeds for improvements	(6,138,934)
<b>REVENUE (GAAP basis)</b>	<b>32,324,556</b>
<b>EXPENDITURES (Budgetary basis)</b>	<b>29,593,020</b>
Plus:	
Depreciation	6,338,976
Amortization	414,986
Net decrease in accrued interest payable	(77,565)
Loss on disposal of assets	12,688
Noncapital major repair	11
Less:	
Operating miscellaneous capital	(132,208)
Water acquisition	(589,778)
Capital improvement projects	(568,185)
Major repair projects	(1,041,742)
Principal payments	(3,840,000)
<b>EXPENSES (GAAP basis)</b>	<b>29,996,937</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>\$ 2,327,619</b>

See accompanying Independent Auditors' Report

**CENTENNIAL WATER AND SANITATION DISTRICT  
STATISTICAL SECTION  
DECEMBER 31, 2012**

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

<u>Content</u>	<u>Tables &amp; Charts</u>	<u>Pages</u>
<b>FINANCIAL TRENDS</b> These tables and charts contain trend information to help the reader understand how the District's financial condition has changed over time.	A1 – A3	24-27
<b>REVENUE CAPACITY</b> These tables and charts contain information to help the reader assess the District's largest revenue sources.	B1 – B4	28-32
<b>DEBT CAPACITY</b> These tables and charts present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue debt in the future.	C1-C2	33-36
<b>DEMOGRAPHIC &amp; ECONOMIC INFORMATION</b> These tables and charts offer demographic and economic indicators to help the reader understand the environment that the District's financial activities are taking place within.	D1-D2	37-39
<b>OPERATING INFORMATION</b> These tables and charts contain service data to help the reader understand how information in the financial report relates to the services the District provides and the activities it performs.	E1	40

**Centennial Water & Sanitation District**  
**TABLE A-1**  
**NET POSITION**  
**Last Ten Years**

	2003	2004	2005	2006	2007	2008	2009	2010 Restated	2011 Restated	2012
<b>ASSETS</b>										
Current Assets										
Current Operating - cash	\$ 9,125,119	\$ 8,126,798	\$ 13,430,148	\$ 18,220,093	\$ 28,149,941	\$ 30,686,033	\$ 29,881,702	\$ 32,388,753	\$ 41,924,036	\$ 45,725,030
Current Operating - noncash	3,531,971	3,610,471	3,697,870	4,206,607	4,251,872	4,341,926	3,887,360	3,884,977	3,959,175	4,564,426
Current Restricted - cash	25,704,094	44,978,187	39,089,876	36,447,314	28,909,980	31,889,524	34,362,768	36,777,299	30,655,860	38,360,802
Current Restricted - noncash	136,940	124,415	47,595	36,740	45,769	13,913	-	-	50,120	86,312
Total Current Assets	38,498,124	56,839,871	56,265,489	58,910,754	61,357,562	66,931,396	68,131,830	73,051,029	76,589,191	88,736,570
Noncurrent Assets										
Capital assets (less accumulated depreciation)	189,507,800	192,617,893	197,975,636	205,169,931	207,245,746	206,531,948	201,788,751	196,554,244	191,862,231	187,809,077
Total Noncurrent Assets	189,507,800	192,617,893	197,975,636	205,169,931	207,245,746	206,531,948	201,788,751	196,554,244	191,862,231	187,809,077
Deferred outflows of resources										
Cost of bond refunding (restated 2010 on)	1,399,048	1,691,890	1,621,418	1,443,090	1,272,930	1,316,951	1,083,522	374,219	298,703	4,114,816
Total assets & deferred outflow of resources	229,404,972	251,149,654	255,862,543	265,523,775	269,876,238	274,780,295	271,004,103	269,979,492	268,750,125	280,660,463
<b>LIABILITIES</b>										
Current Liabilities										
from Current Operating Assets	1,487,475	1,147,925	1,632,701	1,437,471	1,672,737	2,698,193	1,286,403	1,952,234	1,709,988	1,755,309
from Restricted Assets	4,991,191	3,852,061	4,197,489	6,113,372	4,251,632	3,743,520	3,772,106	3,900,472	4,101,823	4,993,484
Total Current Liabilities	6,478,666	4,999,986	5,830,190	7,550,843	5,924,369	6,441,713	5,058,509	5,852,706	5,811,811	6,748,793
Noncurrent Liabilities										
Compensated absences	-	219,558	202,201	196,138	192,817	223,062	243,027	200,081	245,052	249,233
Revenue bonds payable	59,210,000	80,103,660	77,267,030	74,225,688	71,054,622	67,825,400	64,227,585	60,542,390	56,689,049	62,197,130
Capital leases payable	137,181	251,377	186,642	201,685	127,218	143,520	82,549	33,399	-	-
Total Noncurrent Liabilities	59,347,181	80,574,595	77,655,873	74,623,511	71,374,657	68,191,982	64,553,161	60,775,870	56,934,101	62,446,363
Total Liabilities	65,825,847	85,574,581	83,486,063	82,174,354	77,299,026	74,633,695	69,611,670	66,628,576	62,745,912	69,195,156
<b>NET POSITION</b>										
Net investment in capital assets	126,653,610	128,670,335	117,506,669	127,592,863	132,767,137	135,080,334	133,822,108	132,261,858	131,299,789	120,776,947
Restricted										
Debt Service	9,392,130	9,217,365	6,713,002	6,774,107	6,742,006	6,617,950	6,628,000	6,636,700	6,653,592	6,642,000
Capital Projects	15,053,953	17,468,776	31,433,765	26,938,520	21,398,000	24,808,890	27,731,246	30,140,599	24,008,795	31,787,295
Unrestricted	12,479,432	10,218,597	16,723,044	22,043,931	31,670,069	33,639,426	33,211,079	34,311,759	44,042,037	52,259,065
Total Net Position	163,579,125	165,575,073	172,376,480	183,349,421	192,577,212	200,146,600	201,392,433	203,350,916	206,004,213	211,465,307
Total Liabilities and Net Position	\$ 229,404,972	\$ 251,149,654	\$ 255,862,543	\$ 265,523,775	\$ 269,876,238	\$ 274,780,295	\$ 271,004,103	\$ 269,979,492	\$ 268,750,125	\$ 280,660,463

Centennial Water & Sanitation District  
TABLE A-2  
CHANGE IN NET POSITION  
Last Ten Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>OPERATING REVENUES</b>										
Water Operations*	\$ 17,004,605	\$ 15,993,598	\$ 18,961,377	\$ 19,884,334	\$ 19,609,433	\$ 20,661,418	\$ 18,032,909	\$ 20,725,452	\$ 20,634,689	\$ 23,356,395
Wastewater Operations*	5,207,789	5,149,894	6,310,980	7,519,197	7,749,085	7,852,073	8,065,852	7,749,484	8,100,431	8,362,615
<b>Total Operating Revenue</b>	<b>22,212,394</b>	<b>21,143,492</b>	<b>25,272,357</b>	<b>27,403,531</b>	<b>27,358,518</b>	<b>28,513,491</b>	<b>26,098,761</b>	<b>28,474,936</b>	<b>28,735,120</b>	<b>31,719,010</b>
<b>OPERATING EXPENSES</b>										
Water operations	7,037,708	7,179,045	8,257,448	8,922,825	8,837,555	10,954,473	10,155,726	9,790,308	10,103,223	10,266,691
Wastewater operations	2,748,499	3,169,018	3,067,081	2,955,427	3,131,952	3,479,626	3,491,811	3,600,479	4,095,745	4,670,118
Administrative and general	4,298,499	4,654,204	4,825,096	4,962,137	5,382,231	5,606,502	5,679,667	5,378,632	5,451,604	5,571,191
Non capitalized expenses paid from major repair reserve	-	-	-	459,548	509,340	85,262	128,654	593,321	246,404	11
Depreciation	5,272,033	5,668,822	5,860,903	5,884,397	5,940,477	6,306,355	6,107,030	6,126,965	6,284,734	6,338,976
Amortization of bond issuance cost	189,741	176,846	168,694	171,986	164,094	111,639	182,502	709,303	75,516	425,646
<b>Total Operating Expense</b>	<b>19,546,480</b>	<b>20,847,935</b>	<b>22,179,222</b>	<b>23,356,320</b>	<b>23,965,649</b>	<b>26,543,857</b>	<b>25,745,390</b>	<b>26,199,008</b>	<b>26,257,226</b>	<b>27,272,633</b>
<b>Operating Income (Loss)</b>	<b>2,665,914</b>	<b>295,557</b>	<b>3,093,135</b>	<b>4,047,211</b>	<b>3,392,869</b>	<b>1,969,634</b>	<b>353,371</b>	<b>2,275,928</b>	<b>2,477,894</b>	<b>4,446,377</b>
<b>NONOPERATING REVENUES</b>										
Net investment income	629,508	569,819	1,183,525	2,551,783	3,523,074	3,401,632	1,017,116	758,214	879,186	605,546
Gain on disposal of equipment	7,196	6,285	6,283	12,459	24,550	22,755	42,835	14,970	236	-
Other income	7,698	-	-	223,642	222,369	150,200	-	591,285	8,248	-
<b>Total Nonoperating Revenue</b>	<b>644,402</b>	<b>576,104</b>	<b>1,189,808</b>	<b>2,787,884</b>	<b>3,769,993</b>	<b>3,574,587</b>	<b>1,059,951</b>	<b>1,364,469</b>	<b>887,670</b>	<b>605,546</b>
<b>NONOPERATING EXPENSES</b>										
Interest	2,950,434	3,582,753	3,365,372	2,690,606	2,106,333	3,207,095	3,188,992	3,074,563	2,939,724	2,711,616
Intergovernmental obligation	2,583,625	2,464,021	2,193,559	-	-	-	-	-	-	-
Loss on disposal of equipment	-	-	115,851	-	-	2,210	5,024	440,546	42,200	12,688
Capital grants to other governments	243	131,430	435,200	-	240,792	-	281,598	296,259	-	-
Water Transfer	212,000	15,900	276,020	201,680	69,040	96,480	64,140	-	42,760	-
<b>Total Nonoperating Expense</b>	<b>5,746,302</b>	<b>6,194,104</b>	<b>6,386,002</b>	<b>2,892,286</b>	<b>2,416,165</b>	<b>3,305,785</b>	<b>3,539,754</b>	<b>3,811,368</b>	<b>3,024,684</b>	<b>2,724,304</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>(2,435,986)</b>	<b>(5,322,443)</b>	<b>(2,103,059)</b>	<b>3,942,809</b>	<b>4,746,697</b>	<b>2,238,436</b>	<b>(2,126,432)</b>	<b>(170,971)</b>	<b>340,880</b>	<b>2,327,619</b>
<b>CAPITAL CONTRIBUTIONS IN/(OUT)</b>										
Reserved Capacity Fees	6,997,748	7,318,394	8,904,469	7,030,132	4,481,094	5,330,952	3,372,265	2,129,454	2,312,417	3,133,475
<b>CHANGE IN NET POSITION</b>	<b>4,561,762</b>	<b>1,995,951</b>	<b>6,801,410</b>	<b>10,972,941</b>	<b>9,227,791</b>	<b>7,569,388</b>	<b>1,245,833</b>	<b>1,958,483</b>	<b>2,653,297</b>	<b>5,461,094</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>159,017,363</b>	<b>163,579,122</b>	<b>165,575,070</b>	<b>172,376,480</b>	<b>183,349,421</b>	<b>192,577,212</b>	<b>200,146,600</b>	<b>201,392,433</b>	<b>203,350,916</b>	<b>206,004,213</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 163,579,125</b>	<b>\$ 165,575,073</b>	<b>\$ 172,376,480</b>	<b>\$ 183,349,421</b>	<b>\$ 192,577,212</b>	<b>\$ 200,146,600</b>	<b>\$ 201,392,433</b>	<b>\$ 203,350,916</b>	<b>\$ 206,004,213</b>	<b>\$ 211,465,307</b>

\*pledged as security - revenue bonds

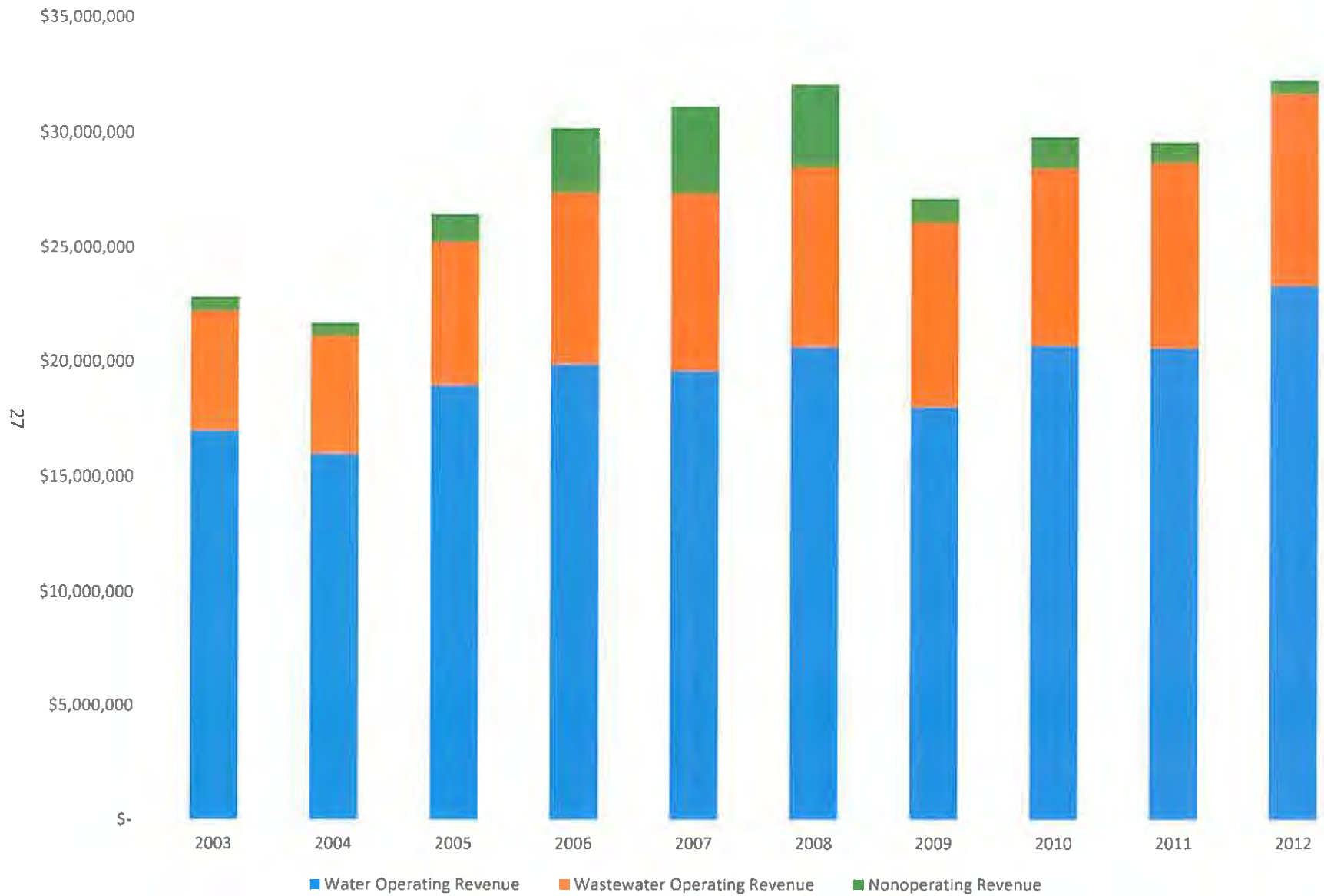
**Centennial Water & Sanitation District**  
**TABLE A-3**  
**REVENUES and RESERVED CAPACITY FEES**  
**Last Ten Years**

Year	UTILITY REVENUES (1)				RESERVED CAPACITY FEES (2)		
	Water Operating Revenue	Wastewater Operating Revenue	Nonoperating Revenue	Total	Highlands Ranch Metro District	No. Douglas County Water & Sanitation	Total
2003	\$ 17,004,605	\$ 5,207,789	\$ 644,402	\$ 22,856,796	\$ 6,385,268	\$ 612,480	\$ 6,997,748
2004	15,993,598	5,149,894	576,104	21,719,596	7,267,899	50,495	7,318,394
2005	18,961,377	6,310,980	1,189,808	26,462,165	8,113,054	791,415	8,904,469
2006	19,884,334	7,519,197	2,787,884	30,191,415	7,019,226	10,906	7,030,132
2007	19,609,433	7,749,085	3,769,993	31,128,511	4,280,794	200,300	4,481,094
2008	20,661,418	7,852,073	3,574,587	32,088,078	5,204,392	126,560	5,330,952
2009	18,032,909	8,065,852	1,059,951	27,158,712	3,212,487	159,778	3,372,265
2010	20,725,452	7,749,484	1,364,469	29,839,405	2,129,454	-	2,129,454
2011	20,634,689	8,100,431	887,670	29,622,790	2,188,557	123,860	2,312,417
2012	23,356,395	8,362,615	605,546	32,324,556	3,133,475	-	3,133,475

**NOTES**

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

Revenues and Reserved Capacity Fees  
Chart A-3



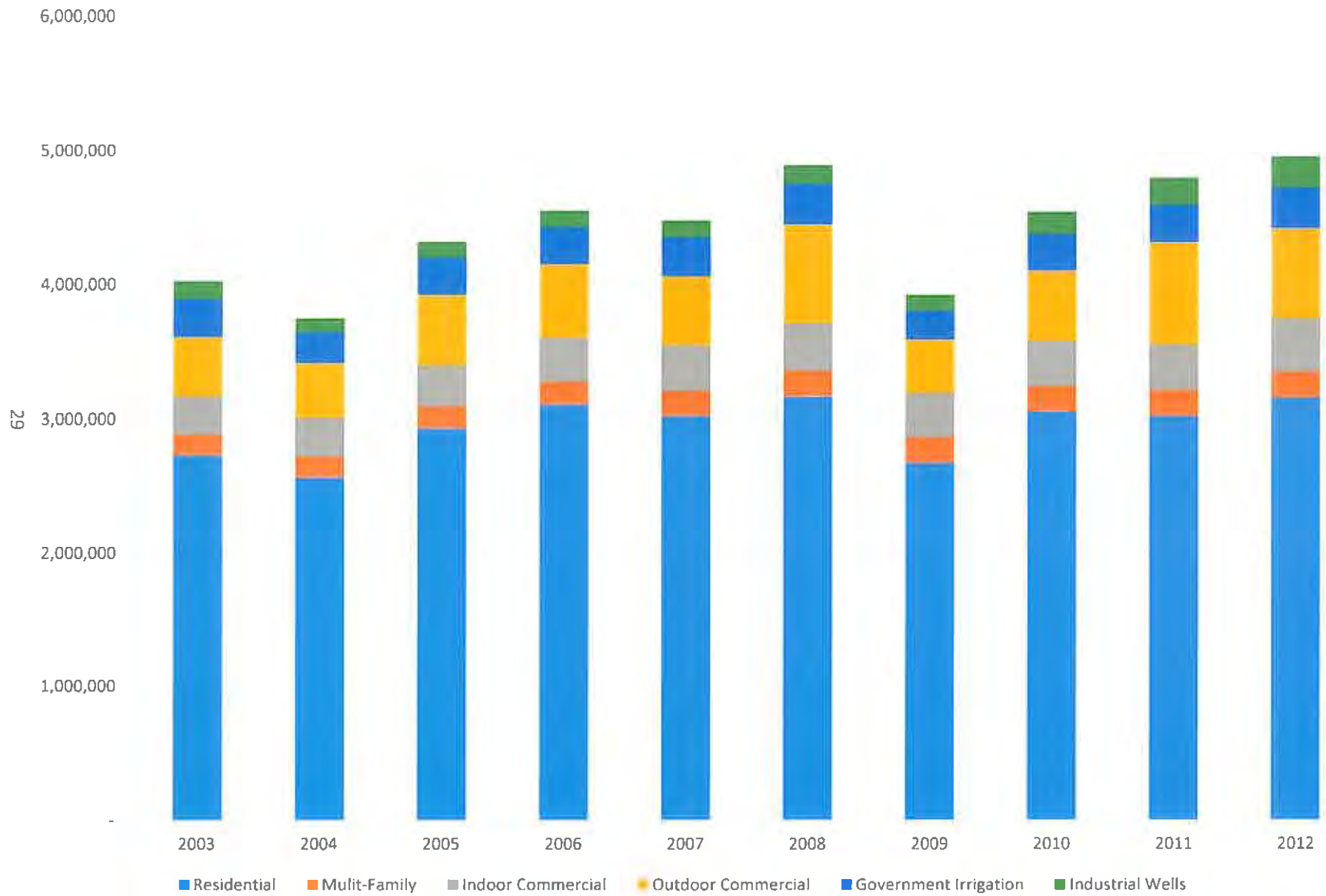
**Centennial Water & Sanitation District**  
**TABLE B-1**  
**WATER SOLD BY CUSTOMER TYPE (in 1,000 gallons)**  
**Last Ten Years**

Year	Residential	Mulit-Family	Indoor Commercial	Outdoor Commercial	Government Irrigation	Industrial Wells	Total	Change year over year
2003	2,732,878	155,656	282,337	441,645	281,871	134,552	4,028,939	
2004	2,565,191	158,370	287,322	407,805	225,602	106,721	3,751,011	-6.90%
2005	2,932,300	162,126	301,807	528,791	277,160	118,474	4,320,658	15.19%
2006	3,108,823	169,109	324,966	551,088	276,734	125,527	4,556,247	5.45%
2007	3,023,711	185,724	337,478	514,561	294,377	124,559	4,480,410	-1.66%
2008	3,166,260	192,292	351,392	741,295	303,519	141,757	4,896,515	9.29%
2009	2,675,872	189,461	327,222	398,538	210,900	121,608	3,923,601	-19.87%
2010	3,055,805	188,119	336,829	523,172	275,798	166,026	4,545,749	15.86%
2011	3,024,741	192,313	334,857	765,218	281,417	205,065	4,803,611	5.67%
2012	3,159,771	190,945	394,599	677,054	308,791	230,725	4,961,885	3.29%

Source: District's Utility Billing Division for Highlands Ranch only



Water Sold by Customer Type  
Chart B-1



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

Year	Water Rates			Wastewater Rates	
	Service Availability Charge Monthly per equivalent	Base Rate per 1,000 gallons	Top Tier Rate* per 1,000 gallons	Monthly Fixed Fee per equivalent	Rate per 1,000 gallons
2003	\$ 12.50	\$ 2.00	\$ 6.75	\$ 9.85	\$ 1.71
2004	12.50	2.00	6.75	9.85	1.71
2005	12.50	2.20	7.45	9.85	2.24
2006	12.50	2.30	7.80	6.82	2.29
2007	12.50	2.30	7.80	6.82	2.29
2008	12.50	2.30	7.80	6.82	2.29
2009	12.50	2.55	7.90	6.11	2.55
2010	12.50	2.55	7.90	6.11	2.35
2011	12.50	2.60	8.05	6.25	2.52
2012	12.50	2.65	8.21	6.50	2.55

**NOTES:**

- 1 Rates shown are as of December 31 of each year. Residential is billed bimonthly and noresidential is billed monthly.
- 2 Water rates monthly.
- 3 Residential wastewater rates are computed based on wintertime water usage. The minimum charge is based on 3,000 gallons.
- 4 Service availability charge and Monthly Fixed Fee shown are based on 3/4" equivalent tap size on a monthly basis.
- 5 Each Customer has a unique water budget tht varies with lot size and time of year. Usage up to water budget is billed at the base rate. Usage above the water budget is billed in increasing rate tiers up to the top tier. Tiers as of 12/31/2012 were: up to 100% = \$2.65; 101% to 120% = \$3.64; 121% to 140% = \$5.46; over 140% = \$8.21

**Centennial Water & Sanitation District**

**TABLE B-3**

**TAPS SOLD IN 3/4" Equivalent**

**Last Ten Years**

Year	Highlands Ranch Metro District (1)				Northern Douglas County (2)				TOTAL
	Residential				Residential				
	Single Family	Multi-Family	Commercial	Total	Single Family	Multi-Family	Commercial	Total	
Prior to 2003	23,823	4,428	2,912	31,163	1,498	0	168	1,666	32,829
2003	875	70	234	1,179	29	0	28	57	1,236
2004	831	163	111	1,105	0	0	3	3	1,108
2005	801	191	119	1,111	0	48	38	86	1,197
2006	469	306	106	881	0	32	2	34	915
2007	215	515	200	930	0	8	4	12	942
2008	210	332	88	630	0	16	0	16	646
2009	76	8	78	162	0	0	6	6	168
2010	107	8	55	170	0	0	0	0	170
2011	212	32	57	301	0	0	4	4	305
2012	322	22	89	433	1	0	0	1	434
Total	27,941	6,075	4,049	38,065	1,528	104	253	1,885	39,950

**Notes:**

- 1 Centennial Water and Sanitation District serves special districts located both within the Highlands Ranch Metro District and outside the boundaries of Highlands Ranch through Northern Douglas County Water and Sanitation District.
- 2 Tap Fee units are given in number of dwelling units for single and multi-family residential and in 3/4" water tap equivalents for commercial. Tap Fees are collected prior to certificates of occupancy being approved.
- 3 Population is estimated based on information shown in table D-1 per housing unit.

**Centennial Water & Sanitation District**  
**TABLE B-4**  
**Top Ten Customers by Water Consumption**  
(in thousand gallons)

Customer	2012			2003	
	Consumption	% of Total		Consumption	% of Total
1 Highlands Ranch Metro District	308,791	6.2%	1	281,871	7.0%
2 Douglas County School District	115,888	2.3%	2	96,505	2.4%
3 Palamino Park Homeowners Association	25,396	0.5%	6	15,858	0.4%
4 Gleneagles Homeowners Association	23,561	0.5%	5	21,012	0.5%
5 Blue Ridge Apartments Irrigation	12,865	0.3%	10	9,078	0.2%
6 Highlands Walk - Amenities	12,085	0.2%			0.0%
7 Green River Apartments Irrigation	11,188	0.2%	8	9,343	0.2%
8 Gold Peak Homeowners Association	10,770	0.2%			0.0%
9 Qwest Communications	10,288	0.2%			0.0%
10 Silver Mesa	10,249	0.2%			0.0%
Highlands Ranch Golf Club			3	92,376	2.3%
Links Golf Club			4	49,516	1.2%
Car Wash Express			7	11,699	0.3%
Financial Services Center			9	9,235	0.2%
<b>TOTAL</b>	<b>4,961,885</b>			<b>4,028,939</b>	

Source: District billing records.

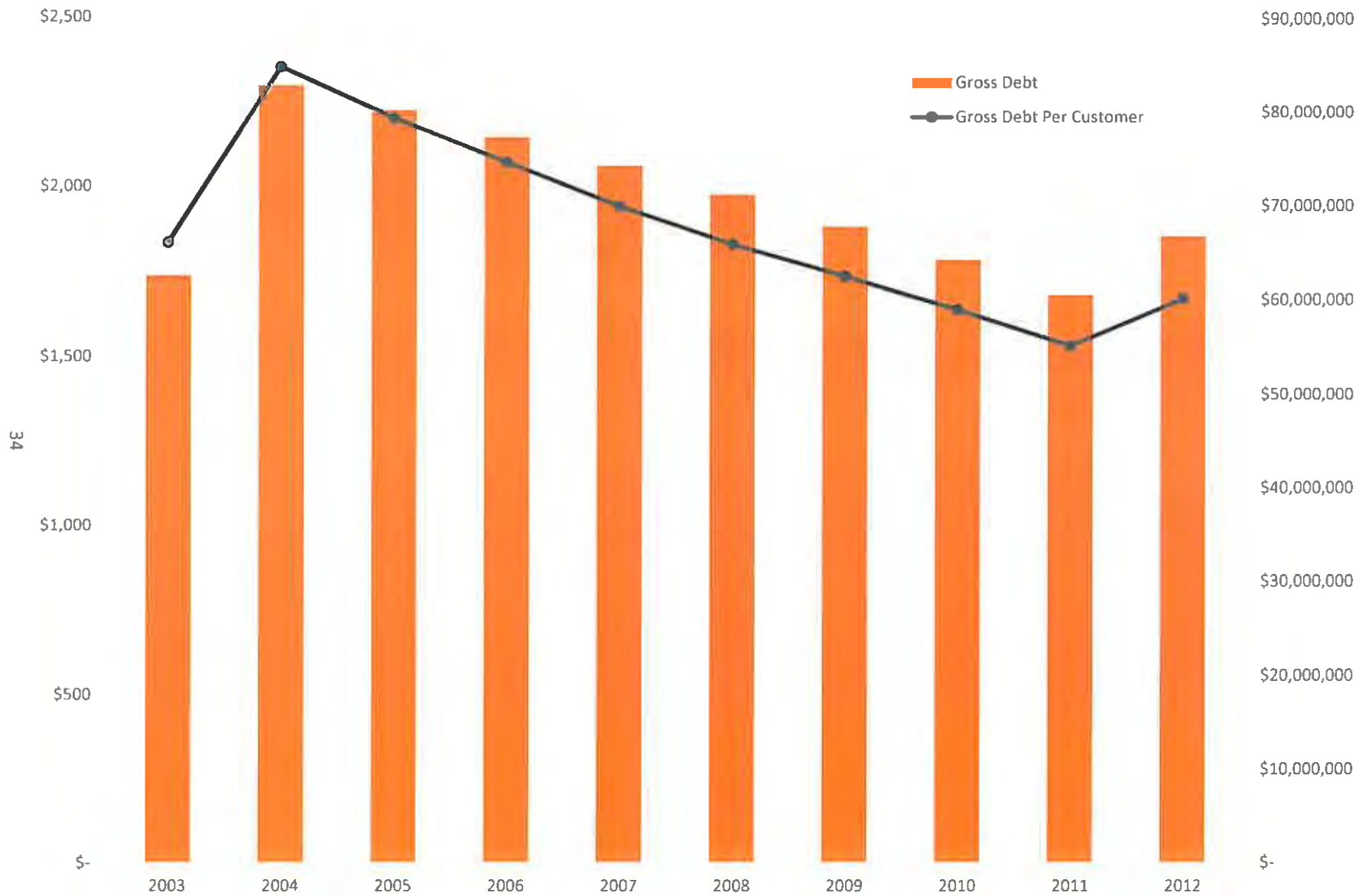
**Centennial Water & Sanitation District**  
**TABLE C-1**  
**RATIO OF BONDED DEBT**  
**NET BONDED DEBT PER CUSTOMER and PER CAPITA SERVED**  
**Last Ten Years**

Year	Customers Served	Population Served	Capital Leases	Gross Bonded Debt			Ratio of Gross Debt			Ratio of Net Debt		
				Outstanding	Less Debt Service Funds	Net Indebtedness	Per Customer	Per	Capita	Per Customer	Per	Capita
2003	34,065	81,457	\$ 279,190	\$ 62,575,000	\$ 6,742,006	\$ 56,112,184	\$ 1,837	\$	768	\$ 1,647	\$	689
2004	35,173	84,230	410,374	82,770,000	6,617,950	76,562,424	2,353		983	2,177		909
2005	36,370	86,998	311,937	80,130,000	6,628,000	73,813,937	2,203		921	2,030		848
2006	37,285	89,160	316,380	77,240,000	6,774,107	70,782,273	2,072		866	1,898		794
2007	38,227	91,197	258,987	74,205,000	6,742,006	67,721,981	1,941		814	1,772		743
2008	38,873	92,709	231,214	71,115,000	6,617,950	64,728,264	1,829		767	1,665		698
2009	39,041	92,943	164,398	67,720,000	6,628,000	61,256,398	1,735		729	1,569		659
2010	39,211	93,264	79,996	64,190,000	6,636,700	57,633,296	1,637		688	1,470		618
2011	39,516	93,945	33,393	60,520,000	6,653,592	53,899,801	1,532		644	1,364		574
2012	39,950	94,871	-	66,725,000	6,642,000	60,083,000	1,670		703	1,504		633

**NOTES:**

- 1 Customers served is based on the number of 3/4" equivalents per Table B-3.
- 2 Population is based on the estimated total population for Highlands Ranch Metro District and Northern Douglas County Water & Sanitation District per Table B-3.
- 3 Gross bonded debt includes the principal on Revenue Bonds outstanding as of year-end not adjusted for premium and loss on refunding.
- 4 Net Debt Service Funds reflects investment amount held at year end (net of interfunds) included in Restricted Assets.

Gross Debt  
Chart C-1



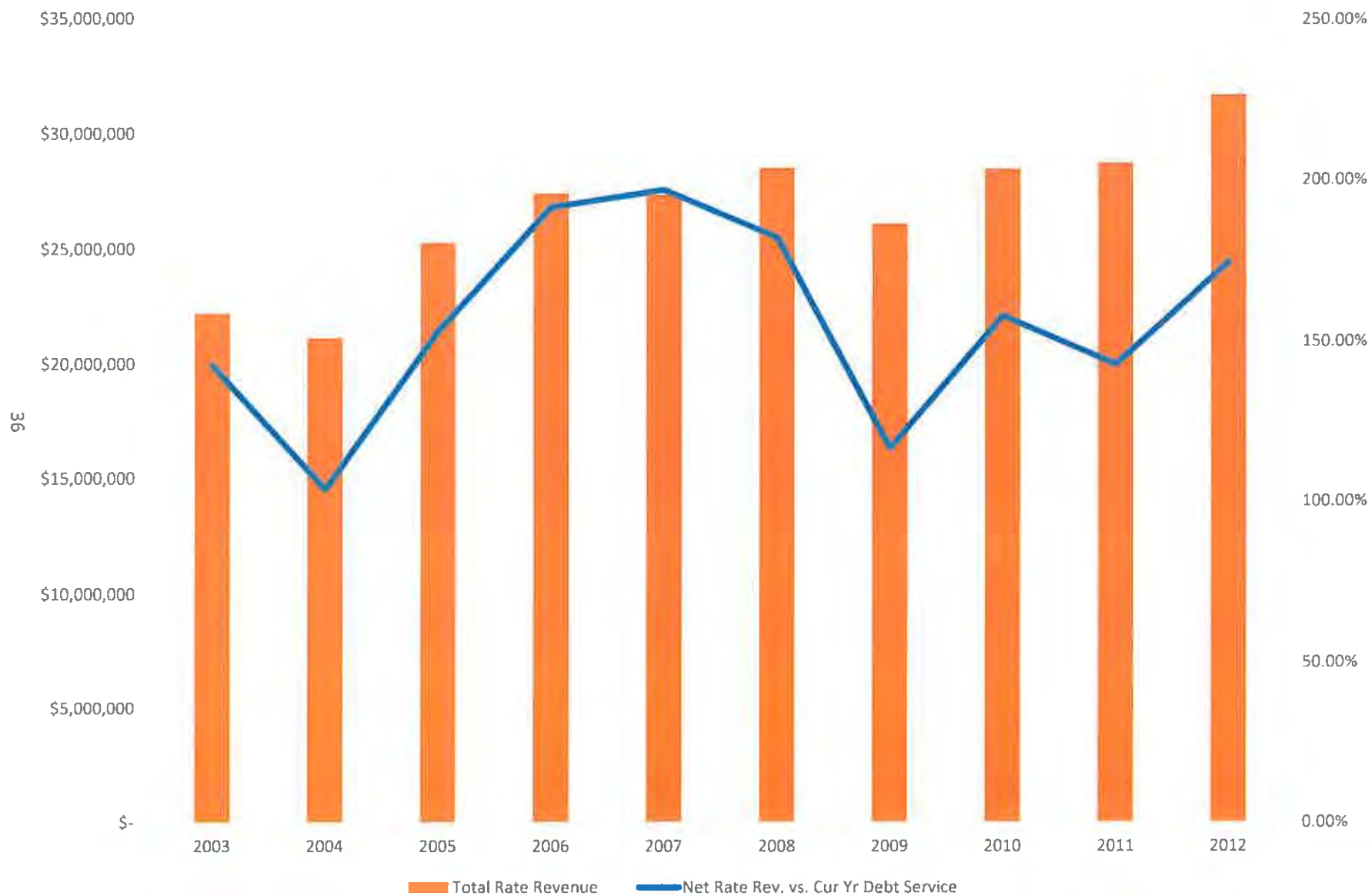
**Centennial Water & Sanitation District**  
**TABLE C-2**  
**COVENANT REQUIRED BOND COVERAGE**  
**Last Ten Years**

Year	Total Operating Revenue	Total Other Utility Revenue	Total Recurring Revenue	Operating Expenses before Depreciation	Net Recurring (operating) Revenue available for Debt Service	Total Net Capital Contributions	Total Funding available for Debt Service and Capital Outlay	Financial Assurance Balance Required or Established	Total Debt Service Net of Refunded Principal	Net Operating Revenue vs. Current Year Debt Service	Net Recurring Revenue vs. Current Year Debt Service	Total Funding vs. Current Year Debt Service	Total Funding vs. Financial Assurance Succeeding Year Debt Service
2003	\$ 22,212,394	\$ 644,402	\$ 22,856,796	\$ 14,084,706	\$ 8,772,090	\$ 6,997,748	\$ 15,769,838	\$ -	\$ 6,150,434	132.15%	142.63%	256.40%	243.78%
2004	21,143,492	576,104	21,719,596	15,002,267	6,717,329	7,318,394	14,035,723	-	6,468,983	94.93%	103.84%	216.97%	208.66%
2005	25,272,357	1,189,808	26,462,165	16,149,625	10,312,540	8,904,469	19,217,009	-	6,726,498	135.62%	153.31%	285.69%	285.55%
2006	27,403,531	2,787,884	30,191,415	17,299,937	12,891,478	7,030,132	19,921,610	-	6,729,801	150.13%	191.56%	296.02%	295.72%
2007	27,358,518	3,769,993	31,128,511	17,861,078	13,267,433	4,481,094	17,748,527	-	6,736,692	140.98%	196.94%	263.46%	270.28%
2008	28,513,491	3,574,587	32,088,078	20,125,863	11,962,215	5,330,952	17,293,167	-	6,566,632	127.73%	182.17%	263.35%	262.02%
2009	26,098,761	1,059,951	27,158,712	19,455,858	7,702,854	3,372,265	11,075,119	-	6,599,896	100.65%	116.71%	167.81%	167.10%
2010	28,474,936	1,364,469	29,839,405	19,362,740	10,476,665	2,129,454	12,606,119	-	6,627,871	137.48%	158.07%	190.20%	185.24%
2011	28,735,120	887,670	29,622,790	19,896,976	9,725,814	2,312,417	12,038,231	5,827,259	6,805,308	129.87%	142.92%	176.89%	263.98%
2012	31,719,010	605,546	32,324,556	20,508,011	11,816,545	3,133,475	14,950,020	6,552,892	6,767,871	165.65%	174.60%	220.90%	320.88%

**NOTES:**

- 1 Bond coverage is based on the debt service on outstanding revenue bonds.
- 2 Includes all income received from the operation of the District facilities including rates, fees, tolls and charge, interest income and other operating income but excludes Capacity Fees
- 3 Expenses for normal operations and maintenance but not including depreciation, amortization or expenses for non-capitalized major repairs made from a reserve fund established for major repair.
- 4 Total Debt Service includes interest per financial statements increased by any amount capitalized plus annual principal payment but not principal retired by refunding
- 5 Total Revenue less O&M Expenses plus Capital Contributions (Reserved Capacity Payments).
- 6 Required 100% Coverage test contained in Series 2004, 2005 and 2008 bond resolutions.
- 7 125% coverage test contained in Series 2004, 2005 and 2008 bond resolutions based on succeeding years debt service.
- 8 As part of the 2011 budget, the Board voluntarily by Resolution established the an internal fund that acts as the equivalent of a Rate Stabilization Fund.

Covenant Required Debt Coverage  
Chart C-2





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

Year	Total Highlands Ranch	DOUGLAS COUNTY, COLORADO							
		Estimated Population (2)	Personal Income (3)	Personal Income Per Capita (3)	Median Age (4)	Average Household Size (4)	Public School Enrollment (5)	School Enrollment to Population	Unemploy- ment Rate (6)
2003	81,457	222,133	8,702,221	39,176	33.7	2.90	42,009	18.9%	4.2%
2004	84,230	235,081	9,657,842	41,083	33.7	2.87	44,762	19.0%	3.9%
2005	86,998	246,438	11,770,921	47,838	33.7	2.89	48,043	19.5%	3.6%
2006	89,160	259,727	13,659,789	52,562	34.7	2.89	50,385	19.4%	3.6%
2007	91,197	286,465	15,607,533	57,390	35.7	2.89	52,393	18.3%	3.2%
2008	92,709	289,961	16,969,723	60,361	33.9	2.89	54,921	18.9%	5.1%
2009	92,943	293,521	18,911,969	59,775	33.9	2.89	57,666	19.6%	6.6%
2010	93,264	285,465	21,370,411	59,358	34.3	2.79	59,932	21.0%	8.3%
2011	93,945	291,083	NA	63,082	36.6	2.79	61,465	21.1%	6.7%
2012	94,871	295,682	NA	66,047	NA	NA	63,114	21.3%	6.3%

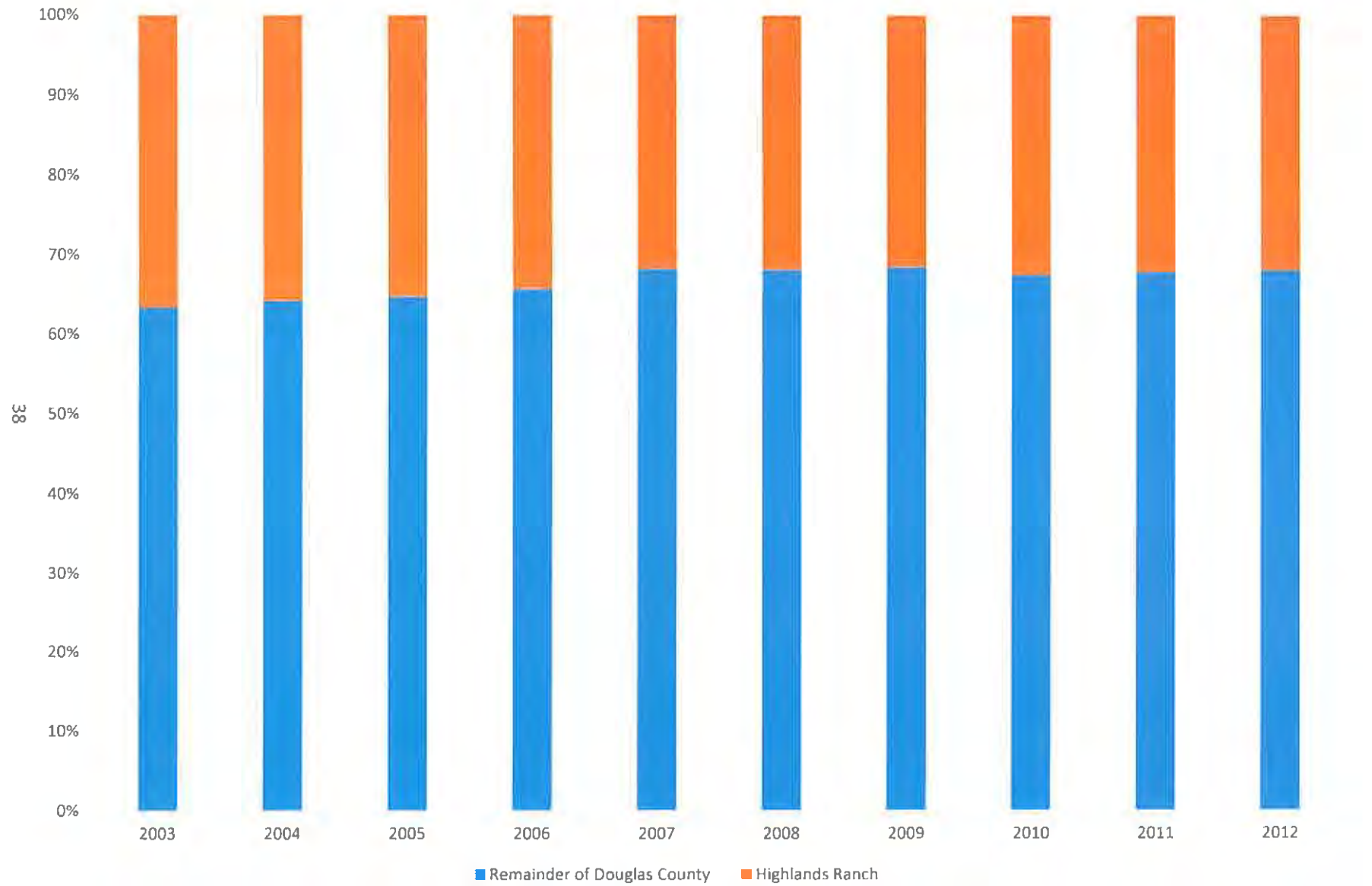
**NOTES:**

1 The Highlands Ranch Metro District is located within Douglas County. Demographic data, other than population estimates, for the district is not available. However the county data is generally representative of the district.

**SOURCES:**

- 2 Douglas County Government
- 3 US Department of Commerce, Bureau of Economic Analysis
- 4 Denver Regional Council of Governments
- 5 Douglas County School District
- 6 Colorado Division of Employment and Training, Labor Market Information

Douglas County Population  
Chart D-1



Centennial Water & Sanitation District  
TABLE D-2  
Douglas County, Colorado  
Principal Employers

Employer	2012			2003	
	Employees	% of Total		Employees	% of Total
1 Douglas County School District	7,000	7.3%	1	5,102	6.2%
2 CH2M Hill	1,520	1.6%	5	1,200	1.5%
3 Western Union	1,130	1.2%			0.0%
4 Douglas County Government	1,090	1.1%	6	987	1.2%
5 Sprint Nextel	1,040	1.1%			0.0%
6 Sky Ridge Medical Center	950	1.0%			0.0%
7 Parker Adventist Hospital	920	1.0%			0.0%
8 Dish Network	840	0.9%			0.0%
9 IHS Global	750	0.8%			0.0%
10 Telettech Services	670	0.7%			0.0%
EchoStar Communications			2	1,765	2.2%
First Data Corporation			3	1,700	2.1%
Avaya			4	1,500	1.8%
Teletec Holdings			7	970	1.2%
Time Warner			8	940	1.1%
Expanets			9	920	1.1%
Information Handling Services			10	680	0.8%
<b>TOTAL</b>	<b>96,000</b>			<b>82,000</b>	

Source: Douglas County Government

**CENTENNIAL WATER and SANITATION DISTRICT**

TABLE E-1  
OPERATING INFORMATION  
December 31, 2012

FULL TIME EQUIVALENT EMPLOYEES AS OF DECEMBER 31,										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
O and M Management	3.5	5.0	5.0	5.0	4.0	5.0	5.0	5.0	5.0	5.0
Plant Operations	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Plant Maintenance	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Collection and Distribution	18.0	17.0	17.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Lab	5.0	5.0	5.0	5.0	6.0	5.0	5.0	5.0	5.0	5.0
Engineering	6.0	6.0	6.0	7.4	7.4	7.5	7.5	7.5	7.5	7.5
General Management	2.0	2.0	2.0	4.6	4.6	4.5	4.5	4.5	4.5	4.5
Financial Services	5.5	6.3	5.3	6.8	6.8	6.8	7.3	7.3	7.3	7.3
Customer Service	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Temporaries	0.0	0.0	2.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>TOTAL</b>	<b>80.5</b>	<b>81.8</b>	<b>83.5</b>	<b>90.3</b>	<b>90.3</b>	<b>90.3</b>	<b>90.8</b>	<b>90.8</b>	<b>90.8</b>	<b>90.8</b>

OPERATING INDICATORS										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Customers Served - Total	34,065	35,173	36,370	37,285	38,227	38,873	39,041	39,211	39,516	39,950
Gallons Billed in Millions	4,029	3,751	4,321	4,556	4,480	4,897	3,924	4,546	4,804	4,962

CAPITAL ASSETS										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>WATER</b>										
Water Filtration Treatment Plant Capacity in MGD	40	40	40	40	40	40	40	40	40	40
Wells in service	54	54	59	59	52	52	52	52	52	52
Pump Stations	9	12	12	12	12	12	12	12	12	12
Raw Water Storage Reservoirs - number					1	1	2	2	2	2
Raw Water Storage Reservoirs - capacity					6400 AF	6400 AF	6605 AF	6605 AF	6605 AF	6605 AF
Treated Storage Reservoirs - number	7	8	8	8	8	8	8	8	8	8
Treated Storage Reservoirs - capacity	34MG	38MG	38MG	38MG	38MG	38MG	38MG	38MG	38MG	38MG
Ground Water Pressure Filtration Plants	2	2	2	2	2	2	2	2	2	2
Miles of water pipelines	391	402	405	406	423	427	432	433	434	437
Valves	8329	8629	8761	8786	9565	9700	9893	9937	9999	10169
Fire Hydrants	2573	2689	2731	2738	2899	2928	2982	2991	3004	3036
<b>WASTEWATER</b>										
8.5 MGD Wastewater Treatment Plant	1	1	1	1	1	1	1	1	1	1
Lift Station	4	4	4	4	4	4	4	4	4	4
Miles of sewer pipeline	292	300	302	307	313	315	319	319	319	321
Manholes	7541	7738	7810	7812	8262	8343	8487	8490	8504	8569

# 2013 Adopted Budget

Adopted December 17, 2012



**CENTENNIAL**  
WATER AND SANITATION DISTRICT

Centennial Water & Sanitation District  
Highlands Ranch, Colorado

CENTENNIAL WATER  
AND  
SANITATION DISTRICT

2013  
Adopted  
Budget



# CENTENNIAL

## WATER AND SANITATION DISTRICT

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### **BUDGET DETAIL**

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I, Stephanie Stanley, certify that the attached is a true and accurate copy of the adopted 2013 budget of the Centennial Water & Sanitation District.

Financial Reporting Analyst  
Centennial Water & Sanitation District

Centennial Water & Sanitation District  
Board of Directors and Customers;

The 2013 Budget was approved and adopted by the Board of Directors on December 17, 2012. As part of the approval process \$29,593,416 was appropriated.

The primary objective of the budget is to present the Centennial Water and Sanitation District ("Centennial" or "District") expenditure plan and to identify the resources and revenues available to fund it. The budget represents the priorities and policies established by the Board of Directors.

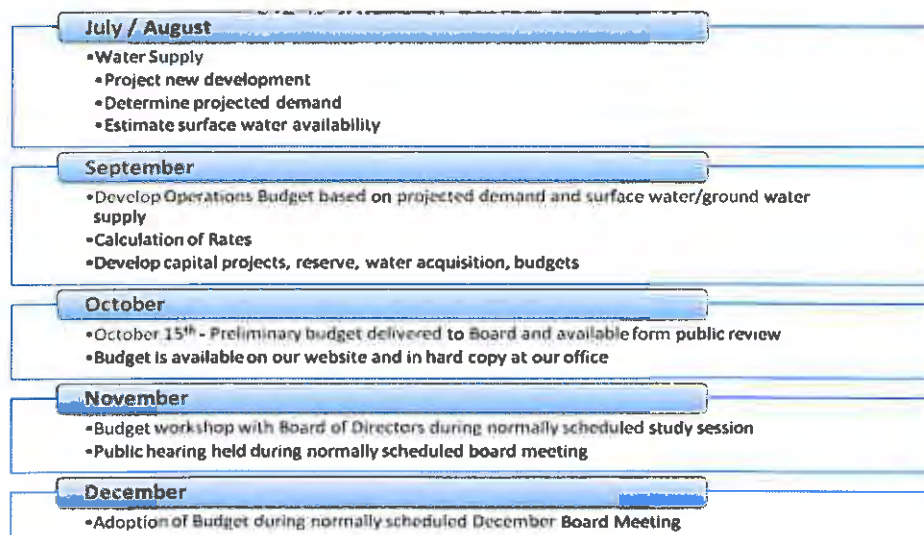
The 2013 appropriation is a 0.3% increase from the 2012 Budget. The slight increase in budgeted expenditures is net of the impact of an increase for wages, benefits, and electrical, offset by a decrease for water lease payments and chemical supplies.

The 2013 Budget anticipates an increase in revenues of 3.5% or \$1.2 million from 2012 budgeted revenues. The increase in revenues is generated by the increase in water and wastewater rates as well as an increase in readiness capacity payment from the Castle Pines North Metro District. The readiness capacity payment is based on an IGA that dictates the annual payment. Despite the sluggish real estate climate the District saw a slight increase in residential and commercial properties in 2012.

The 2013 Budget is a balanced allocation of resources to meet the continuing needs of the customers of Centennial. It meets all legal obligations mandated by federal, state and local laws. It is set forth as the financial plan and operations guide used to communicate to its customers.

## BUDGET PROCESS

Although Centennial is an enterprise for financial reporting purposes, the Board has found it effective to communicate its budgetary practices by utilizing the more traditional governmental fund accounting. Staff prepares a two year projection to better evaluate potential changes to the rate structure. The 2013 budget document includes several performance measures in the appendix. The District will monitor and utilize these measurements in the development of future budgets. The current process is as follows:





## DISTRICT INITIATIVES

### Aquifer Storage and Recovery

Aquifer Storage and Recovery (ASR) has been an integral part of the District's long term strategy to provide adequate water supply. ASR is the process by which during periods of availability of excess surface supplies, high-quality treated water is injected into deep aquifers to store the water for future withdrawal and use. At the end of 2010 the District has injected over 17,000 AF the equivalent of demand for one year in Highlands Ranch. Since this practice comes with an increase in operating costs, in the current economic climate and to minimize the rate increases the 2012 and 2013 budget have recommended no additional ASR. The deferral of ASR eliminates the electrical costs associated with the process.

### Water Supply

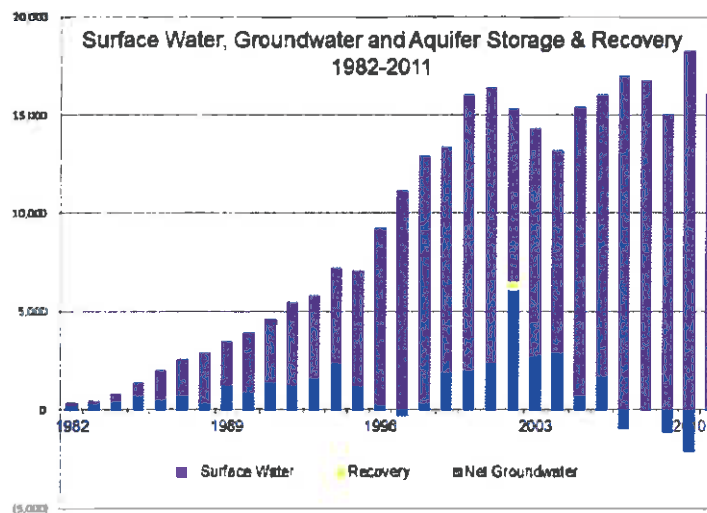
Water is a precious resource in the arid west, and water supply management is a vital component of the operations of the District and a significant driver in the development of the budget.

The water supply management goals of the District include, but are not limited to:

- reducing future water demands;
- reducing future District operating costs related to water supply
- reducing the cost and environmental impacts of new water supplies
- reducing wastewater flows.

The water supply for Highlands Ranch is predominately renewable surface water from the South Platte River Basin. Surface water supply is supplemented as needed with deep groundwater from Denver Basin aquifers beneath Highlands Ranch. Over the past 27 years surface water has comprised 85 percent of the District's water supply.

The chart below summarizes the water production since inception. The negative net groundwater in the chart below shows years where more water was actually pumped into the aquifers than out of it.



The District projects customer demand using a five year rolling average of production plus the impact of the minimal anticipated new development. Water Resources develops an estimate for available surface water based on existing lease agreements and anticipated spot sales.

Staff continues to partner with other regional providers to find new opportunities for surface water acquisition.

### **Water Conservation**

Water conservation planning is an ongoing process of identifying and evaluating different conservation measures and programs. The key to integrating water conservation planning with water supply planning is establishing goals, evaluating measures and programs, determining the impact on utility management, and developing an implementation schedule to reach those goals.

Some goals associated with developing and implementing a conservation plan includes:

- Increased public awareness of methods to use water more efficiently.
- Reduction of indoor water use resulting in lower wastewater flows.
- Reduction of outdoor water use.
- Improved database to establish current use and allow measurement of future conservation impacts.
- Sustain past water savings behavior and attitudes.

Currently the District has several programs, primarily funded from water rates generated from the upper tier surcharges. The programs, with their annual budgeted cost where applicable, include:

1. Water Budgets and Tiered Rates – The District has established water budgets for each customer and a tiered rate structure. The rate structure encourages customers to only use what they need.
2. Lunch and Learn Seminars – There is no direct cost to the District for this program. The program utilizes staff time to prepare and present at monthly meetings held at the local library. The topics vary each month.
3. Incentive Programs – The annual budget is **\$85,000** for a variety of incentive programs. In 2012 the incentives included rain sensor and toilet rebates.
4. Slow the Flow Program – The annual budget for Slow the Flow is **\$40,000**. Slow the Flow is an irrigation audit program offered to customers at no charge to them. An outside consultant is used to handle all aspects of the program. This program began in 2007. Since that time we have seen less water demand from those customers that participated in the program.
5. Postcards – In 2012 the District chose to send one newsletter at the beginning of the irrigation season instead of three postcard mailings saving the District approximately \$17,000. The annual budget will remain the same at **\$30,000** in case of drought situation arises a postcard would need to be sent in addition to the newsletter.
6. Water conservation kits – Water conservation kits are distributed at community events and lunch and learn seminars. Kits include water saving devices and literature on conservation tips. The annual budget is \$1,000.
7. Water Monitors – During the irrigation season the District hires water monitors to enforce water conservation restrictions and educate customers. The cost for these temporary employees is budgeted at \$33,000 in 2013.

### **Regulatory Compliance**

Our constant goal is to provide a safe and dependable supply of drinking water. The District routinely monitors for constituents in your drinking water according to federal and state laws.

In addition to the normal testing and maintenance the District has engaged CH2MHill to perform a study to assess the condition of the Marcy Gulch WWTP and determine the improvements that would be needed to meet pending Colorado Nutrient Standards. A planning level cost estimate will also be developed for internal planning purposes and for submittal as testimony in hearings before the Colorado Water Quality Control Commission. Although existing funding was available for the first phase effort, an economic evaluation was made that determined that it was cost effective to issues new debt in 2012 simultaneous with a significant refunding opportunity for the capital costs associated with these changes and maintain available cash for near-term future water projects. Because of the savings associated with the refunding, the Issuance of debt did not impact the fixed fee associated with providing wastewater services.

1. Centennial maintains an industrial pretreatment program to monitor industries and other businesses that discharge wastewater. Annual inspections at each facility are conducted and documented in a database. Periodic wastewater sampling is conducted as needed to monitor wastewater discharges. This program regulates and prevents hazardous chemicals or waste from being discharged into the sewer system and harming the wastewater treatment plant or passing through without treatment.
2. Centennial, in conjunction with the Highlands Ranch Metro District and Tri-County Health Department, conducts a Household Hazardous Waste Roundup event on an annual basis. Hazardous and toxic chemicals and wastes are collected and either recycled or disposed of at approved facilities. This prevents dumping of the waste material into the streets or storm sewers of Highlands Ranch. For more information about the Household Hazardous Waste Roundup, please visit [www.highlandsranch.org](http://www.highlandsranch.org).
3. As part of national homeland security efforts, Centennial has developed an Emergency Response Plan to document procedures that will be taken to protect Highlands Ranch's water sources and distribution system from accidental or intentional contamination.
4. Centennial has backup water supplies to provide drinking water to our residents in case of accidental or intentional contamination.
5. Centennial has standby equipment to contain and recover spills into surface water supplies.
6. Centennial has an Oil Spill Prevention Control and Countermeasure Plan for all of its facilities. The plan provides guidelines and procedures to control and contain fuel or oil spills from storage or treatment facilities.
7. Security measures have been taken to monitor Centennial's water and wastewater treatment facilities. State of the art monitoring equipment provides information to ensure that the facilities are safe and secure.

#### **Infrastructure / Equipment Needs**

Centennial serves the Highlands Ranch community, a 22,000-acre master-planned community. The community has grown to a population of over 93,000. With 91% of the residential developable acres completed the District has begun the process of reviewing the adequacy of the water distribution system. In 2012 the district received the final report from Carollo Engineering on the District's existing Water Distribution System Hydraulic Model, which was developed over the years by both in-house staff and outside consultants to simulate the District's actual water distribution system. Staff is reviewing Carollo's assessment of the Model and will utilize the results to make recommendations as necessary during the 2013 update of the Facility Plan.

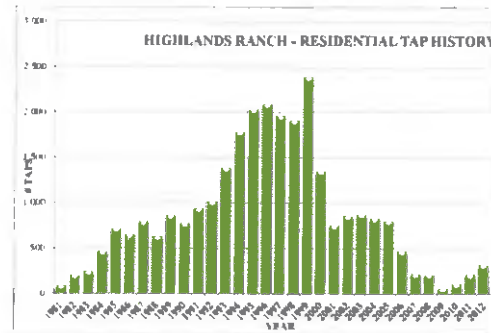
In 2012 the District contracted with CH2MHill to design improvements for the Marcy Gulch Wastewater Treatment Plant. In fall of 2012 staff began a pre-qualification process for potential bidders for the construction of the improvements. Documents were made available to qualified bidders and the bid opening is scheduled for January 2013.

### Annual Operations Expenditures

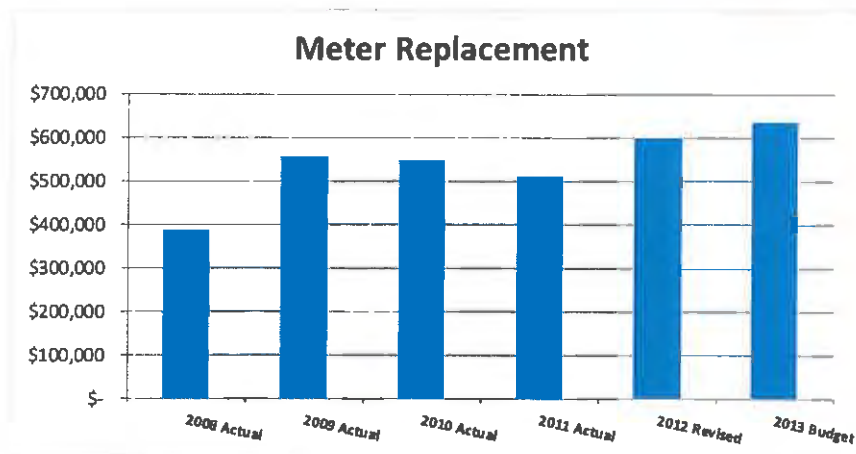
Some key assumptions in the 2013 budget include an increase in average increase in wages of 3%, increase in health insurance premiums with no increase in benefits, electricity rate increase of 7% and reduction in the estimated cost of surface water leases.

### **Meter Replacement**

The District utilizes remote read and radio read replacement meters on a significant number of customers. The use of these types of meters allows for meters to be read utilizing less staff. In order to help ensure accuracy the District replaces the meters every 10 years. The graph below shows the number residential taps installed by year from 1981 – 2012.



To ensure billing accuracy, meter replacement is a regular part of our operations. Depending on meter type the meter needs to be replaced every 10 or 20 years. Despite the uneven tap installation history demonstrated above, staff has created a schedule to level out the meter replacements for more efficient use of staff and more even cash flow requirements.



## **FINANCIAL POLICIES**

The Board of Directors has established financial policies for fund balances and transfers, Investments, Purchasing Guidelines, and Compensation.

### **Budget Procedures**

The District's budget procedures shall comply with Local Government Budget Law of Colorado as outlined in Colorado Revised Statutes (C.R.S.) Title 29 Article 1 Part 1 Budget Services Part 1, for the preparation, consideration, adoption execution and audit of the Highlands Ranch Metro District annual budget.

### **Balanced Budget**

- The budget shall be balanced by fund.
- The budget will be considered balanced if:
  - Estimated revenues and resources for each fund will equal or exceed recommended appropriations.
  - Fund balances meet or exceed the targeted ending fund balances established by the Board.
- The budget shall disclose whether the budget is balanced. If the budget is not balanced, the budget document shall disclose the reasons for not balancing the budget.

### **Fund Balances and Transfers**

Formal targeted Ending Fund balances for the General Fund and the Debt Service Fund were adopted commencing with the approval of the 2011 Budget.

- The ending fund balance for the General Fund will be 6 months of working capital.
- The ending fund balance for the Debt Service Fund will be equal to the next year's debt service payment (principal and interest).

Available funds in excess of the above targeted ending fund balances will be transferred in the following priority:

- to the Major Repair Fund consistent with the budget;
- to the Water Acquisition Fund with a minimum amount equal to \$0.15 per 1,000 gallons billed and a maximum amount equal to the actual surcharge revenue collected the upper water budget tiers.
- any remaining funds will be transferred to the Financial Assurance Fund which is available for potential transfers as determined by the Board to stabilize rates, ensure the Debt Service fund is properly maintained, use by the Reserve Fund for major repairs, and the acquisition of water from the Water Acquisition Fund.

### **Rate and Fee Policy**

The Board has identified the following key 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 annual cost of water related debt service, cost of providing the periodic billing services, the cost of meter replacement, and a portion of funding the Reserve 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 Reserve Fund.
- The water and wastewater consumption rates are designed to cover the cost of the annual operations. Two year budget projections are prepared in order to stabilize the rate requirements and avoid dramatic single year increases whenever possible.
- Capacity fees are designed to recover the cost of capital as defined by the District's Facility Plan.

### **Investments Policy**

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

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, and Treasury Bonds with a final maturity not exceeding five years from the date of purchase and U.S. Treasury Strips with maturities not exceeding five years from the date of purchase.
2. Federal Instrumentality Securities: Debentures, discount notes, and callable securities with a final maturity not exceeding five years from the date of purchase issued by the following: Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Student Loan Marketing Association (SLMA).
3. Corporate Debt: debt issued by any corporation or bank organized and operating within the United States with a maturity not exceeding three years from the date of trade settlement. The debt must be rated at least AA- or the equivalent at the time of purchase by at least two NRSROs, and rated not less by any NRSRO that rates it. The District shall limit investments in Corporate Debt to no more than 25 percent of the total portfolio and 5 percent per issuer.
4. Repurchase Agreements, executed subject to an approved Master Purchase Agreement, with a termination date of 90 days or less collateralized by U.S. Treasury Securities listed in 1 above with maturities not exceeding ten years.
5. Prime Commercial Paper with an original maturity of 180 days or less which is rated at least A-1 by Standard & Poors or P-1 by Moody's at the time of purchase by each service which rates the commercial paper.
6. Eligible Bankers Acceptances with original maturities not exceeding 180 days, issued on domestic banks whose senior long-term debt is similar to 4 above; have a combined capital and surplus of at least \$250,000,000; and have deposits insured by the FDIC.
7. Local Government Investment Pools authorized under CRS 24-75-701 and 702.
8. Money Market Mutual funds which have a rating of AAA by Standard and Poors or AAAm by Moody's.

### **Purchasing Guidelines**

Purchasing Guidelines are intended to ensure that purchases are made in accordance with good business practices while streamlining the amount of paperwork wherever possible. The Purchasing Guidelines were first implemented in the early 1980's and were most recently revised on September 1, 2008. The Purchasing Guidelines set the structure for delegated authority, levels for obtaining bids, and allowable purchases. In all circumstances, approvals cannot take place unless sufficient funds have been appropriated for the project through approval by the Board of Directors. Any adjustment to the appropriations must also be presented to the Board of Directors for approval.

### **Compensation**

The Board has established guidelines for determining compensation. The District's objective is to administer salary changes fairly and consistently for all types of increases. To meet this objective the Board has provided staff with the following guidelines:

1. Produce a compensation plan, which is consistent with the budget expectations, found in the annual budget.
2. Attract and retain quality employees.
3. Ensure market competitiveness by targeting the level of compensation to be at or slightly above market. This is accomplished by assigning ranges so that the surveyed midpoint falls within a range of 95% to 100% of our midpoint.



4. Ensure consistency by establishing a list of organizations for benchmark position market comparison that will be used consistently over time for each category.
5. Within budget constraints, treat employees fairly.
6. Treat exempt and non-exempt employees comparably.

Each year balancing available resources with the costs to provide quality services can be challenging. Centennial Water & Sanitation District is committed to providing quality water and wastewater services while managing resources wisely. The 2013 Budget enables the District to provide services which meet needs and enhance the quality of life for its customers. We encourage readers to read the Introduction and narrative for each fund for more detailed information on the revenue sources and the outflow of funds in addition to reviewing the financial summaries.

Sincerely,



Bruce A. Lebsack  
Director of Finance and Administration  
Centennial Water & Sanitation District

## **HOW TO USE THE BUDGET DOCUMENT**

In order to assist those readers not familiar with the Centennial Water and Sanitation District ("Centennial" or "District") budget documents - or local government organizations - in gaining an understanding of how the budget is organized and what information is presented below is a quick overview:

- The first section of the Budget is devoted to the **INTRODUCTION**, which includes the Budget Message section which provides an overview of the entire budget, and highlights where we are as a district.
- The second section – the **SUMMARY**- provides a quick reference to basic information in a capsulated form. Included in this section is: The Statement of Operations and Changes in Financial (Fund Balance) Position (2011-2013) for the combined as well as individual funds as; the Key Economic Assumptions used to generate the budget numbers; and a narrative describing the key elements of the various funds.
- The final section is devoted to the detail of the **REVENUE and EXPENSE** Budgets of the District. The revenue section includes estimates of the revenues to be raised through the imposition of rates and charges to the District's customers and capital contributed from the collection of capacity fees. The expense section summarizes the expenses by the type of activity incurring the expense as well as the nature of the expense.

### **INTRODUCTION/OVERVIEW**

Centennial was formed in 1980 for the purpose of providing water and wastewater service to the Highlands Ranch master community through a wholesale service agreement with the other governmental entity within the community -the Highlands Ranch Metropolitan District ("HRMD" or "Metro District"). HRMD in turn retails those services to the end users - the property owners. In 1988, utilizing identified extra capacity in its system, Centennial made a minor expansion to its service area beyond Highlands Ranch by entering into another wholesale agreement with Northern Douglas County Water and Sanitation District ("NDC" or "Contract Service Area"). Collectively HRMD and NDC may be referred to as the "Service Districts". A service area map can be found in the appendix of this document.

Highlands Ranch is located in Douglas County, Colorado. Highland Ranch specifically has been touted as one of the most desirable places to live by numerous publications. Highlands Ranch enjoys a favorable economic environment relative to other Denver Metro area communities and local economic indices, despite the recent economic downturn, point to continued long-term stability.

In accordance with Colorado State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to:

- review the status of the current year budget
- approve the following year's budget
- appropriate the funds necessary to operate for the ensuing year.

Although it is the intent of the Board of Directors to adopt a budget which will go unchanged, statutes allow the Board to modify the budget and the appropriation resolutions upon completion of notification and publication requirements.

### **FINANCIAL ENTERPRISE – BUDGET BY FUND**

Although Centennial is an enterprise for financial reporting purposes, the Board has found it effective to communicate its budgetary practices by utilizing budgeting practices that more closely resemble traditional governmental fund accounting. As a result, Centennial's expenditures are broken down into distinct primary funds of a recurring nature.

Funds are a self balancing group of accounts which are used to record the expenditures for various types of activities performed by the funds and to account for different monies coming into the District in different ways. The fund balance represents the difference between assets and liabilities reported in a governmental fund. All expenditures for general operations and capital outlay are reported on a full accrual basis; i.e. expenses are recognized in the period incurred, if measurable. For budgetary purposes, debt and nonrecurring expenditures are recognized on a cash basis; i.e. the expenditure is recognized only when made. The funds of a recurring nature used for budgetary practices are:

- ✓ Operations Fund - budgets for the ongoing operations cost of the District including personnel and expenses associated with day to day operations necessary to deliver water and process wastewater.



For financial statement purposes the following three sub-funds, although uniquely accounted for in the accounting system, are consolidated as part of Current Assets. Funding for the three sub-funds is from rate income initially deposited into the operations funds and then, after meeting 1) the targeted ending working capital in the operations fund and 2) the targeted ending fund balance in the debt service fund, is transferred as follows:

- *Reserve* – \$1.77 M annual base rate income allocated between the water and wastewater rates and reduced by miscellaneous capital outlay from the operations fund. The fund balance is available for major repair and replacement of District owned equipment.
- *Water Acquisition* - funded by the a transfer from operations, the minimum transfer is equal to the \$.15 per thousand gallons component in the water rates with the maximum transfer equal to the income gross income from the higher rate tiers. The fund balance is available for:
  - acquisition of surface water
  - construction of facilities to capture, store and deliver surface water
  - protection of stream and reservoir quality and various water conservation incentives.

The fund is also used to fund the cost of maintaining inventory levels in both the reservoirs and using ASR for underground storage.
- *Financial Assurance* – formally established in 2011 funding of the Financial Assurance adjusts annually based upon the available annual resources net of the two transfers above and the targeted transfer to the Debt Service Fund. Examples of resource accumulation that impacts the available funds include 1) the rate income from the higher water tiers which is not accounted for in the calculation of rates; and 2) higher than or lower than the anticipated net investment income used to calculate the rates. Use of the Financial Assurance fund allows the District to avoid fluctuation of rates due to volatile economic conditions or significant reductions in demand.
- ✓ Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term obligation principal, interest and other costs related to the management and retirement of debt.
- ✓ Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital improvement projects or facilities. The capital improvement projects funded from these resources usually are those identified in the District's Comprehensive Facilities Plan.

A comparison between the 2012 budget and 2013 proposed budget are presented in summary form below. A more detailed look at each category of expenditures is found later in this introduction and under the detailed expenditure sections.

	2012 Budget	2012 Projected	2013 Budget	% Increase/ Decrease
Operating expenses	\$ 17,971,377	\$ 18,149,692	\$ 19,447,480	7.15%
Water Leases	3,272,911	2,900,000	3,235,991	11.59%
Misc. Capital	88,226	105,500	-	-100.00%
Equip. Lease payments	28,352	40,446	-	-100.00%
Total Operating	21,360,866	21,195,638	22,683,471	7.02%
Debt service (scheduled)	6,642,000	6,642,000	6,655,000	0.20%
Reserve (major repair)	1,505,901	864,880	4,350,000	402.96%
Reserve (misc. capital)			254,945	100.00%
Capital Projects	3,501,936	2,022,583	13,156,416	550.48%
Nonrecurring	-	385,000	-	-100.00%
	<u>\$ 33,010,703</u>	<u>\$ 31,110,101</u>	<u>\$ 47,099,832</u>	51.40%

## OPERATING REVENUES/OTHER RECEIPTS

### Operating Revenues

Operating revenues are comprised of income received from:

- Billings to the Service Districts, HRMD and NDC, for water and wastewater services. The Service Districts in turn bill their customer for providing water and wastewater services. The detailed rates charged by Centennial to be collected by the Service Districts are summarized on page 18 of this budget
- Sale and installation of meters for new customers. The District acquires all meters and sells them at cost to HRMD. In addition, District staff installs all meters for services located within the HRMD and charges an installation fee for providing this service. NDC is responsible for its own sale and installation of meters.

Following is a summary of the rates charged from 2010 through proposed 2013.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Water Service Availability Charge (bimonthly)	25.00	25.00	25.00	25.00
Water Rate Up to 100% of Budget/1,000 gallons	2.55	2.60	2.65	2.75
Minimum Wastewater Charge (bimonthly)	19.28	20.06	20.65	20.95
Wastewater per 1,000 gallons over 3,000	2.35	2.52	2.55	2.65

The base water rates are charged to each individual customer based on a unique "Water Budget" calculated for each individual customer based on the characteristics of the customer's property. Usage above the budgeted amount results in ever increasing increases to the tiered rate. The purpose of this innovative rate structure is to encourage water conservation through economic incentives to customers.

For Highlands Ranch residential wastewater service, the rates for the community are annually adjusted based on the individual homes average monthly wintertime water consumption for two months as a proxy for actual sewer flows during the entire year. The residential wastewater charges require a minimum of \$21.10 per bimonthly billing which includes 3,000 gallons. The actual monthly rate will be determined for each individual household based on its wintertime consumption multiplied by \$2.70 (which is also the nonresidential rate) for usage greater than 3,000 gallons plus the minimum amount of \$21.10.

Based on the above the District has projected the following operating revenues for 2012 and 2013:

	<u>2012 Budget</u>	<u>2012 Projected</u>	<u>2013 Budget</u>	<u>2012 Projected 2013 Proposed % Increase/ Decrease</u>
<b>Water Operations</b>				
Utilization charges				
Metered water sales	\$ 14,195,000	\$ 15,000,000	\$ 15,427,000	2.85%
Service availability charge	5,704,900	5,750,000	5,816,200	1.15%
	<u>19,899,900</u>	<u>20,750,000</u>	<u>21,243,200</u>	2.38%
Other operating income				
Penalties, reconnects, final billing	300,000	450,000	300,000	-33.33%
Development charges				
Meter sales	83,742	165,824	105,276	-36.51%
Inspection Fees	57,238	119,975	72,425	-39.63%
Construction/hydrant water	15,000	15,000	15,000	0.00%
	<u>455,980</u>	<u>750,799</u>	<u>492,701</u>	-34.38%
Total water operations	<u>\$ 20,355,880</u>	<u>\$ 21,500,799</u>	<u>\$ 21,735,901</u>	1.09%
<b>Wastewater Operations</b>				
Base	2,496,100	2,515,200	2,568,000	2.10%
Usage driven	5,686,300	5,659,800	6,034,200	6.62%
Total wastewater operations	<u>8,182,400</u>	<u>8,175,000</u>	<u>8,602,200</u>	5.23%
Total	<u>\$ 28,538,280</u>	<u>\$ 29,675,799</u>	<u>\$ 30,338,101</u>	2.23%

## Contributed Capital

Contributed capital represents payments by the Service Districts to Centennial for the purpose of reserving capacity within the Centennial system. These payments are of three varieties:

- The Base Capacity Fee

Calculated annually for new development within HRMD's boundaries as of October 1 and is payable by HRMD on April 1 of the following year. The HRMD fee, which has remain unchanged since January 1, 2000 is:

- ✓ \$5,960 per single family residential dwelling unit
- ✓ \$3,780 per multi family residential dwelling unit
- ✓ \$9,650 per ¾' nonresidential equivalent tap

The capacity fee represents the amount necessary to recover the estimated cost of all of the initial infrastructure and facilities (including engineering and construction costs but not financing costs) to be built by Centennial allocated by user class. The Base Capacity Fee is collected based upon the zoning of new land brought into the HRMD adjusted for rezoning of prior inclusions, actual platting or replatting of land within HRMD, and changes in the amount of the calculated capacity fee.

The Base Capacity Fee for NDC has by contract additional surcharges added to the Base Capacity Fees described above and are payable as service is requested from Centennial. In addition to the adjusted Base Capacity Fee, option payments are required to reimburse Centennial for past carrying cost to preserve the reservation.

- The Water Acquisition Development Fee

Collected from new users in the Service Districts at the time the end user is actually placed in service. This fee is designed to generate revenue towards the cost of developing additional water resources to insure economically beneficial supplies in the future. The budgeted fee will remain unchanged in 2013 at \$1,480 per ¾" equivalent. Proceeds from this fee are deposited to the Water Acquisition Fund described above.

- The Channel Stabilization surcharge

Collected from new users only within HRMD, this surcharge is collected at the time the end user is actually placed in service. This fee is designed to generate revenue to cover \$4.2 million of funding for various channel stabilization projects in Highlands Ranch, primarily in the March Gulch basin, that Centennial has committed to in order to protect Centennial's water storage capacity from the effects of soil erosion or to protect Centennial's pipeline infrastructure from erosion induced damage. The budgeted fee is \$250 unchanged in 2013. Proceeds from this fee are deposited to the Water Acquisition Fund described above.

## Other

Other revenues include:

- short term water leases
- lab service charges to other water and sanitation districts for testing done by the District lab.
- rental of administrative office space and computer equipment to the Highlands Ranch Metropolitan District.

## Net Investment Income

The District invests funds in excess of current requirements according to an investment policy approved by the Board of Directors. Short term market yields remained low in 2012, at a rate of approximately 1%, which was slightly lower than the budgeted assumption. The 2013 budget will assume continued low yields for reinvestment resulting in an annualized yield of the total portfolio of 0.9%.

## OUTLAYS

### OPERATING EXPENSES

The Operating Fund budget accounts for operation, maintenance, and general management activities of the District.

### BY COST CENTER

The budgeted expenses can be summarized by Cost Center as follows:

	2011 Actual	2012 Budget	2012 Projected	2013 Budget
<i>Operations expenses</i>				
Water operations	\$ 6,729,101	\$ 7,983,258	\$ 7,795,231	\$ 8,760,950
Wastewater operations	4,095,745	4,281,052	4,769,679	4,737,473
Technical management	3,162,108	3,269,847	3,085,803	3,338,733
General management	2,289,496	2,541,330	2,498,979	2,610,324
<i>Miscellaneous Capital / Leases</i>				
Water Leases	3,374,122	3,168,801	2,900,000	3,235,991
Direct payment	112,111	88,226	105,500	-
Capital Lease Payment	46,604	28,352	40,446	-
<b>Total Outlays</b>	<b>\$ 19,809,287</b>	<b>\$ 21,360,866</b>	<b>\$ 21,195,638</b>	<b>\$ 22,683,471</b>

The various cost centers include the following activities

#### Water Operations

Water operations include funding for a staff of **26** Full Time Equivalents (FTE's).

The activities supported in Water Operations include the following:

- Maintenance of equipment associated with storage reservoirs including upstream erosion control.
- Costs associated with wells and ground water supply including electrical cost of pumping and operation of maintenance of the wells and appurtenant structures.
- Provides for the treatment of water from well sources to lower mineral content through filtration prior to use in the potable water system.
- Provides for the operations and maintenance associated with the pumping of water from the reservoirs to the Water Treatment Plant as well as the pumping of treated water to the distribution system.
- Provides for treatment of surface water sources at the Joseph Blake Water Treatment Plant to comply with the Safe Drinking Water Act.
- Provides for maintenance of the Joseph Blake Water Treatment Plant facilities used in the treatment of surface water supplies.
- Provides for the expense of water meters installed to provide service.
- Provides for the operations and maintenance associated with the transport of water through the distribution system including records keeping, equipment, emergency repairs, and preventative maintenance.

#### Wastewater Operations

Wastewater operations include funding for a staff of **29** FTE's.

The activities supported in Wastewater Operations include the following:

- Provides for the operation and maintenance of the Districts wastewater collection system including normal inspection and cleaning and emergency repairs to sewage transport facilities.
- Provides for treatment of the wastewater generated by the community to comply with the state and federal regulations prior to discharge to the South Platte River.
- Provides for preventative and major maintenance associated with the Marcy Gulch Wastewater Treatment facility necessary to preserve the capital equipment and facilities as well as to prevent any facilities down time.
- Provides for the operation and maintenance of the Willow Creek and Big Dry Sewage Lift Station facilities which are necessary to transport sewage from low lying areas to the main sewage collector system for ultimate transport to the Marcy Gulch facility for treatment.

### **Technical Management**

Technical Management includes funding for a staff of 18.375 FTE's.

The activities supported in Technical Management include the following:

- Provides for the legal and engineering costs necessary to protect the Districts water portfolio. Includes the cost of water master planning and other non capital development costs.
- Provides central direction, coordination and supervision of the Districts water and wastewater facilities including: wastewater collection, wastewater treatment, sludge management, water treatment, and distribution.
- Performs laboratory testing to assure compliance with the Safe Drinking Water Act and the Discharge Permits for the water and wastewater systems; quality control evaluation, and process control testing; assists operational staff in the proper operation of the treatment facilities; completes special projects to evaluate the effectiveness and efficiency of operating practices.
- Administers and facilitates the construction and operation of the facilities belonging to the Centennial.
- Provides for operational costs and maintenance of the vehicles associated with District operation and maintenance functions.

### **General Management**

General Management includes funding for a staff of 19.040 FTE's.

The activities supported by General Management include the following:

- Costs associated with the Board of Directors which serves as the District's legislative body; adopts policies and resolutions that govern the direction and priorities of the community in a public forum.
- The expenses related to the office of the manager which implements policies set by the Board of Directors; manages the overall operation of the District and advises the Board of Directors of administrative matters and policy issues.
- Provides centralized recruitment, selection, and organizational development services to all departments; maintains personnel files and classifications and compensation system for District employees; coordinates the District's employee benefit programs.
- Provides for HRMD as well as Centennial centralized accounting; financial reporting and purchasing; provides periodic budget comparisons; coordinates vendor payments and payroll; responsible for coordinating independent audits. Provides investment portfolio and debt management; prepares the annual budget and supplemental appropriations; provides research and analysis of various programs; prepares long range financial forecast; is responsible for the risk management activities of the District.
- Provides for the data processing and other administrative computer system needs of the District.
- Provides for customer billing and response to customer inquiries.
- Provides centralized purchasing of office supplies; coordinates the management and development of District information and communications systems.
- Provides for maintenance of the District's Administration Building.
- Provides for the insurance necessary for risk management.

### Water Leases

Provides for the annual purchase of surface water pursuant to various agreements for treatment at the Joseph Blake Water Treatment Plant. Below is a summary of the 2013 budget water lease payment amounts.

	Acre Feet	2013 Budget		Total
		Consumption \$	Lease \$	
Long Term				
a) City of Engelwood	5,320	\$ 1,411,062	\$ 778,907	
b) Denver Water Board	1,000	329,110		
c) CCWCD/Bargas Ranch	200	200,000	20,000	
Short Term				
CET	950	321,062		
Castle Rock	925	111,000		
Hock Hocking Lease	75	7,500		
Cline Ranch	50	10,000		
Castle Pines North	250	30,000		
Other Miscellaneous	56	17,350		
	8,826	\$ 2,437,084	\$ 798,907	\$ 3,235,991

### Direct Payment / Capital Lease Payment

Purchases of miscellaneous capital items are typically done through one-time purchases. Depending on market conditions at the time, certain miscellaneous capital items (personal property - primarily vehicles) may be financed through lease/purchase agreements. The District has no lease/purchase agreements covering real property.

### BY OBJECT OF EXPENDITURE

The Operating expense budget can also be summarized by major classification of Object of Expenditure as follows:

	2012 Budget	2013 Budget	2012 Budget / 2013 Budget	
			\$ Increase/ (Decrease)	% Increase/ (Decrease)
Personal services	\$ 7,459,081	\$ 8,002,301	\$ 588,390	7.94%
Material and supplies	1,580,766	1,789,699	(52,044)	-2.83%
Fuel and chemical products	2,484,666	1,951,943	(332,765)	-14.56%
Purchased services	3,226,501	3,692,257	(301,839)	-7.56%
Utilities	2,648,315	4,011,280	1,167,538	41.06%
Subtotal - Operating Expenses	17,399,329	19,447,480	1,069,280	5.82%
Contractual obligations (w/ contingency)	3,844,959	3,235,991	225,081	7.48%
Subtotal	\$ 21,244,288	\$ 22,683,471	\$ 1,294,361	6.05%
Misc. Capital	116,578	-	(145,946)	-100.00%
Total	21,360,866	22,683,471	1,322,605	6.2%

The type of costs charged to each Object of Expenditure include:

#### Personal Services

Expenditures directly related to the District employee's such as wages, benefits, temporary wages, training, uniforms, and overtime.

#### Materials and Supplies

Expenditures relating to supplies purchased by the District including meters, repair parts, safety equipment, and general operating supplies.

#### Fuel and Chemical Products

Purchase of fuel for the District's fleet and water treatment chemicals.



### Purchased Services

A wide variety of services acquired by the District in the normal course of business including printing and copying, memberships, equipment rental, repair services, licenses, postage, and conferences.

### Miscellaneous Capital

Expenditures for capital assets with a value in excess of \$5,000 and a life expectancy of greater than two years. In general these outlays are for nonstructural items that are used to directly assist with the day to day operations. Examples of items that are funded in this manner are vehicles, contractor equipment and other small equipment. The anticipated expenditures for 2011 thru 2012 are detailed on the Miscellaneous Capital Schedule.

### Utilities

Payments for electricity, water and sewer, and natural gas. The biggest component is the electrical charges.

## **DEBT SERVICE**

Along with cash payments funded by the Reserve Capacity payment, the District has utilized tax-exempt debt to fund the capital improvements identified in its Facility Plan. On December 3, 2012 the District closed on a loan that refunded portions of the debt (Series 2004) as well as issuance of new revenue debt for the purpose of construction wastewater treatment plant revisions.

The debt, described in more detail in a later section of the Budget, can be summarized as follows:

	2012 Projected	2013 Budget	2014 Projected
Interest	\$ 2,802,000	\$ 1,820,000	\$ 1,632,000
Principal payments (scheduled)	3,840,000	4,835,000	5,030,000
	<u>\$ 6,642,000</u>	<u>\$ 6,655,000</u>	<u>\$ 6,662,000</u>

On November 3, 1992, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not exceed \$280,000,000 of which \$178,216,000 remains authorized but unissued.

## **CAPITAL PROJECTS and MAJOR REPAIR**

***(Facility Plan related, Channel Stabilization, Water acquisition and Reserve)***

A Capital Improvement Project is a project to acquire or construct an asset generally with a value exceeding \$25,000 and an expected life of ten years or more.

Appropriations for Capital Improvements are made throughout the year based upon the actual projects required and the bids received for construction. Capital project appropriations continue in effect for the life of the project. It is characteristic that these projects span several years due to the scope of work being done. These capital improvement projects may include:

- projects identified in the Districts long-range Facility Plan
- reimbursements to HRMD for Channel Stabilization projects
- major repairs
- water acquisition and development

### 2013 Projects identified include:

- The design for Phase Iimprovements of the Marcy Gulch Wastewater Treatment Plant will be completed in 2012. Construction will begin in 2013.
- Two well re-drills are planned for 2013 to support our projected demands.
- Pipeline development for Water, Wells, and Wastewater will be constructed if necessary to accommodate new development. Initially these projects will have no impact on operation and maintenance costs. Long-term ongoing repair and maintenance will paid for from rate revenues.

The new appropriations during the year for water and wastewater projects are combined with any carry-forward unexpended appropriations from prior years net of appropriations which are subsequently rescinded due to the completion of a project to provide the net available authorization for capital expenses. To the extent that the District does not expend this authorized amount during 2012, the unexpended amount will be carried forward to 2013 and will be added to the 2013 appropriations to calculate the authorized expenses. The schedule below shows the anticipated appropriation status for various water and wastewater projects in 2012 through 2014.

	Capital Projects Fund		Water	Major
	Facility Plan I	Facility Plan II	Acquisition	Repair
Carried forward from 2011	\$ 64,304	\$ -	\$ -	\$ -
Net appropriations anticipated		706,854	544,571	864,880
Less carried forward to 2013				-
2012 Outlay	<b>\$ 64,304</b>	<b>\$ 706,854</b>	<b>\$ 544,571</b>	<b>\$ 864,880</b>
Carried forward from 2012	-	-	-	-
Net appropriations anticipated	5,486,000	6,320,416	1,350,000	4,350,000
Less carried forward to 2014				
2013 Outlay	<b>\$ 5,486,000</b>	<b>\$ 6,320,416</b>	<b>\$ 1,350,000</b>	<b>\$ 4,350,000</b>
Carried forward from 2013	-	-	-	-
Net appropriations anticipated	-	-	-	-
Less carried forward to 2015				
2014 Outlay	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

#### **NON-RECURRING**

Non-recurring expenditures are those that are unique to a given year and therefore cannot be readily compared to other year's expenditures when evaluating budget programs. Often times, as in the case of the refunding of outstanding bonds, funding of these expenditures comes from proceeds of the new bonds issued. Those non-recurring expenditures will be treated differently for financial statement presentation purposes (i.e. compliance with generally accepted accounting principals) than budgetary presentation.

A non-recurring expenditure that may be specifically identified in the budget is the Water Transfer Agreement payment to Shea Homes, the primary developer of Highlands Ranch. This payment is required pursuant to an agreement with Shea Homes, wherein wells and other water supplies were given to the District in exchange for a specific payments amount to Shea for taps sold by the District to customers outside of the boundaries of Highlands Ranch, essentially NDC. The agreement incorporates an escalation provision every five years which was last escalated in 2008 and was evaluated again in 2012. In September 2012 the Board approved an increase effective January 1, 2013. The approved fee schedule can be found in the appendix of this document.

#### **OPERATING TRANSFERS and FUND BALANCE POLICIES**

Although the District's financial statements are presented as an enterprise fund, for budgeting purposes the District has created numerous funds that mirror the intent of such funds as found in general governmental accounting. To assist with the funding, the Board has established various policies relating to target fund balances. In order to meet these policies, the Board authorizes transfer of resources between the various funds which have been established for budgetary purposes. The primary fund balance policies, the types of transfers and the priority of said transfers are anticipated in the 2012 and 2013 budgets as follows:

##### **Operations Working Capital**

The Board has established a target equal to 50% of the next years' estimated operating expenditures. This target provides adequate working capital in case of unusual revenue patterns, economic or natural distress.



#### Operations to Debt Service

In order to ensure that the District complies with the various ratios required by Bond Covenants the District has chosen to maintain an ending fund balance equal to the **100% of the next years' debt requirement**. After taking into consideration any other directly related available sources of funding the Operations Fund will transfer funds to the Debt Service Fund to reach the targeted amount.

The rate structure is designed so that the Water Service Availability Charge and the fixed wastewater charge collected in the Operations Fund is the primary source of the funding to make this transfer. The following table summarizes the projected transfer required and the target ending fund balance:

	Transfer Required	Target ending Fund Balance
2012	\$ 6,704,408	\$ 6,655,000
2013	\$ 6,659,855	\$ 6,662,000
2014	\$ 6,660,473	\$ 6,660,473

#### Operations to -in priority order- either Reserve, Water Acquisition or Financial Assurance

To the extent that the ending balance in the Operating Fund exceeds the working capital requirement and the Debt Service transfer, excess funds will be transferred as described previously to the Reserve, Water Acquisition/Protection or Financial Assurance Funds. 2010 through projected 2012 transfers from the Operating Fund are anticipated as follows:

	2011 Actual	2012 Projected	2013 Budget
Transfers of rate income to:			
Reserves	\$ 1,578,950	\$ 1,579,054	\$ 1,770,000
Water Acquisition	1,459,322	1,080,131	952,775
Financial Assurance	320,109	-	-
Total	<u>\$ 3,358,381</u>	<u>\$ 2,659,185</u>	<u>\$ 2,722,775</u>

#### Capital to Reserve

The 2013 budget includes a transfer of \$2,829,000 from the Capital Fund to the Reserve Fund for the well redrill program.

#### Water Acquisition to Reserve

In addition to the transfer from Capital there is also a transfer from Water Acquisition to Reserves in the amount of \$7,564,000 for the well redrill program.

CENTENNIAL WATER AND SANITATION DISTRICT  
ALL FUNDS - 2011-2013

	2011 Actual	2012 Projected	2013						Adopted Budget
			Operations	Financial Assurance	Water Acquisition	Reserve	Debt Service	Capital Projects	
<b>REVENUES &amp; OTHER RECEIPTS</b>									
Operating revenues									
Water operations	\$ 19,545,754	\$ 20,750,000	\$ 21,243,200		\$ -	\$ -	\$ -	\$ -	\$ 21,243,200
Wastewater operations	8,100,431	8,175,000	8,602,200		-	-	-	-	8,602,200
Other operating	524,421	750,799	492,701		-	-	-	-	492,701
Intergovernmental/Fund reimb	327,934	626,000	895,000		-	-	-	-	895,000
Nonoperating and other receipts									
Rental Income	236,580	218,000	209,000		-	-	-	-	209,000
Miscellaneous	8,484	15,000	15,000		-	-	-	-	15,000
Lease Proceeds	-	-	-		-	-	-	-	-
Bond proceeds (net of OID)	-	49,240,000	-		-	-	-	-	-
Contributed Capital	2,312,417	2,919,030	-		750,820	-	-	1,564,751	2,315,571
Net investment income	879,186	694,000	699,000		-	-	-	-	699,000
<b>Total Revenues &amp; Other Receipts</b>	<b>31,935,207</b>	<b>83,387,829</b>	<b>32,156,101</b>	<b>-</b>	<b>750,820</b>	<b>-</b>	<b>-</b>	<b>1,564,751</b>	<b>34,471,672</b>
<b>OUTLAYS</b>									
Operating expenses									
Water operations	6,729,101	7,795,231	8,760,950		-	-	-	-	8,760,950
Wastewater operations	4,095,745	4,769,679	4,737,473		-	-	-	-	4,737,473
Technical management	3,162,108	3,085,803	3,338,733		-	-	-	-	3,338,733
General management	2,289,496	2,498,979	2,610,324		-	-	-	-	2,610,324
	16,276,450	18,149,692	19,447,480	-	-	-	-	-	19,447,480
Miscellaneous Capital/Leases									
Water leases	3,374,122	2,900,000	3,235,991		-	-	-	-	3,235,991
Misc. Capital		105,500				254,945			254,945
Capital lease payments	46,604	40,446	-		-	-	-	-	-
	19,697,176	21,195,638	22,683,471	-	-	254,945	-	-	22,938,416
Debt Related									
Interest	2,965,308	2,802,000	-		-	-	1,867,000	-	1,867,000
Principal	3,670,000	3,840,000	-		-	-	4,835,000	-	4,835,000
	6,635,308	6,642,000	-	-	-	-	6,702,000	-	6,702,000
Capital outlay									
Capital Projects	1,881,325	2,887,463	-		1,350,000	4,350,000	-	11,806,416	17,506,416
	1,881,325	2,887,463	-	-	1,350,000	4,350,000	-	11,806,416	17,506,416
Nonrecurring									
Bond issuance expenditures	-	376,950	-		-	-	-	-	-
Transfer to Refunding Escrow	-	42,854,900	-		-	-	-	-	-
Water transfer agreement payment	42,760	-	-		-	-	-	-	-
	42,760	43,231,850	-	-	-	-	-	-	-
<b>Total Outlays</b>	<b>28,256,569</b>	<b>73,956,951</b>	<b>22,683,471</b>	<b>-</b>	<b>1,350,000</b>	<b>4,604,945</b>	<b>6,702,000</b>	<b>11,806,416</b>	<b>47,146,832</b>
<b>OPERATING TRANSFERS</b>									
Operations - Debt Service	-	-	(6,640,705)		-	-	6,640,705	-	-
Operations - Reserve	-	-	(1,770,000)		-	1,770,000	-	-	-
Operations - Water Acq. / Prot.	-	-	(971,925)		971,925	-	-	-	-
Operations - FAF	-	-	-		-	-	-	-	-
Operations - Capital Projects	-	-	-		-	-	-	-	-
Debt Service - Capital Projects	-	-	-		-	-	-	-	-
Financial Assurance - Water Acq	-	-	-		-	-	-	-	-
Financial Assurance - Reserves	-	-	-		-	-	-	-	-
Reserve - Water Acq./Prot	-	-	-		(7,564,000)	7,564,000	-	-	-
Water Acq./Prot. - Capital Projects	-	-	-		-	2,829,000	-	(2,829,000)	-
Debt Service - Capital Projects	-	-	-		-	-	-	-	-
	-	-	(9,382,630)	-	(6,592,075)	12,163,000	6,640,705	(2,829,000)	-
<b>NET RECEIPTS/(OUTLAY) OF FUNDS AND OPERATING TRANSFERS</b>	<b>3,678,638</b>	<b>9,430,878</b>	<b>90,000</b>	<b>-</b>	<b>(7,191,255)</b>	<b>7,558,055</b>	<b>(61,295)</b>	<b>(13,070,665)</b>	<b>(12,675,160)</b>
<b>FUNDS AVAILABLE - BEGINNING</b>	<b>70,488,777</b>	<b>74,167,415</b>	<b>11,350,000</b>	<b>5,827,259</b>	<b>17,395,397</b>	<b>10,814,180</b>	<b>6,712,295</b>	<b>31,499,162</b>	<b>83,598,293</b>
<b>FUNDS AVAILABLE - ENDING</b>	<b>\$ 74,167,415</b>	<b>\$ 83,598,293</b>	<b>\$ 11,440,000</b>	<b>\$ 5,827,259</b>	<b>\$ 10,204,142</b>	<b>\$ 18,372,235</b>	<b>\$ 6,651,000</b>	<b>\$ 18,428,497</b>	<b>\$ 70,923,133</b>

CENTENNIAL WATER AND SANITATION DISTRICT  
REVISED - ALL FUNDS

	2012 Budget	2012						Projected Actuals	Variance
		Operations	Financial Assurance	Water Acq./Prot	Reserve	Debt Service	Capital Projects		
<b>REVENUES &amp; OTHER RECEIPTS</b>									
Operating revenues									
Water operations	\$ 19,899,900	\$ 20,750,000		\$ -	\$ -	\$ -	\$ -	\$ 20,750,000	\$ 850,100
Wastewater operations	8,182,400	8,175,000		-	-	-	-	8,175,000	(7,400)
Other operating	455,980	750,799		-	-	-	-	750,799	294,819
Intergovernmental/Fund reimb	650,000	626,000		-	-	-	-	626,000	(24,000)
Nonoperating and other receipts	-								
Rental Income	218,000	218,000		-	-	-	-	218,000	-
Miscellaneous	15,000	15,000		-	-	-	-	15,000	-
Lease Proceeds	-	-		-	-	-	-	-	-
Bond proceeds (net of OID)	-	-		-	-	43,240,000	6,000,000	49,240,000	49,240,000
Contributed Capital	2,776,288	-		655,360	-	2,145	2,261,525	2,919,030	142,742
Net investment income	1,097,000	694,000		-	-	-	-	694,000	(403,000)
<b>Total Revenues &amp; Other Receipts</b>	<b>33,294,568</b>	<b>31,228,799</b>	<b>-</b>	<b>655,360</b>	<b>-</b>	<b>43,242,145</b>	<b>8,261,525</b>	<b>83,387,829</b>	<b>50,093,261</b>
<b>OUTLAYS</b>									
Operating expenses									
Water operations	7,879,148	7,795,231		-	-	-	-	7,795,231	83,917
Wastewater operations	4,281,052	4,769,679		-	-	-	-	4,769,679	(488,627)
Technical management	3,269,847	3,085,803		-	-	-	-	3,085,803	184,044
General management	2,541,330	2,498,979		-	-	-	-	2,498,979	42,351
	17,971,377	18,149,692	-	-	-	-	-	18,149,692	(178,315)
Miscellaneous Capital/Leases									
Water Leases	3,272,911	2,900,000		-	-	-	-	2,900,000	372,911
Capital related items	1,594,127	105,500		-	-	-	-	105,500	-
Capital Lease Payments	28,352	40,446		-	-	-	-	40,446	(12,094)
	22,866,767	21,195,638	-	-	-	-	-	21,195,638	182,502
Debt Related									
Interest	2,802,000	-		-	-	2,802,000	-	2,802,000	-
Principal	3,840,000	-		-	-	3,840,000	-	3,840,000	-
	6,642,000	-	-	-	-	6,642,000	-	6,642,000	-
Capital outlay									
Capital Projects	3,501,936	-		1,251,425	864,880	-	771,158	2,887,463	614,473
	3,501,936	-	-	1,251,425	864,880	-	771,158	2,887,463	614,473
Nonrecurring									
Bond issuance expenditures	-	-		-	-	376,950	-	376,950	(376,950)
Transfer to Refunding Escrow	-	-		-	-	42,854,900	-	42,854,900	(42,854,900)
Water transfer agreement payment	-	-		-	-	-	-	-	-
	-	-	-	-	-	43,231,850	-	43,231,850	(43,231,850)
<b>Total Outlays</b>	<b>33,010,703</b>	<b>21,195,638</b>	<b>-</b>	<b>1,251,425</b>	<b>864,880</b>	<b>49,873,850</b>	<b>771,158</b>	<b>73,956,951</b>	<b>(42,434,875)</b>
<b>OPERATING TRANSFERS</b>									
Operations - Debt Service	(11,592)	(6,690,408)		-	-	6,690,408	-	-	11,592
Operations - Reserve	-	(1,579,054)		-	1,579,054	-	-	-	-
Operations - Water Acq./Prot	-	(1,094,131)		1,094,131	-	-	-	-	-
Operations - FAF	-	-		-	-	-	-	-	-
Operations - Capital Projects	-	-		-	-	-	-	-	-
Financial Assurance - Water Acq	-	-		-	-	-	-	-	-
Financial Assurance - Reserves	-	-		-	-	-	-	-	-
Water Acq./Prot. - Capital Projects	-	-		-	-	-	-	-	-
Debt Service - Capital Projects	-	-		-	-	-	-	-	-
	(11,592)	(9,363,593)	-	1,094,131	1,579,054	6,690,408	-	-	11,592
<b>NET RECEIPTS/(OUTLAY) OF FUNDS AND OPERATING TRANSFERS</b>	<b>272,273</b>	<b>669,568</b>	<b>-</b>	<b>498,066</b>	<b>714,174</b>	<b>58,703</b>	<b>7,490,367</b>	<b>9,430,878</b>	<b>9,158,605</b>
<b>FUNDS AVAILABLE - BEGINNING</b>	<b>73,083,690</b>	<b>10,680,432</b>	<b>5,827,259</b>	<b>16,897,331</b>	<b>10,100,006</b>	<b>6,653,592</b>	<b>24,008,795</b>	<b>74,167,415</b>	<b>1,083,725</b>
<b>FUNDS AVAILABLE - ENDING</b>	<b>\$ 73,355,963</b>	<b>\$ 11,350,000</b>	<b>\$ 5,827,259</b>	<b>\$ 17,395,397</b>	<b>\$ 10,814,180</b>	<b>\$ 6,712,295</b>	<b>\$ 31,499,162</b>	<b>\$ 83,598,293</b>	<b>\$ 10,242,330</b>

CENTENNIAL WATER AND SANITATION DISTRICT  
OPERATIONS  
2011-2013

	2011 Actual	2012 Adopted	2012 Projected	2013 Proposed
<b>REVENUES &amp; OTHER RECEIPTS</b>				
Operating revenues				
Water operations	\$ 19,545,754	\$ 19,899,900	\$ 20,750,000	\$ 21,243,200
Other water related operating	524,421	455,980	750,799	492,701
Wastewater operations	8,100,431	8,182,400	8,175,000	8,602,200
<i>Total operating revenues</i>	28,170,606	28,538,280	29,675,799	30,338,101
Intergovernmental/Fund Reimb.	327,934	650,000	626,000	895,000
Other				
Gain/Loss	236	-	-	-
Rental Income	236,580	218,000	218,000	209,000
Miscellaneous	-	15,000	15,000	15,000
Lease Proceeds	-	-	-	-
Net investment income	879,186	1,097,000	694,000	699,000
<i>Total Revenues &amp; Other Receipts</i>	29,614,542	30,518,280	31,228,799	32,156,101
<b>OUTLAYS</b>				
Operations expenses				
Water operations	6,729,101	7,879,148	7,795,231	8,760,950
Contingency	-	104,110	-	-
Wastewater operations	4,095,745	4,281,052	4,769,679	4,737,473
Technical management	3,162,108	3,269,847	3,085,803	3,338,733
General management	2,289,496	2,541,330	2,498,979	2,610,324
	16,276,450	18,075,487	18,149,692	19,447,480
Miscellaneous Capital / Leases				
Water Leases	3,374,122	3,168,801	2,900,000	3,235,991
Direct payment	112,111	88,226	105,500	-
Capital Lease Payment	46,604	28,352	40,446	-
<i>Total Outlays</i>	19,809,287	21,360,866	21,195,638	22,683,471
<b>OPERATING TRANSFERS</b>				
Operations - Debt Service	(6,640,608)	(6,703,000)	(6,690,408)	(6,640,705)
Operations - Reserve	(1,578,950)	(1,608,422)	(1,579,054)	(1,770,000)
Operations - Water Acq/Prot.	(1,459,322)	(785,992)	(1,094,131)	(971,925)
Operations - FAF	(320,109)	-	-	-
Operations - Capital Projects	-	-	-	-
	(9,998,989)	(9,097,414)	(9,363,593)	(9,382,630)
<b>NET RECEIPTS/(OUTLAY) OF FUNDS AND OPERATING TRANSFERS</b>				
	(193,734)	60,000	669,568	90,000
<b>FUNDS AVAILABLE - BEGINNING</b>	10,874,166	10,630,000	10,680,432	11,350,000
<b>FUNDS AVAILABLE - ENDING</b>	\$ 10,680,432	\$ 10,690,000	\$ 11,350,000	\$ 11,440,000

CENTENNIAL WATER AND SANITATION DISTRICT  
RESERVE  
2011-2013

	2011 Actual	2012 Adopted	2012 Projected	2013 Proposed
<i>REVENUES &amp; OTHER RECEIPTS</i>				
Bond proceeds (net of OID)	\$ -	\$ -	\$ -	\$ -
Other	1,248	-	-	-
Miscellaneous	-	-	-	-
<i>Total Revenues &amp; Other Receipts</i>	<u>1,248</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>OUTLAYS</i>				
Capital outlay	1,229,039	1,505,901	864,880	1,350,000
Well redrills				3,000,000
Misc. Capital				254,945
Nonrecurring			-	-
<i>Total Outlays</i>	<u>1,229,039</u>	<u>1,505,901</u>	<u>864,880</u>	<u>4,604,945</u>
<i>OPERATING TRANSFERS</i>				
Operations - Reserve	1,578,950	1,608,422	1,579,054	1,770,000
Water Acquisition - Reserve				7,564,000
Capital - Reserve	-	-	-	2,829,000
	<u>1,578,950</u>	<u>1,608,422</u>	<u>1,579,054</u>	<u>12,163,000</u>
<i>NET RECEIPTS/(OUTLAY) OF FUNDS AND OPERATING TRANSFERS</i>				
	351,159	102,521	714,174	7,558,055
<i>FUNDS AVAILABLE - BEGINNING</i>	9,748,847	10,351,628	10,100,006	10,814,180
<i>FUNDS AVAILABLE - ENDING</i>	<u>\$ 10,100,006</u>	<u>\$ 10,454,149</u>	<u>\$ 10,814,180</u>	<u>\$ 18,372,235</u>
 Well funding				
Transferred in in from capital projects				10,393,000
Outlay				<u>(3,000,000)</u>
				<u>7,393,000</u>

CENTENNIAL WATER AND SANITATION DISTRICT  
WATER ACQUISITION and PROTECTION  
2011-2013

	2011		2012 Budget		2012 Projected		2013	
	Water Acq	Channel Stab.	Water Acq	Channel Stab.	Water Acq	Channel Stab.	Water Acq	Channel Stab.
<b>REVENUES &amp; OTHER RECEIPTS</b>								
Contributed Capital								
Water Acquisition	\$ 401,835		\$ 460,280		\$ 561,860		\$ 642,320	
Channel Stabilization		75,250		77,750		93,500		108,500
Other							-	
<i>Total Revenues &amp; Other Receipts</i>	<i>401,835</i>	<i>75,250</i>	<i>460,280</i>	<i>77,750</i>	<i>561,860</i>	<i>93,500</i>	<i>642,320</i>	<i>108,500</i>
<b>OUTLAYS</b>								
Capital outlay								
Water Acquisition	184,391		1,320,000		544,571		1,350,000	
Channel Stabilization		-		-		706,854		
Water Conservation Grants								
<i>Total Outlays</i>	<i>184,391</i>	<i>-</i>	<i>1,320,000</i>	<i>-</i>	<i>544,571</i>	<i>706,854</i>	<i>1,350,000</i>	
<b>OPERATING TRANSFERS</b>								
Operations - Water Acq./Prot	1,459,322		785,992		1,094,131		971,925	
Capital Projects - Water Acq./Prot	-		-					
Reserve - Water Acq./Prot							(7,564,000)	
Financial Assurance - Water Acq./Prot.	(5,507,150)							
Intrafund transfer	75,250	(75,250)	(205,000)	(77,750)	93,500	(93,500)	108,500	(108,500)
<i>(These transfers will be reimb.)</i>								
	(3,972,578)	(75,250)	580,992	(77,750)	1,187,631	(93,500)	(6,483,575)	(108,500)
<b>NET RECEIPTS/(OUTLAY) OF FUNDS AND OPERATING TRANSFERS</b>	<b>(3,755,134)</b>	<b>-</b>	<b>(278,728)</b>	<b>-</b>	<b>1,204,920</b>	<b>(706,854)</b>	<b>(7,191,255)</b>	<b>-</b>
<b>FUNDS AVAILABLE - BEGINNING</b>	<b>20,652,465</b>	<b>-</b>	<b>15,966,542</b>	<b>-</b>	<b>16,897,331</b>	<b>-</b>	<b>18,102,251</b>	<b>(706,854)</b>
<b>FUNDS AVAILABLE - ENDING</b>	<b>\$ 16,897,331</b>	<b>\$ -</b>	<b>\$ 15,687,814</b>	<b>\$ -</b>	<b>\$ 18,102,251</b>	<b>\$ (706,854)</b>	<b>\$ 10,910,996</b>	<b>\$ (706,854)</b>
 <b>Channel Stabilization</b>								
Payments to date - HRMD	\$ 4,200,000		\$ 4,200,000		\$ 4,200,000		\$ 4,200,000	
Collections to date surcharges	\$ (3,101,835)		\$ (3,179,585)		\$ (3,195,335)		\$ (3,303,835)	
Net amount to be collected	<u>\$ 1,098,165</u>		<u>\$ 1,020,415</u>		<u>\$ 1,004,665</u>		<u>\$ 896,165</u>	

CENTENNIAL WATER AND SANITATION DISTRICT  
DEBT SERVICE  
2011-2013

	2011 Actual	2012 Adopted	2012 Projected	2013 Proposed
<i>REVENUES &amp; OTHER RECEIPTS</i>				
Contributed Capital	\$ 11,592	\$ -	\$ 2,145	\$ -
Bond proceeds (net of OID/premium)	-	-	43,240,000	-
Other	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total Revenues &amp; Other Receipts</i>	<u>11,592</u>	<u>-</u>	<u>43,242,145</u>	<u>-</u>
<i>OUTLAYS</i>				
Debt Related				
Interest - actual payments)	2,965,308	2,802,000	2,802,000	1,867,000
Principal	3,670,000	3,840,000	3,840,000	4,835,000
	<u>6,635,308</u>	<u>6,642,000</u>	<u>6,642,000</u>	<u>6,702,000</u>
Nonrecurring				
Bond issuance expenditures	-	-	376,950	-
Transfer to Refunding Escrow	-	-	42,854,900	-
	<u>-</u>	<u>-</u>	<u>43,231,850</u>	<u>-</u>
<i>Total Outlays</i>	<u>6,635,308</u>	<u>6,642,000</u>	<u>49,873,850</u>	<u>6,702,000</u>
<i>OPERATING TRANSFERS</i>				
Operations - Debt Service	6,640,608	6,691,408	6,690,408	6,640,705
Debt Service - Capital Projects	-	-	-	-
	<u>6,640,608</u>	<u>6,691,408</u>	<u>6,690,408</u>	<u>6,640,705</u>
<i>NET RECEIPTS/(OUTLAY) OF FUNDS AND OPERATING TRANSFERS</i>				
	16,892	49,408	58,703	(61,295)
<i>FUNDS AVAILABLE - BEGINNING</i>	6,636,700	6,653,592	6,653,592	6,712,295
<i>FUNDS AVAILABLE - ENDING</i>	<u>\$ 6,653,592</u>	<u>\$ 6,703,000</u>	<u>\$ 6,712,295</u>	<u>\$ 6,651,000</u>

CENTENNIAL WATER AND SANITATION DISTRICT  
CAPITAL PROJECTS  
2011-2013

	2011 Actual	2012 Adopted	2012 Projected	2013 Proposed
<i>REVENUES &amp; OTHER RECEIPTS</i>				
Contributed Capital	\$ 1,823,740	\$ 2,238,258	\$ 2,261,525	\$ 1,564,751
Bond proceeds (net of OID)	-	-	6,000,000	-
Other	7,000	-	-	-
Investment Income	-	-	-	-
<i>Total Revenues &amp; Other Receipts</i>	<u>1,830,740</u>	<u>2,238,258</u>	<u>8,261,525</u>	<u>1,564,751</u>
<i>OUTLAYS</i>				
Capital outlay				
Capital Facilities - Facility Plan I	355,784	2,181,936	64,304	5,486,000
Capital Facilities - Facility Plan II	-	-	706,854	6,320,416
Nonrecurring				
Bond issuance expenditures	-	-	-	-
Water transfer agreement payment	42,760	-	-	-
<i>Total Outlays</i>	<u>398,544</u>	<u>2,181,936</u>	<u>771,158</u>	<u>11,806,416</u>
<i>OPERATING TRANSFERS</i>				
Operations - Capital Projects	-	-	-	-
Debt Service - Capital Projects	-	-	-	-
Reserve - Capital Projects	-	-	-	(2,829,000)
Water Acq./Prot. - Capital Projects	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,829,000)</u>
<i>NET RECEIPTS/(OUTLAY) OF FUNDS AND OPERATING TRANSFERS</i>				
	1,432,196	56,322	7,490,367	(13,070,665)
<i>FUNDS AVAILABLE - BEGINNING</i>	22,576,599	23,974,778	24,008,795	31,499,162
<i>FUNDS AVAILABLE - ENDING</i>	<u>\$ 24,008,795</u>	<u>\$ 24,031,100</u>	<u>\$ 31,499,162</u>	<u>\$ 18,428,497</u>



# KEY BUDGET ASSUMPTIONS

## Absorption:

The following are the absorption assumptions that impact the various revenue sources of the District:

### KEY BUDGET ASSUMPTIONS

The following are the absorption assumptions that impact the various revenue sources of the District:

	As of 12/31/11	2012 Budget	2012 Projected	2013 Projected
Highlands Ranch Metro District				
Single Family	27,619	184	275	220
Multi Family	6,053	107	10	194
Commercial oriented development				
Commercial and Industrial 3/4" equiv.	2,736	16	64	16
Irrigation only 3/4" equiv.	1,224	4	25	4
Metro irrigation 3/4" equivalents	1,167	0	0	0
Northern Douglas County 3/4" equiv.				
Single Family	1,527	0	1	0
Multi Family	104	0	0	0
C and I 3/4" equiv.w/ GW fee	157			
C and I 3/4" equiv.w/oGW fee	4			
Irrigation only w/ Groundwater fee	101			
Irrigation only w/o Groundwater fee	6	0	0	0

## Investment Earnings:

The various fund balances are reinvested pursuant to an investment policy managed by a third party management firm. Investment earnings on accumulated cash balances in the District's treasury (net of management fees) are estimated, based on five year averages of appropriate indices, to be:

	2012 Budget	2012 Projected	2013 Budget
Assumed interest rates on investments	1.5%	0.9%	0.9%

## Changes in Personal Services:

The 2013 budget includes the following assumptions for the personal services category expenditures:

- The 2013 compensation budget is based on a formula consistent with the results of the Wage Compensation Policy adopted by the Board. The formula includes an adjustment to the range structure, merit pay based on performance and an adjustment to market conditions based on information supplied to the Board. Mountain States Employers Council data is used to estimate the structure adjustment (1.4%) and the existing performance matrix based on the employee census would estimate an increase for performance (2.0%). This information is presented to and reviewed by the Board in the preliminary budget. The final decision on performance increase made by the Board was 1.6% for a total average wage increase of 3.0%.
- The benefits program, which is reflected in the cost of payroll expenses, includes the following:
  - Health (medical/dental/vision) insurance – No changes in the benefits provided by the plans. Annual premiums increase effective July 1, 2013 and are budgeted and 10.00%.
  - Retirement Plan contributions – the defined contribution plan will be funded from 6.2% matching contributions from both the District and the employee. Since this plan is intended to be a replacement for social security the plan has been changed to limit the maximum contribution at the social security maximum taxable earnings level each year.
  - Employees who participate in the 457 plan are eligible for a matching contribution up to 3%. For purposes of the budget it is assumed that all employees that currently participate in this program will continue to do so in 2013.
  - Medicare portion of FICA - is estimated to continue at 1.45% of salary for those employees who are members of the pension plan. For the temporary or part time employees not eligible for the plan the full FICA contribution of 7.65% will be made.
  - Life/Disability insurance - Is estimated to be .14% and .52% of eligible wages respectively.
  - Unemployment taxes - it is anticipated that the unemployment taxes mandated for all governmental units will remain at .20% of wages.
  - Workers Compensation rates are anticipated to increase July 1, 2013 by 10%.

Based on the above the 2013 payroll costs are estimated to be 29.1% of regular wages the same as compared to the 27.4% in 2012.

# *FLOW OF FUNDS*

The District provides two distinct types of services to its customers:

- delivery of treated water and
- removal and treatment of wastewater.

The District coordinates and budgets for the common activities between the two functions in order to maximize operational efficiency.

Included as operation costs are:

1. The operation and maintenance of the water and wastewater treatment plants.
2. The maintenance of the water distribution and transmission systems and the wastewater transmission and collection systems.
3. The cost of general management and administration necessary to manage day to day operations.

Sources of funds to make the above expenditures include:

1. Revenue from rate income. The rates are established by the Board of Directors and, together with investment earnings and accumulated reserves, are sufficient to meet the first three costs identified above. The rate income is collected from the Highlands Ranch Metropolitan District and the Northern Douglas County Water and Sanitation District who are responsible for in turn collecting sufficient revenue from their customers to remit the proper revenues.
2. Investment Earnings. The district policy provides for maximum flexibility in the use of earnings from investments by transferring all investment income to the operations fund.

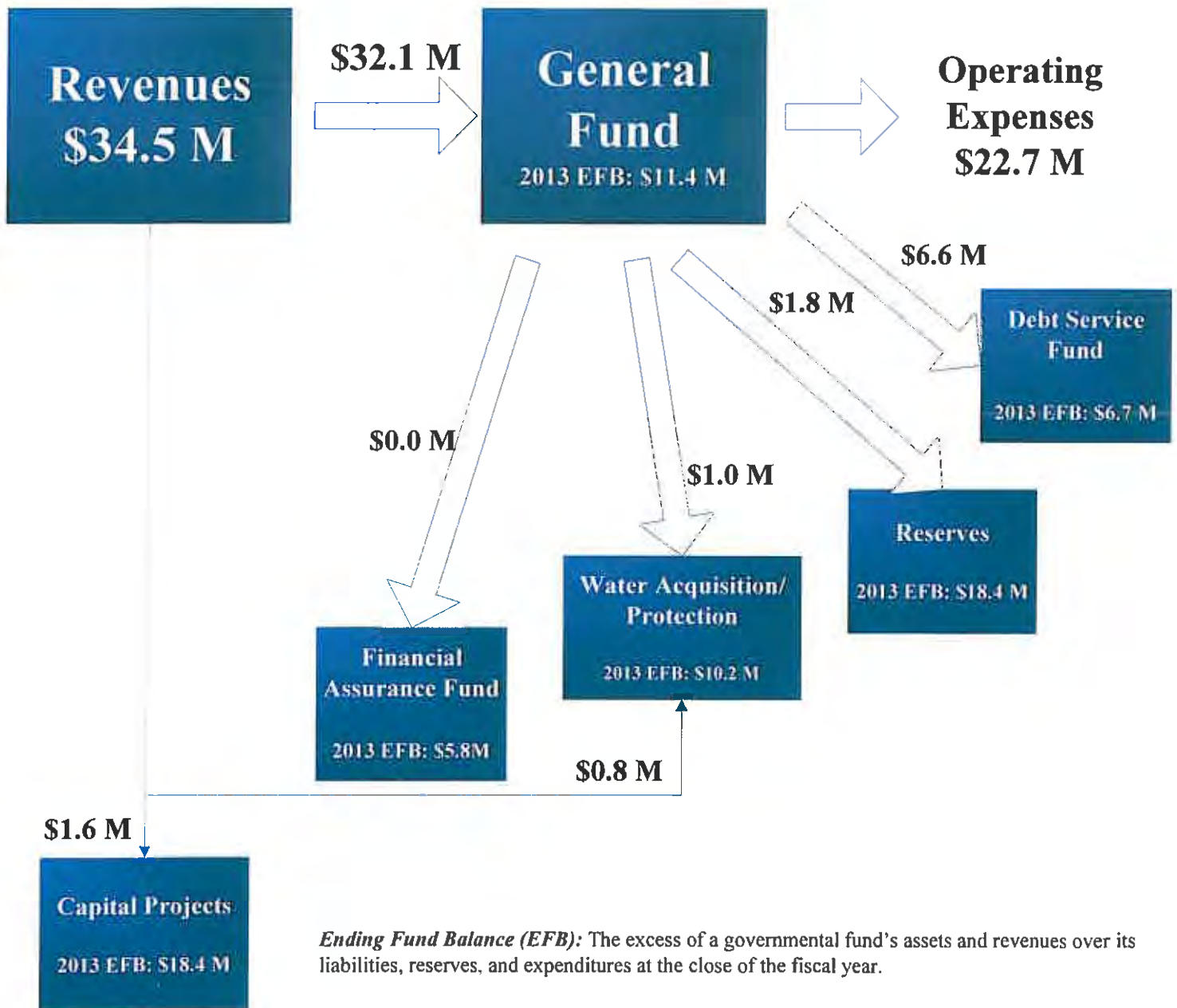
In addition, the District incurs:

1. Expensed for constructing the water and wastewater systems including treatment plants and the necessary infrastructure to distribute treated water and collect wastewater.
2. The interest expense on the outstanding debt which was used to raise capital to pay for construction of the water and wastewater systems.

These expenditures are financed by:

1. Contributed Capital
  - a) Base Reserve Capacity payment equal to the capacity fee per dwelling unit times the number of units included (or for nonresidential at a rate per acre times the number of acres) and is collected from the Highlands Ranch Metropolitan Districts or Northern Douglas Water and Sanitation District as these Districts include new land which require additional capacity. Base Reserve Capacity payments flow to the Capital Projects Fund.
  - b) Surcharges on new connections to the system used to fund channel stabilization projects. Channel Stabilization payments flow to the Water Acquisition and Protection Fund.
  - c) Water acquisition fees on new connections to the system used to pay for water resource development. Water Acquisition payments flow to the Water Acquisition and Protection Fund.
2. Bond Proceeds. Bond proceeds are used to make the payments for the initial construction of water and wastewater system facilities.
3. Revenues from the Service Availability Fee. In 2003 the District established a Service Availability Fee that is among other requirements designed to pay the interest due on the District's outstanding debt. Although not pledged for this purpose, the Service Availability Fee is the primary source for paying debt.

## 2013 Budget Flow of Funds



## ***RATE INCOME***

Rates are established by the Board of Directors in order to fund the cost of providing water and wastewater service to the customers of the District. The primary function of the various rates are to cover:

1. The operations cost of providing water supply, treatment and distribution.
2. The operations cost of providing wastewater collection and treatment.
3. The cost of providing periodic billing statements, maintaining meters and administrative costs .
4. Debt service payments
5. The cost to fund a reserve for the repair and replacement of equipment
6. Accumulation of reserves for the acquisition of additional water supplies

	<b>2011</b>			<b>2012</b>		
<b>Metered Water Consumption</b>	<u>Rate per 1,000 Gallons</u>			<u>Rate per 1,000 Gallons</u>		
Usage Relative to "Water Budget" *	Summer	Winter	Irrig Only	Summer	Winter	Irrig Only
Up to 100% of WB	\$2.65	\$2.65	\$2.65	\$2.75	\$2.75	\$2.75
101% to 120% of WB**	\$3.64	\$3.64	\$4.00	\$3.77	\$3.77	\$4.00
121% to 140% of WB**	\$5.46	\$3.64	\$7.00	\$5.66	\$3.77	\$7.00
Over 140% of WB**	\$8.21	\$6.03	\$12.00	\$8.52	\$6.37	\$12.00
<b>Wastewater Treatment Service</b>						
<u>Residential - Single Family</u>						
Fixed fee	\$13.00	Bi-monthly		\$13.00	Bi-monthly	
Minimum charge -Fixed fee plus 3,000 gallons Use	\$20.65			\$20.95		
Use - winter time average (Fixed fee plus use for winter time average sets fee for year)	\$2.55/ 1,000 gallons			\$2.65/ 1,000 gallons		
<u>Residential - Multi Family (per unit)</u>						
Fixed fee	\$6.50	Monthly		\$6.50	Monthly	
Minimum charge -Fixed fee plus 1,500 gallons	\$10.33			\$10.55		
Use - winter time average (Fixed fee plus use for winter time average sets fee for year)	\$2.55/ 1,000 gallons			\$2.65/ 1,000 gallons		
<u>Nonresidential</u>						
Fixed fee per 3/4" equiv. tap size (Rate times 80% of water consumed)	\$6.50	Monthly		\$6.50	Monthly	
	\$2.55/ 1,000 gallons			\$2.65/ 1,000 gallons		
<b>Water Service Availability Fee</b>						
Residential - Single Family	\$25.00/bimonthly			\$25.00/bimonthly		
Residential - Multi Family	\$7.48/month			\$7.48/month		
Nonresidential (per 3/4" equivalent)	\$12.50/month			\$12.50/month		

\* Water Budget per residential customer = 12,000 gallons 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). Water budget for irrigation only customers = 27" annually of irrigation on actual irrigated area.

\*\* Rates subject to change due to, but not limited to, water supply conditions such as drought, and the provision of sufficient funds for the operation of the district.

# *CONTRIBUTED CAPITAL*

The District requires advance payment of the Reserved Capacity Cost from the Highlands Ranch Metropolitan District for land that is

- within the Highlands Ranch Service Area
- included within the boundaries of the Metro District
- and for which service has been or will reasonably be requested.

This budget is based on the Intergovernmental Agreements (IGA) adopted December, 1990. Under the IGA the Reserved Capacity Cost is calculated as follows:

- ✓ by multiplying the number of single family residential dwelling units zoned for a property or in the case of platted land the number of units actually shown on the filing, by the Capacity Fee. The Single Family Residential Capacity Fee effective since January 1, 2000, was \$5,960. The fee is not expected to increase during 2011.
- ✓ by multiplying the number of multi family residential dwelling units zoned for a property or in the case of platted land the number of units actually shown on the filing, by the Capacity Fee. The Multi Family Residential Capacity Fee effective since January 1, 2000, was \$3,780. The fee is not expected to increase during 2011.
- ✓ for nonresidential land the Reserved Capacity Cost is calculated by multiplying the number of acres (either zoned or platted) by two and then multiplying again by the Nonresidential Capacity Fee (3/4" equivalent) of \$9,650 effective since January 1, 2000 and which is not expected to increase during 2011.

The IGA provides for the following payment levels:

1. \$100,000 minimum plus 40% of the remaining amount is due on the April 1 following the inclusion with \$100,000 plus 40% of the unpaid balance due each consecutive April 1 (with payment in full of any unpaid balance of less than \$100,000) or as specifically negotiated.
2. If, as of October 1, the amount collected from its customers by a Metro District exceeds the amount previously paid to Centennial, the full amount of the excess is due the following April 1. Any balance remaining after the excess is remitted will be paid according to the appropriate item 1 through 3 above.

In addition to the advance payments required at the time as a result of increases in service area, Centennial will recalculate the Reserved Capacity Cost every October 1 in order to determine additional reserved capacity payments which may be due or owing as a result of; 1) an increase in the calculated Capacity Fees as it applies to all end-user residential dwelling units and non-residential acreage which were previously included within the Metro District but which have not yet been placed in service; 2) changes in the number of dwelling units or nonresidential acreage as a result of rezoning, replatting or actual use. This additional payment or refund is due the following April 1.

Centennial also collects two surcharges in addition to the Capacity Fee which are due to Centennial at the time the Metro District sells taps to the end user.

- The channel stabilization surcharge is currently \$250.
- A water acquisition fee is currently at the rate of \$1,480 per residential unit.

Northern Douglas County Water and Sanitation District ("NDC") which serves outside the Highlands Ranch Service Area, has a unique payment schedule from the Highlands Ranch Metropolitan Districts. In order to reserve future taps, NDC is required to acquire options. The option is equal to 2% of the amount of taps being reserved. There currently are no outstanding options as several options have been allowed to lapse. At the sole discretion of the Board, these options may be renewed by paying back options plus interest. Because the option payments are unknown and immaterial, no estimate has been made.

The collections for contributed capital (including the payments, if any, from NDC) in 2011, 2012 and 2013 are estimated in the following table.

COLLECTIONS FOR CONTRIBUTED CAPITAL

	<u>2012 Projected</u>	<u>2013 Budget</u>	<u>2014 Projected</u>
Reserved Capacity Payments			
HRMD - Exhibit A	\$ 2,238,258	\$ 1,564,751	\$ 938,851
Northern Douglas County	23,267	-	-
	<u>2,261,525</u>	<u>1,564,751</u>	<u>938,851</u>
Channel Stabilization surcharge			
HRMD	93,500	108,500	103,250
Northern Douglas County	NA	NA	NA
	<u>93,500</u>	<u>108,500</u>	<u>103,250</u>
Water acquisition fee			
HRMD	553,520	642,320	611,240
Northern Douglas County	8,340	-	-
	<u>561,860</u>	<u>642,320</u>	<u>611,240</u>
Option Payments			
Northern Douglas County	2,145	-	-
	<u>\$ 2,919,030</u>	<u>\$ 2,315,571</u>	<u>\$ 1,653,341</u>

**CENTENNIAL WATER SANITATION DISTRICT**  
**2013 BUDGET**  
**BY ACTIVITY**

	2011 Actual	2012 Budget	2012 Rev. Budget	2013 Proposed
<b>WATER OPERATIONS</b>				
600 Surface Water Supply	3,508,431	3,448,405	3,202,255	3,436,991
602 Wells	458,155	577,391	1,204,750	2,811,585
610 Groundwater Facilitie	19,062	80,727	87,846	336,622
620 Pumping Expense	1,732,764	1,984,201	1,600,108	1,206,801
640 WTP Operations	2,483,064	3,037,981	2,776,885	2,107,234
650 WTP Maintenance	529,583	593,133	596,765	533,534
664 Meter Installation	512,426	548,102	601,007	635,470
671 Trans./Dist. Maint.	859,738	882,119	881,382	928,704
Total Water Operations	10,103,223	11,152,059	10,950,998	11,996,941
<b>WASTEWATER OPERATIONS</b>				
711 Coll./Trans. Maint.	684,884	685,345	785,535	749,085
720 WWTP Operations	2,081,206	2,293,162	2,451,822	2,503,217
730 WWTP Maintenance	1,093,521	1,037,059	1,173,109	1,216,581
740 Lift Stations	236,135	265,486	359,213	268,590
Total Wastewater Operations	4,095,746	4,281,052	4,769,679	4,737,473
<b>TECHNICAL MANAGEMENT &amp; SUPPORT</b>				
805 Water Resource Mgmt	1,316,236	1,232,679	1,119,852	1,325,493
840 O & M Overhead	704,689	852,260	852,260	830,860
860 Lab Services	537,225	583,430	583,430	645,530
880 Engineering	465,185	487,112	446,612	412,777
893 Vehicles	138,846	114,366	127,300	124,073
Total Technical Mgmt & Support	3,162,181	3,269,847	3,129,454	3,338,733
<b>GENERAL MANAGEMENT</b>				
900 General Governance	18,884	77,250	76,909	56,850
905 Community Relations	65,566	69,730	69,730	76,980
910 Office of the Manager	271,431	241,080	245,980	157,655
920 Human Resources	139,732	148,438	148,438	146,524
930 Financial Services	530,912	660,447	660,237	806,605
950 Info. Systems	331,718	380,400	380,400	389,400
960 Customer Service	569,945	598,846	598,846	616,646
970 Office Services	100,396	81,946	81,946	86,571
975 Administration Buildi	120,913	147,645	140,945	137,545
980 Insurance	136,608	134,000	134,000	134,000
991 Debt Service	750	1,548	1,548	1,548
Total General Management	2,286,855	2,541,330	2,538,979	2,610,324
<b>TOTAL EXPENDITURES BY ACTIVITY</b>	19,648,005	21,244,288	21,389,110	22,683,471
<b>MISC. CAPITAL AND LEASES</b>				
240 Misc. Capital	112,111	88,226	127,226	254,945
991 Lease Prin. & Interest	49,171	28,352	28,352	-
Total Misc. Cap. & Leases	161,282	116,578	155,578	254,945
<b>TOTAL - ALL EXPENDITURES</b>	19,809,287	21,360,866	21,544,688	22,938,416



**CENTENNIAL WATER SANITATION DISTRICT**  
**2013 BUDGET**  
**BY OBJECT**

Description	2011 Actual	2012 Budget	2012 REVISED	2013 Proposed
<b>BOARD DIRECTED BUDGET</b>				
<b>Personal Services</b>				
111 Regular Wages	4,713,608	5,166,050	5,166,640	5,416,160
121 Overtime Wages	192,873	201,703	201,703	201,703
13* Payroll Expenses	1,427,386	1,460,220	1,461,370	1,751,080
113x Temporary Help	73,828	76,120	69,920	79,340
182 Training & Developmen	13,962	37,381	37,381	37,381
184 Uniforms	29,072	36,607	36,397	37,161
195 Administrative Contra	741,179	481,000	440,500	479,476
<b>Total</b>	<b>7,191,908</b>	<b>7,459,081</b>	<b>7,413,911</b>	<b>8,002,301</b>
<b>Contracted Services</b>				
302 Paying Agent Fees	750	1,548	1,548	1,548
352 Legal	409,667	439,000	496,000	382,000
354 Auditing	15,250	16,500	16,500	16,500
368 Insurance	136,608	134,000	134,000	134,000
550 Water Lease	3,374,122	3,253,911	3,010,910	3,235,991
<b>Total</b>	<b>3,936,397</b>	<b>3,844,959</b>	<b>3,658,958</b>	<b>3,770,039</b>
<b>DEPT DIRECTED NONVARIABLE</b>				
<b>Materials and Supplies</b>				
219 Office Supplies	1,911	7,488	7,488	7,488
220 Meeting Exp.	2,697	5,500	5,100	4,300
222 Employee Relations	7,634	7,991	7,991	7,991
224 Facilities Supplies	0	0	0	0
226 Safety Supplies	19,145	26,847	27,800	29,502
227 Janitorial Supplies	17,043	17,277	17,277	17,966
229 Other Operating Suppl	252,762	232,337	242,262	260,578
230 Computer Supplies	64,721	114,839	114,839	114,839
244 Repair Parts	1,067,263	1,106,161	1,316,136	1,237,225
245 Meter Replacements	75,782	50,326	90,850	94,760
246 Tires, Tubes	11,152	12,000	12,000	15,050
<b>Total</b>	<b>1,520,110</b>	<b>1,580,766</b>	<b>1,841,743</b>	<b>1,789,699</b>
<b>Purchased services</b>				
311 Postage and Freight	102,533	109,324	110,424	109,174
313 Vehicle Licenses & Ti	136	700	700	700
319 Communication & Trans	53,544	57,665	58,070	59,495
325 Advertising	883	3,746	3,805	3,746
329 Printing	41,416	71,889	71,336	74,889
331 Membership Dues	48,730	65,559	65,091	66,108
335 Publications	2,262	5,445	5,515	4,615
342 Computer Rental	19,212	22,580	22,580	19,220
343 Equipment Rental	26,921	31,978	35,078	35,538
344 Repair Services	931,112	1,036,729	1,220,377	1,110,926
346 Contract Temp	0	0	0	0
347 Janitorial Services	16,579	18,400	18,400	18,400
348 Contract Maint.	82,598	112,926	110,926	115,946
349 Landfill Services	44,085	58,064	58,064	43,164
351 Medical	0	0	0	0
355 Engineering	554,897	582,273	559,041	448,061
356 Data Processing	0	0	0	0
363 Lab Services	107,442	142,400	142,400	144,200



**CENTENNIAL WATER SANITATION DISTRICT**  
**2013 BUDGET**  
**BY OBJECT**

Description	2011 Actual	2012 Budget	2012 REVISED	2013 Proposed
367 Sludge Disposal	309,502	404,759	487,500	410,444
369 Other Purchased Servi	326,267	375,806	254,408	351,583
371 Automobile Expense	3,548	9,998	5,998	7,998
372 Conferences	14,784	35,190	35,265	37,532
389 Administrative Contra	40,806	81,070	81,070	96,470
Total	2,727,257	3,226,501	3,346,048	3,158,209
<b>DEPT DIRECTED VARIABLE</b>				
<b>Fuel and Chemical Products</b>				
271 Gasoline/Fuel	162,402	152,699	155,633	158,125
281 Water Treatment Chem.	1,896,200	2,331,967	2,129,075	1,793,818
Total	2,058,602	2,484,666	2,284,708	1,951,943
<b>Utilities</b>				
391 Electricity and Power	2,138,247	2,536,222	2,732,899	3,894,544
392 Water/Sewer	20,791	20,286	20,286	20,700
394 Natural Gas	54,698	91,807	90,557	96,036
Total	2,213,736	2,648,315	2,843,742	4,011,280
<b>TOTAL EXPENDITURES BY OBJECT</b>	19,648,010	21,244,288	21,389,110	22,683,471

## **DEBT SERVICE REQUIREMENTS**

The projected outstanding principal for the District is as follows:

	<b>Balance 12/31/11</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 12/30/12</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 12/30/13</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 12/30/14</b>
<b>Water</b>										
Series 2004	\$ 36,315,000	-	\$ 36,315,000	\$ -	-	-	\$ -	-	-	\$ -
Series 2005	1,405,000		320,000	1,085,000	-	350,000	735,000	-	360,000	375,000
Series 2008	8,870,000		1,340,000	7,530,000	-	1,400,000	6,130,000	-	1,450,000	4,680,000
Series 2012A		24,440,000		24,440,000	-	215,000	24,225,000	-	215,000	24,010,000
Series 2012B		15,530,000		15,530,000	-	170,000	15,360,000	-	220,000	15,140,000
	<u>46,624,000</u>	<u>39,970,000</u>	<u>37,975,000</u>	<u>48,585,000</u>	<u>-</u>	<u>2,135,000</u>	<u>46,450,000</u>	<u>-</u>	<u>2,245,000</u>	<u>44,205,000</u>
<b>Wastewater</b>										
Series 2004	2,880,000		2,880,000	-	-	-	-	-	-	-
Series 2005	6,670,000		1,525,000	5,145,000	-	1,650,000	3,495,000	-	1,705,000	1,790,000
Series 2008	4,380,000		655,000	3,725,000	-	690,000	3,035,000	-	715,000	2,320,000
Series 2012A		6,050,000		6,050,000	-	320,000	5,730,000	-	320,000	5,410,000
Series 2012B		3,220,000		3,220,000	-	40,000	3,180,000	-	45,000	3,135,000
	<u>13,896,000</u>	<u>9,270,000</u>	<u>5,060,000</u>	<u>18,140,000</u>	<u>-</u>	<u>2,700,000</u>	<u>15,440,000</u>	<u>-</u>	<u>2,785,000</u>	<u>12,655,000</u>
	<u>\$ 60,520,000</u>	<u>\$ 49,240,000</u>	<u>\$ 43,035,000</u>	<u>\$ 66,725,000</u>	<u>\$ -</u>	<u>\$ 4,835,000</u>	<u>\$ 61,890,000</u>	<u>\$ -</u>	<u>\$ 5,030,000</u>	<u>\$ 56,860,000</u>

The projected expenditure for interest on the District's debt service during 2012 to 2014 can be summarized as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
Series 2004	1,942,000	\$ -	\$ -
Series 2005	334,000	245,000	133,000
Series 2008	526,000	426,000	350,000
Series 2012A	-	634,000	627,000
Series 2012B		562,000	511,000
	<u>\$ 2,802,000</u>	<u>\$ 1,867,000</u>	<u>\$ 1,621,000</u>

The projected expenditure by bond issue for principal (not including refunding) and interest on the District's debt service during 2012 to 2014 can be summarized as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
Series 2004	\$ 1,942,000	\$ -	\$ -
Series 2005	2,179,000	2,245,000	2,198,000
Series 2008	2,521,000	2,516,000	2,515,000
Series 2012A	-	1,169,000	1,162,000
Series 2012B		772,000	776,000
Total Principal and Interest	<u>\$ 6,642,000</u>	<u>\$ 6,702,000</u>	<u>\$ 6,651,000</u>

CENTENNIAL WATER AND SANITATION DISTRICT  
SUMMARY

	Prior Years Approp.	2012 8/31/2012			2013		2014	Remaining Future
		Budget	Actual	Remaining	Projected	Expend. Offsets	Projected	
<b>FACILITY PLAN CAPITAL PROJECTS</b>								
WATER FACILITIES	-	-	-	-	-	-	-	6,240,000
WATER DELIVERY	870,438	-	-	-	-	-	15,000	3,728,000
BOOSTER PUMP STATION	-	-	-	-	5,300,000	(300,000)	-	-
POTABLE STORAGE RESERVOIRS	1,871,263	-	-	-	-	-	-	305,000
WELL WATER SUPPLY	8,279,057	186,000	-	-	186,000	-	-	3,536,000
WASTERWATER FACILITIES	-	-	706,584	273,000	6,320,416	-	-	6,468,000
LIFT STATIONS	-	-	-	-	-	-	-	392,000
INFRASTRUCTURE								
WATER	309,234	1,872,936	-	-	-	-	-	7,948,175
WASTEWATER	15,800	123,000	-	-	-	-	-	1,056,000
OTHER	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL PROJECTS</b>		<b>2,181,936</b>	<b>706,584</b>	<b>273,000</b>	<b>11,806,416</b>	<b>(300,000)</b>	<b>15,000</b>	<b>29,673,175</b>
<b>WATER RIGHTS ACQUISITION</b>	<b>14,397,181</b>	<b>1,320,000</b>	<b>544,571</b>	<b>-</b>	<b>1,350,000</b>	<b>-</b>	<b>1,000,000</b>	<b>58,464,819</b>
<b>CHANNEL STABILIZATION</b>	<b>3,951,849</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>29,694,822</b>	<b>3,501,936</b>	<b>1,251,155</b>	<b>273,000</b>	<b>13,156,416</b>	<b>(300,000)</b>	<b>1,015,000</b>	<b>88,137,994</b>

**Centennial Water and Sanitation District**  
Capital Projects 2012-2014

	Prior Years Approp	2012			2013		2014	FUTURE		Fee Funded	Other Funding
		Budget	Through 08/31/12	Remaining	Expend. Offsets	Projected	Expend. Offsets	Projected	Projected		
<b>WATER FACILITIES</b>											
<b>RAW WATER STORAGE FACILITIES</b>											
<b>WATER TREATMENT PLANT</b>											
Water Treatment Plant											
Regulatory compliance											
Ground Water Treatment Plant										6,240,000	
<b>RAW WATER DELIVERY</b>											
South Platte Wellfields											
Wells 13 and 14									883,000		
City Ditch:											
Expand Maricopa Ditch crossing	60038								415,000		
Pump station improve. and capacity Expansion									447,000		
Last Chance/Nevada Ditch											
Diversion capacity - future									1,000,000		
Miscellaneous Items											
Gulch Diversion Facilities											
Big Dry Creek									87,000		
Marcy Gulch	60036	27,431							87,000		
Spring Gulch									87,000		
Augmentation Plan- Piezometers/Gauging Sta.s											
Big Dry	60033	60,200									
Dad Clark Gulch	60024	31,600									
Spring Gulch									34,000		
Non-Potable Irrigation System											
Treatment, Pipeline, Pump Station	60041	610,718									
Pipe Line	65076	45,000						15,000	688,000		
Pipe Line	65077	69,390									
Pump Station											
Filter Building											
		870,438						15,000	3,728,000		
<b>BOOSTER PUMP STATIONS</b>											
Zone 4B Upgrades						300,000	(300,000)				
Zone 4C Pump Station						5,000,000					
						5,300,000	(300,000)				
<b>POTABLE STORAGE RESERVOIRS</b>											
Zone 3 Reservoir											
Site improvements									72,000		
Zone 4A Reservoir											
Site improvements									72,000		
Zone 4B Reservoir	67011	1,871,263							89,000		
Zone 6 Reservoir - ASR Pump Station											
Site improvements									72,000		
		1,871,263							305,000		

**Centennial Water and Sanitation District  
Capital Projects 2012-2014**

		Prior Years Approp.	2012			2013		2014	FUTURE	FUTURE		
			Budget	Through 08-31-12	Remaining	Expend Offsets	Projected	Expend Offsets	Projected	Projected	Fee Funded	Other Funding
<b>WELL WATER SUPPLY</b>												
<b>Well supply development:</b>												
2003 Projects:	69024	5,853,981										
2007 Projects	68025	2,013,288										
Future												
Non-Trib - Denver										2,829,000		
Non-Trib - LFH												
Tributary												
<b>Well Site Improvements/Landscaping</b>												
2004 Landscaping	66025	83,696										
2005 Wells and Facilities Landscape, Phase I												
LFH-9, Zone 5A Res Zone 6 Pump	66027	90,853										
2007 Wells & Facilities Landscaping Ph 1	66029	114,970										
DA-1												
DA-2												
TD-12										37,000		
PA-5										37,000		
D-17	68023	2,264								32,000		
Zone 4B Reservoir										89,000		
LFH-1				37,000			37,000					
LFH-2, D-1				69,000			69,000					
LFH-5 D-8R										43,000		
LFH-6										43,000		
LFH-7, TD-4, A-6 2011 Site Improvements	68-026											
LFH-7		86,788										
TD-4												
A-6R												
LFH-10R				43,000			43,000					
D-2										37,000		
D-3R										37,000		
D-4										37,000		
D-6										37,000		
D-9										37,000		
D-10R										43,000		
D-12R	66031	33,217										
A-1R										43,000		
A-2										37,000		
TD-1										11,000		
TD-2										11,000		
TD-3										11,000		
TD-5				37,000			37,000					
TD-11										11,000		
TD-13										37,000		
TD-14										37,000		
		9,279,057	186,000	-	-	-	186,000	-	-	3,576,000	-	-
TOTAL WATER FACILITIES		11,026,750	186,000	-	-	-	186,000	-	-	3,576,000	-	0.281111

Centennial Water and Sanitation District  
Capital Projects 2012-2014

Prior Years Approp	2012				2013		2014	FUTURE	FUTURE	
	Budget	Through 08/31/12	Remaining	Expend Offsets	Projected	Expend Offsets	Projected	Projected	Fee Funded	Other Funding
<b>WASTEWATER FACILITIES</b>										
<b>WASTEWATER TREAT. PLANT</b>										
Wastewater Plant										
Regulatory										
Marcy Gulch WWTP Improvements Phase I		706,584	273,000		6,320,416					6,468,000
71-017										
	-	706,584	273,000	-	6,320,416	-	-	-	-	6,468,000
<b>LIFT STATIONS</b>										
Chatfield upgrades - Plum Creek								392,000		
	-	-	-	-	-	-	-	392,000	-	-
	-	706,584	273,000	-	6,320,416	-	-	392,000	-	6,468,000
<b>TOTAL WASTEWATER FACILITIES</b>										
<b>INFRASTRUCTURE</b>										
<b>WATER INFRASTRUCTURE</b>										
2009 Infrastructure										
Line 516	Water	2000'		278,626						
Line 606	Water	1,400'		156,030						
WTP Interconnect				187,000						
Future								2,111,000		
Service to Plum Creek parcel								2,111,000		
	-	621,656	-	-	-	-	-	2,111,000	-	-

**Centennial Water and Sanitation District**  
Capital Projects 2012-2014

WELL PIPELINES	Prior Years Approp	2012			2013	2014	FUTURE	FUTURE	
		Budget	Through 08/31/12	Remaining	Expend. Offsets	Projected	Expend Offsets	Projected	Projected
Wells PA-5 and PA-7 from WWD									
Connection costs PA-5 (NP)	800' 6"								
Connection costs PA-7	800' 8"								
Connection costs PA-7	4,400' 8"								
<b>2011 Infrastructure Lines, WTP and Well Lines</b>									
Well line 1026: Connection at WTP Site	65-087	216,689							
<b>Ongoing Projects (Northern collections)</b>	65086	92,545							
Line Well served Fac. Plan \$ Length									
1013 LFH-10R \$ 240,240 2,600' a 10"		240,240							
1016 Collection 633,600 6,000' a 12"		633,600							
1017 Bore 77,220 120' a 12-24		77,220							
1018 Bore 77,220 120' a 12-24		77,220							
\$ 1,028,280									
<b>Future Projects (Northern collections)</b>									
Line Well served Fac. Plan \$ Length									
1014 D-9 151,000 2,000' a 6"		151,000							
1015 Bore 72,000 120' a 6-20		72,000							
\$223,000									
<b>2010 Project</b>									
Line Well served Fac. Plan \$ Length									
1006 A-1R 111,000 1200' a 8"								111,000	
<b>Future Projects (Northern Collections)</b>									
Line Well served Fac. Plan \$ Length									
1010 LFH-9 732,000 7500' a 10"								732,000	
1011 Bore 77,000 150' a 10-20								77,000	
1019 D-8/LFH-5 293,000 3000' a 10"								293,000	
1020 Bore (2) 51,000 100' a 10-20								51,000	
1024 LFH-2/D-1 460,000 5000' a 8"								460,000	
1025 Bore (3) 74,000 150' a 8-20								74,000	
1027 PA-5 46,000 600' a 6"								46,000	
1028 DA - 2 113,000 1500' a 6"								113,000	
\$1,957,000									
<b>Future</b>									
<b>Southern collections system</b>									
Line Well served Fac. Plan \$ Length									
S-50 TD-1 39,000 500' a 6"								39,000	
S-51 TD-2 61,000 800' a 6"								61,000	
S-52 TD-3 136,000 1800' a 6"								136,000	
S-53 TD-11 276,000 3000' a 8"								276,000	
\$512,000									
<b>Future</b>									
<b>Southern LFH Collections System</b>									
Line Well served Fac. Plan \$ Length									
L-11 LFH-12 92,000 1000' a 8"								92,000	
<b>Northern collections system</b>								3,276,175	
309,234		1,231,280	-	-	-	-	-	5,837,175	-

Centennial Water and Sanitation District  
Capital Projects 2012-2014

	Prior Years Approp	2012			2013		2014	FUTURE	FUTURE		
		Budget	Through 08/31/12	Remaining	Expend Offsets	Projected	Expend Offsets	Projected	Projected	Fee Funded	Other Funding
WASTEWATER											
DC 3.1.1 PA81 (Business Park to PA81)	900'	15,800	123,000								
Future Service to Plum Creek parcel									1,056,000		
		15,800	123,000	-	-	-	-	-	1,056,000	-	-
TOTAL INFRASTRUCTURE		125,034	1,004,936						9,034,173		
OTHER											
WWTP - added office space											
Future Regulatory Compliance - Nutrient Removal											
TOTAL - OTHER											
TOTAL ALL FACILITIES		11,545,792	1,004,936	794,544	794,544	1,004,936	(200,000)	804,936	9,034,173		12,768,601



**Centennial Water and Sanitation District**

**Water Acquisition 2009-2012**

**WATER RIGHTS ACQUISITION**

Denver Agreement	50001	2,764,292							
Cline Ranch	50004	3,444,279							2,700,000
Fairview Ditch	50005	301,020							
Other acquisitions 50-002/50-006	50006	3,784							
East Cherry Creek	50007	1,442,000							
Pipeline Capacity	50009	1,000,000							
Last Chance Ditch	50008	80,000							
James Tingle Dam (Randall Ditch)	50010	3,496,700							
Head gates (Randall Ditch)	50011	95,359							
Chatfield Reallocation/ Parker W&S	50012	1,740,610	320,000	544,571		350,000			42,364.819
230th @ Henderson	50013	16,449							
Highline Canal - Headgate 23 Pipeline	50014	12,688							
South Metro Water Partipation (WISE)						1,000,000			9,900,000
South Metro pipeline							1,000,000		1,000,000
CWSD pipeline									
Marcy Gulch Recapture			1,000,000						2,500,000
Future Water Acquisition (Total = \$20 mm)			TBD			TBD	TBD		TBD
Funded from surcharge									-
Other funding from Capital Projects Fund									
TOTAL WATER RIGHTS ACQUISITION		14,397,181	1,320,000	544,571		350,000			
Combined total		75,756,571							

TBD = To be determined

**Centennial Water and Sanitation District**  
**Channel Stabilization Inception to-2012**

		Prior Years Approp.	2012 Through 8/31/12		2013 Projected	2014 Projected	2015 Projected	FUTURE
			Budget	Remaining				
CHANNEL STABILIZATION - funding HRMD								
Marcy Gulch								
		248,151						

# Consistent with the HRMD/CWSD Joint funding arrangement implemented 3/00, Channel Stab projects will be constructed when funding from UDFCD is agreed to with CWSD funding contingent on this as well as CWSD staff approval of design.

### Major Repair Projects 2010-2012

December 17, 2012

**Centennial Water and Sanitation District**

Major Repair Projects 2010-2012

Major Repair Projects - 2010-2012										
Prior Years Approp			2012				2013		2014	Future
			Budget	Through 08/31/12	Remaining	Total	Projected	Expend Offsets	Projected	Projected
WASTEWATER FACILITIES										
WASTEWATER TREAT. PLANT										
Rebuild of digester 18" recirculation pump WWTP			50,000							
Replace backup generator at Marcy Gulch WW1	90-068		420,000	377,100						
Painting										
Paint Interior for 6 buildings	90-048	73,995								
Repaint walls at Zone II P.S.										
Caulk expansion joints in Headworks										
Prep and paint upper and lower chemical feed rooms/WTP		57,070								
Storage Structure for Pumps & Motors	90-040	9,400								
2 Flow meters for the DAF system at Headworks	90-047	8,199								
Clarifier NTU & DOB Meters	90-042	16,854								
Solar Shades for Ops Building	90-050	3,970								
Big Dry Lift Station Replacement Pumps (3)						-	195,000			
2 VFD Controls for WWTP Blowers (installed w/ training)		239,000				-				
		408,488	470,000	377,100	-	-	195,000	-	-	
TOTAL WASTEWATER FACILITIES			408,488	470,000	377,100		195,000			
OTHER										
FC200-R Iron Programmer, Reader (Meters)	90-039									
T190 compact track loader, asphalt roto miller/planer w/pallet forks			46,000							
2012 Vector Jet/Vac Truck	90-070		260,000	253,500						
Replace Truck Unit 265							51,434			
DOB - office building Xeriscape	90-044									
DOB - Roof Repairs		60,599								
DOB - Renovations (plumbing, flooring, bathrooms)		79,000								
DOB - Parking Lot Resurface							25,000	(6,000)		
DOB - Landscape							15,000			
DOB - Renovations (HVAC)										
TOTAL - OTHER			145,599	371,000	253,500		91,434			
TOTAL ALL FACILITIES			1,226,639	1,000,000	630,600		426,434			

**CENTENNIAL WATER AND SANITATION DISTRICT  
MISCELLANEOUS CAPITAL 2011 - 2012**

2013

	2012	2013		
		Acq Price	Operations	Technical Mgmt. General Mgmt.
<b>OFFICE EQUIPMENT</b>				
1		\$ -	\$ -	\$ -
<b>VEHICLES</b>				
1				
2		\$ -	\$ -	\$ -
<b>METER EQUIPMENT</b>				
1		\$ -	\$ -	\$ -
<b>SHOP AND GARAGE EQUIPMENT</b>				
1		\$ -	\$ -	\$ -
<b>EXHAUST FANS 240-50</b>				
1				
2		\$ -	\$ -	\$ -
<b>VALVES 12" 150 LB 12" 150 LB</b>				
1		\$ -		
2		\$ -	\$ -	\$ -
<b>COMPUTER EQUIPMENT</b>				
1 Iron Equipment	\$ 30,000			
2				
3				
4		\$ 30,000	\$ -	\$ -
<b>OTHER EQUIPMENT</b>				
1 Zone 4B replacement pump and motor	\$ 33,200			
2 Zone 4B replacement pump control valves	\$ 6,300			
3 WWTP -8" RAS return pump	\$ -			
4 Gantry Crane for Zone 1 pump station	\$ 27,000			
5 Replace lab disinfection & cleaning equipment	\$ 9,000			
1 Asset Management Software		\$ 40,000		
2 Purchase a replacement pump and motor for Zone #5 P.S.		\$ 38,000		
3 Purchase a replacement pump and motor for Zone #6 P.S.		\$ 30,000		
4 HVAC control system replacement for the Ops bldg. at WWTP		\$ 30,000		
5 Flow Injection Analyzer Replacement		\$ 38,000		
6 New vehicle and equipment to equip. an I&C technician		\$ 39,945		
7 Replacement tractor truck for bio-solids handling at Marcy Gulch WW		\$ 39,000		
	\$ 75,500	\$ 254,945	\$ -	\$ -
<b>TOTAL PURCHASES</b>	<b>\$ 105,500</b>	<b>\$ 254,945</b>	<b>\$ -</b>	<b>\$ -</b>
Other Miscellaneous Capital to be specified				NA
Total Direct Miscellaneous Capital Purchases				<b>\$ 254,945</b>

**CENTENNIAL WATER AND SANITATION DISTRICT  
MISCELLANEOUS CAPITAL 2011 - 2012**

		2013				2013	
		2012					
		Acq Price	Operations	Technical Mgmt.	General Mgmt.		
<b>2008 Lease (2008-2012)</b>							
1	Compact car	\$ 28,352					
2	Compact car						
3	Compact car						
4	4wd vehicle						
5	4wd vehicle						
6	Full Size Pick-up						
7	Compact pick-up						
8	Compact pick-up						
9	4wd vehicle						
		<u>\$ - \$ 28,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$0</u>
<b>Combined Total</b>							
Lease Payments - existing		\$ 28,352				\$ -	
Lease Payments - proposed						-	
Capital acquired under lease			\$ -	\$ -	\$ -		
Direct Capital purchases		105,500	254,945	-	-		
Subtotal - Capital acquired		<u>\$ 105,500 \$ 28,352</u>	<u>\$ 254,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
* replacement							

**CENTENNIAL WATER & SANITATION DISTRICT**  
**SCHEDULE OF APPROVED POSITIONS - REGULAR PERSONNEL**

REGULAR EMPLOYEES (FTE)	2012 Budget	2012 Actual	2013 Proposed	Change 2012 Actual to 2013 Adopted	FTE's 13 Adopted Adj. For Sch. III Shared Emp.
<b>ADMINISTRATIVE</b>					
Director, Water/Wastewater Oper.	1.000	1.000	1.000	-	1.000
Superintendent, Operations and Maint.	1.000	1.000	1.000	-	1.000
Secretary	3.000	3.000	3.000	-	3.000
<b>PLANT OPERATIONS</b>					
Supervisor of Plant Operations	1.000	1.000	1.000	-	1.000
Lead Plant Operator	3.000	3.000	3.000	-	3.000
WTP Plant Operator	5.000	5.000	5.000	-	5.000
Maintenance Mechanic	2.000	2.000	2.000	-	2.000
Field Operator	3.000	3.000	3.000	-	3.000
WWTP Operator	5.000	5.000	5.000	-	5.000
Utility Worker	2.000	2.000	2.000	-	2.000
<b>PLANT MAINTENANCE</b>					
Lead Maintenance Mechanic	1.000	1.000	1.000	-	1.000
Maintenance Mechanic	5.000	5.000	5.000	-	5.000
Lead Instrument Electronics Technician	1.000	1.000	1.000	-	1.000
Instrumentation/Electronic Technician	3.000	3.000	4.000	1.000	4.000
<b>COLLECTION AND DISTRIBUTION</b>					
Collection and Distribution Mechanics	11.000	11.000	11.000	-	11.000
Field Customer Service	6.000	6.000	6.000	-	6.000
Meter Field Customer Service	2.000	2.000	2.000	-	2.000
Utility Inspector	1.000	1.000	1.000	-	1.000
Utility Worker	3.000	3.000	3.000	-	3.000
<b>LAB</b>					
Laboratory Supervisor	1.000	1.000	1.000	-	1.000
Lab Chemist	-	-	-	-	-
Lab Technician	4.000	4.000	4.000	-	4.000
<b>ENGINEERING</b>					
* Director - Engineering	*	*	*	*	0.250
* Administrative Assistant	*	*	*	*	0.500
Water Resource Manager	1.000	1.000	1.000	-	1.000
Water Resource Engineer	1.000	1.000	1.000	-	1.000
Engineer	1.000	1.000	1.000	-	1.000
Project Engineer	2.000	2.000	2.000	-	2.000
Conservation Coordinator	1.000	1.000	1.000	-	1.000
* Contract Administrator	*	*	*	*	0.500
* Clerk	*	*	*	*	0.375

**CENTENNIAL WATER & SANITATION DISTRICT**  
**SCHEDULE OF APPROVED POSITIONS - REGULAR PERSONNEL**

REGULAR EMPLOYEES (FTE)	2012 Budget	2012 Actual	2013 Proposed	Change 2012 Actual to 2013 Adopted	FTE's 13 Adopted Adj. For Sch. III Shared Emp.
<b>GENERAL MANAGEMENT</b>					
General Manager	1.000	1.000	1.000	-	1.000
Secretary	1.000	1.000	1.000	-	1.000
* Community Relations Manager	*	*	*	*	0.250
* Community Relations Coordinator	*	*	*	*	0.500
* Human Resources Administrator	*	*	*	*	0.500
* Human Resources Assistants (2)	*	*	*	*	0.900
<b>FINANCIAL SERVICES</b>					
* Director - Finance & Admin.	*	*	*	*	0.500
Finance Manager	-	-	-	-	-
** Asset & Revenue Manager	0.500	0.500	0.500	-	0.250
* Accounting Supervisor	1.000	1.000	1.000	-	0.500
** Administrative Analyst	0.500	0.500	0.500	-	0.250
** Financial Reporting Analyst	1.000	1.000	1.000	-	0.500
** Network Administrator	1.000	1.000	1.000	-	0.430
** PC Specialist	2.000	2.000	2.000	-	0.860
* Accounting Assistants/Payroll	4.000	4.000	4.000	-	2.000
* Receptionist / Office Assistant	1.000	1.000	1.000	-	1.250
* Building Assistant (District Office Bldg.)	1.000	1.000	1.000	-	1.000
<b>CUSTOMER SERVICE</b>					
Asset & Revenue Manager	0.500	0.500	0.500	-	0.500
Customer Service Rep.	4.000	4.000	4.000	-	4.000
Meter Readers	2.750	2.750	2.750	-	2.750
Regular employees	91.250	91.250	92.250	1.000	91.565
<b>TEMPORARIES (FTE)</b>					
Plant Operations	0.500	0.500	0.500	-	0.500
Plant Maintenance	0.450	0.450	0.450	-	0.450
Collection and Distribution	0.250	0.250	0.250	-	0.250
Lab	0.250	0.250	0.250	-	0.250
Water Conservation	0.300	0.300	0.300	-	0.300
Engineering	0.300	0.300	0.300	-	0.300
Customer Service	0.910	0.910	0.910	-	0.910
Total with equivalents	94.210	94.210	95.210	1.000	94.525

(0.650) in

- \* Employee cost is partially allocated FROM Metro Districts pursuant to Employee, Office Services and Capital Equipment Sharing contract (Schedule III employees).
- \*\* Employee cost is partially allocated TO Metro Districts pursuant to Employee, Office Services and Capital Equipment Sharing contract (Schedule III employees).





# CENTENNIAL

WATER AND SANITATION DISTRICT

## Customers

### BOARD of DIRECTORS

Terri Kershisnik (Chairman)	May 2012 – May 2016
John Kilrow (Vice-Chairman)	May 2012 – May 2016
Jeff Kappes (Treasurer)	May 2012 – May 2016
Steve Ormiston (Assistant Secretary)	May 2010 – May 2014
Tim Roberts (Assistant Secretary)	May 2010 – May 2014

John Hendrick,  
General Manager

Executive Assistant

Bruce A. Lebsack  
Director  
Finance & Administration

Jeff Case  
Director  
Public Works

Tim Grotheer  
Director  
Water & Wastewater Operations

Financial  
Services

Customer  
Service

Information  
Systems

Engineering

Water  
Operations

Wastewater  
Operations

Water Resources

Human Resources

Community Relations

## APPENDIX

## ***CENTENNIAL WATER AND SANITATION DISTRICT GLOSSARY***

<b><i>Absorption:</i></b>	An estimate of the expected annual sales or new occupancy of a particular type of land use. For example, the demand for new homes in a market area is estimated to be 500 per year.
<b><i>Base Capacity Fee:</i></b>	A portion of the tap fee paid by developers prior to installation of the tap. The fee is calculated based on an estimated cost of all facilities allocated by user class.
<b><i>Bond Covenant:</i></b>	An agreement between the issuer and holder of a bond, requiring or forbidding certain actions of the issuer. Positive covenants require actions while negative covenants forbid them.
<b><i>Capital Outlay:</i></b>	A capital expenditure either adds a fixed asset unit or increases the value of an existing fixed asset.
<b><i>Enterprise Fund:</i></b>	In governmental accounting, a fund that provides goods or services to the public for a fee that makes the entity self-supporting.
<b><i>Fund Balance:</i></b>	The excess of a governmental fund's assets and revenues over its liabilities, reserves, and expenditures at the close of the fiscal year.
<b><i>Governmental Funds:</i></b>	Funds generally used to account for tax-supported activities.
<b><i>Proxy:</i></b>	Substitute; in the case of calculating the wastewater fee the average winter time usage is used as a substitute for actual sewer flows during the entire year.
<b><i>Target Fund Balances:</i></b>	A minimum level fund balance established by the Board with the primary objective of a fund balance that maintains adequate resources to cope with contingencies.
<b><i>Water Acquisition Fee:</i></b>	A portion of the tap fee paid by developers prior to installation of the tap. The fee is designed to generate revenues to develop additional water resources such as acquisition of water rights, construction of storage reservoirs, and other associated projects.

**CENTENNIAL WATER AND SANITATION DISTRICT  
BOARD COMMUNICATION**

DATE	SUBJECT	AGENDA NUMBER
------	---------	------------------

12/17/12

ADOPT 2013 BUDGET AND  
APPROPRIATE FUNDS

CWSD 12-147

**INITIATED BY**

BRUCE LEBSACK

**STAFF RECOMMENDATION**

Adopt Resolution No. 12-147

- ✓ Approving the 2013 budget.
- ✓ Appropriating funds for the 2013 budget.

**BACKGROUND INFORMATION**

A preliminary budget dated October 15, 2012 was submitted to the Board of Directors. On November 14, 2012, District staff presented the key features of the proposed budget to the Board of Directors. Adjustments based on these discussion and internal review by staff to the operating and capital budgets have since been incorporated into the proposed budget by staff. It is recommended that a budget that incorporates these changes be adopted.

A Public Hearing was held on November 26, 2012 on the 2013 Proposed Budget and Rate Changes. No public comments or suggested changes were recommended to the budget at the Public Hearing.

The proposed budget is shown on Exhibit A and is recommended for adoption as outlined in the attached resolution. The second item related to the budget is, pursuant to state statutes, the appropriation of funds sufficient to implement the 2013 budget.

JH

**FINANCIAL DETAILS**

The 2013 proposed budget assumes the following rate and development fee related increases for water and wastewater service.

	2012	2013	Change
<b>Water &amp; Wastewater Rates</b>			
Water Service Availability Charge (bimonthly)	\$ 25.00	\$ 25.00	0.0%
Water per 1,000 gallons Up to 100% of Budget	\$ 2.65	\$ 2.75	3.8%
Minimum Wastewater Charge (bimonthly)	\$ 20.65	\$ 20.95	1.5%
Wastewater per 1,000 gallons over 3,000	\$ 2.55	\$ 2.65	3.9%

*BL*  
BL

CENTENNIAL WATER AND SANITATION DISTRICT  
ALL FUNDS - 2011-2013

	2011 Actual	2012 Projected	2013						Adopted
			Operations	Financial Assurance	Water Acquisition	Reserve	Debt Service	Capital Projects	
<b>REVENUES &amp; OTHER RECEIPTS</b>									
Operating revenues									
Water operations	\$ 19,545,754	\$ 20,750,000	\$ 21,243,200		\$ -	\$ -	\$ -	\$ -	\$ 21,243,200
Wastewater operations	8,100,431	8,175,000	8,602,200		-	-	-	-	8,602,200
Other operating	524,421	750,799	492,701		-	-	-	-	492,701
Intergovernmental/Fund reimb	327,934	626,000	895,000		-	-	-	-	895,000
Nonoperating and other receipts									
Rental Income	236,580	218,000	209,000		-	-	-	-	209,000
Miscellaneous	8,484	15,000	15,000		-	-	-	-	15,000
Lease Proceeds	-	-	-		-	-	-	-	-
Bond proceeds (net of OID)	-	49,240,000	-		-	-	-	-	-
Contributed Capital	2,312,417	2,919,030	-		750,820	-	-	1,564,751	2,315,571
Net investment income	879,186	694,000	699,000		-	-	-	-	699,000
<b>Total Revenues &amp; Other Receipts</b>	<b>31,935,207</b>	<b>83,387,829</b>	<b>32,156,101</b>	<b>-</b>	<b>750,820</b>	<b>-</b>	<b>-</b>	<b>1,564,751</b>	<b>34,471,672</b>
<b>OUTLAYS</b>									
Operating expenses									
Water operations	6,729,101	7,795,231	8,760,950		-	-	-	-	8,760,950
Wastewater operations	4,095,745	4,769,679	4,737,473		-	-	-	-	4,737,473
Technical management	3,162,108	3,085,803	3,338,733		-	-	-	-	3,338,733
General management	2,289,496	2,498,979	2,610,324		-	-	-	-	2,610,324
	16,276,450	18,149,692	19,447,480	-	-	-	-	-	19,447,480
Miscellaneous Capital/Leases									
Water leases	3,374,122	2,900,000	3,235,991		-	-	-	-	3,235,991
Misc. Capital	-	105,500	-		-	254,945	-	-	254,945
Capital lease payments	46,604	40,446	-		-	-	-	-	-
	19,697,176	21,195,638	22,683,471	-	-	254,945	-	-	22,938,416
Debt Related									
Interest	2,965,308	2,802,000	-		-	-	1,867,000	-	1,867,000
Principal	3,670,000	3,840,000	-		-	-	4,835,000	-	4,835,000
	6,635,308	6,642,000	-	-	-	-	6,702,000	-	6,702,000
Capital outlay									
Capital Projects	1,881,325	2,887,463	-		1,350,000	4,350,000	-	11,806,416	17,506,416
	1,881,325	2,887,463	-	-	1,350,000	4,350,000	-	11,806,416	17,506,416
Nonrecurring									
Bond issuance expenditures	-	376,950	-		-	-	-	-	-
Transfer to Refunding Escrow	-	42,854,900	-		-	-	-	-	-
Water transfer agreement payment	42,760	-	-		-	-	-	-	-
	42,760	43,231,850	-	-	-	-	-	-	-
<b>Total Outlays</b>	<b>28,256,569</b>	<b>73,956,951</b>	<b>22,683,471</b>	<b>-</b>	<b>1,350,000</b>	<b>4,604,945</b>	<b>6,702,000</b>	<b>11,806,416</b>	<b>47,146,832</b>
<b>OPERATING TRANSFERS</b>									
Operations - Debt Service	-	-	(6,640,705)		-	-	6,640,705	-	-
Operations - Reserve	-	-	(1,770,000)		-	1,770,000	-	-	-
Operations - Water Acq. / Prot.	-	-	(971,925)		971,925	-	-	-	-
Operations - FAF	-	-	-		-	-	-	-	-
Operations - Capital Projects	-	-	-		-	-	-	-	-
Debt Service - Capital Projects	-	-	-		-	-	-	-	-
Financial Assurance - Water Acq	-	-	-		-	-	-	-	-
Financial Assurance - Reserves	-	-	-		-	-	-	-	-
Reserve - Water Acq./Prot	-	-	-		(7,564,000)	7,564,000	-	-	-
Water Acq./Prot. - Capital Projects	-	-	-		-	2,829,000	-	(2,829,000)	-
Debt Service - Capital Projects	-	-	-		-	-	-	-	-
	-	-	(9,382,630)	-	(6,592,075)	12,163,000	6,640,705	(2,829,000)	-
<b>NET RECEIPTS/(OUTLAY) OF FUNDS AND OPERATING TRANSFERS</b>	<b>3,678,638</b>	<b>9,430,878</b>	<b>90,000</b>	<b>-</b>	<b>(7,191,255)</b>	<b>7,558,055</b>	<b>(61,295)</b>	<b>(13,070,665)</b>	<b>(12,675,160)</b>
<b>FUNDS AVAILABLE - BEGINNING</b>	<b>70,488,777</b>	<b>74,167,415</b>	<b>11,350,000</b>	<b>5,827,259</b>	<b>17,395,397</b>	<b>10,814,180</b>	<b>6,712,295</b>	<b>31,499,162</b>	<b>83,598,293</b>
<b>FUNDS AVAILABLE - ENDING</b>	<b>\$ 74,167,415</b>	<b>\$ 83,598,293</b>	<b>\$ 11,440,000</b>	<b>\$ 5,827,259</b>	<b>\$ 10,204,142</b>	<b>\$ 18,372,235</b>	<b>\$ 6,651,000</b>	<b>\$ 18,428,497</b>	<b>\$ 70,923,133</b>

CENTENNIAL WATER AND SANITATION DISTRICT

RESOLUTION NO. 12-147

WHEREAS, staff has submitted a proposed budget to this Board on or before October 15, 2012 for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was open for inspection by the public at a designated place, and a public hearing was held on November 26, 2012, and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, no comments were received or filed; and

WHEREAS, the budget has been prepared to comply with all terms, limitations and exemptions, including, but not limited to, reserve transfers and expenditure exemptions, under Article X, Section 20 of the Colorado Constitution ("TABOR") and other laws or obligations which are applicable to or binding upon the District; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Centennial Water & Sanitation District:

1. That Estimated expenditures for each fund are as follows:

Operations	\$ 22,683,471
Reserve	4,604,945
Water Acquisition	1,350,000
Debt Service Funds	6,702,000
Capital Projects Fund	11,806,416
	<u>\$ 47,146,832</u>

2.

That estimated revenues and other sources of funding to fund the expenditures for each fund are as follows:

General Fund

From Operating Revenues	\$ 31,233,101
From Nonoperating Revenue	923,000
From (to) interfund transfers	(9,382,630)
From (to) unappropriated surpluses	(90,000)
	<u>\$ 22,683,471</u>

Reserve

From Nonoperating Revenue	
From (to) interfund transfers	\$ 12,163,000
From (to) unappropriated surpluses	(7,558,055)
	<u>\$ 4,604,945</u>

Water Acquisition	
From Nonoperating Revenue	\$ 750,820
From (to) interfund transfers	(6,592,075)
From (to) unappropriated surpluses	7,191,255
	<u>\$ 1,350,000</u>
Debt Service Funds	
From Nonoperating Revenue	\$ -
From (to) interfund transfers	6,640,705
From (to) unappropriated surpluses	61,295
	<u>\$ 6,702,000</u>
Capital Projects Fund	
From Nonoperating Revenue	\$ 1,564,751
From (to) interfund transfers	(2,829,000)
From (to) unappropriated surpluses	13,070,665
	<u>\$ 11,806,416</u>

3. That the budget, as submitted, amended and herein summarized by budgetary fund, be, and the same hereby is, approved and adopted as the budget of the Centennial Water & Sanitation District for the 2013 fiscal year.

4. That the budget, as hereby approved and adopted, shall be certified by a Secretary and/or General Manager of the District to all appropriate agencies and is made a part of the public records of the District.

#### APPROPRIATE SUMS OF MONEY

WHEREAS, the Board of Directors of the District has made provision therein for revenues in an amount equal to or greater than the total proposed expenditures as set forth in said budget; and

WHEREAS, it is not only required by law, but also necessary to appropriate the revenues provided in the budget to and for the purposes described below, as more fully set forth in the budget, including any interfund transfers listed therein, so as not to impair the operations of the District.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Centennial Water & Sanitation District that the following sums are hereby appropriated from the revenues of each fund, to each fund, for the purposes stated:

Operations	\$ 22,683,471
Reserve	254,945
Debt Service Fund	6,702,000
Capital Projects Fund -Specific Year (water transfer payment, etc)	-
	<u>\$ 29,640,416</u>

BE IT FURTHER RESOLVED, that appropriations for expenditures on capital projects from the Capital Projects, Reserve, and Water Acquisition Funds will be considered on a project-by-project basis during 2013 and that any unexpended appropriations will continue to be available until rescinded by the Board of Directors.

## TRANSFERS

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors has established the following policies for maintaining sufficient reserves for the operation of the District. To the extent available the following transfers will be made in the listed priority.

- The Operations Fund will maintain working capital equal to half of the next years' estimated operating expenditures.
- To the Debt Service Fund to maintain an ending fund balance equal to the following years' debt service payment.
- To the Reserve Fund, \$1,770,000
- To the Water Acquisition in a minimum amount equal to \$0.15/1,000 gallons of water billed and a maximum amount equal to the incremental revenues from the tiered charges.
- Any remaining available funds will be transferred to the Financial Assurance Fund.

Adopted this 17th day of December, 2012

Certified by John L. Hendrick, Secretary

Ayes 4 Nays     Abstained     Absent 1



## **APPENDIX F – BOARD RESOLUTION**

F1 – Board Communication

F2 – Board Resolution for CWCB Loan Request

**CENTENNIAL WATER AND SANITATION DISTRICT**  
**BOARD COMMUNICATION**

7/29/13

2013 CWCB LOAN

CWSD 13-128

BRUCE LEBSACK

Move to adopt Resolution No. 13-128:

- appointing the "Loan Team" for any Series 2014 new debt issues.

Centennial Water and Sanitation District has worked with several other water providers in the Denver Metro Area on the Chatfield Reallocation Project. At this time, the District is preparing to move forward with the project. In order to fund the project the District has always anticipated using significant cash reserves, approximately \$15 million, and issue new debt to fund the balance.

One of the options available to the District is the opportunity to apply for a loan with the Colorado Water Conservation Board (CWCB). We have explored this avenue in the past but the interest rates have never been as good as the District could receive in the open market. Now however, because of the favorable rates being offered by the CWCB, it is staffs' recommendation that we apply for such a loan. Savings based on the current CWCB rate of 3% versus the rate used in the recent financial modeling of 4.5% (which approximates the current market) are shown in the table below.

Funding Mechanism	Amount Issued	Interest Rate	Term	Total Cost
CWCB Loan	\$ 35,000,000	3.0%	30	\$52,010,000
Revenue Bond	\$ 35,000,000	4.5%	30	\$61,685,000
Savings				\$9,675,000

Other advantages of the loan include:

1. A lock in of the current rates for up to two years without a draw.
2. The possibility of taking the loan down as needed rather than all up front thus deferring interest on a portion of the proceeds for a short period of time.
3. Lower issuance costs. Only a 1% origination fee plus fees for legal counsel opinions are required.
4. Ability to prepay at any time, which also includes partial repayment and readjustment of the amortization.

7/29/13

2013 CWCB LOAN

CWSD 13-128

### **Schedule**

The schedule for applying for the loan is as follows:

- In order to make sure we are in consideration for 2014 funding the District needs to submit an application by August 1, 2013 (CWCB staff has advised that they will accept the application up until August 5<sup>th</sup>).
- The loan application is reviewed by CWCB staff and a recommendation is made as to whether or not it is approved at the CWCB November 19-20 board meeting.
- Because the loan is larger than \$10m, specific approval is included in the CWCB budget submittal to the state which will be approved during the 2014 legislative session
- Funding would be available by July 1, 2014

In anticipation of approval, staff has prepared the necessary documentation for a full submittal including all required project related information and financial documents.

In order to proceed from this point forward the District needs to:

- Authorize Bruce Lebsack, Director, Finance and Administration to sign the loan application
- Appoint Hahn, Smith, Walsh and Mancuso as counsel

  
JH

  
BL

**CENTENNIAL WATER AND SANITATION DISTRICT**

**RESOLUTION NO. 13-128**

BE IT RESOLVED, that Hahn, Smith, Walsh and Mancuso be appointed counsel for any any new loans/bonds to be issued during 2013/2014; and

BE IT RESOLVED, that the Director, Finance and Administration is authorized to sign all applications and necessary paperwork for a loan with the Colorado Water Conservation Board

Adopted this 29th day of July, 2013

Ayes 5 Nays 0 Abstained 0 Absent 0

Certified by John Hendrick, Secretary

# **RULES AND REGULATIONS**

**ADOPTED APRIL 23, 1991**

With Amendments through July 1, 2005

**CENTENNIAL  
WATER AND SANITATION DISTRICT  
62 WEST PLAZA DRIVE  
HIGHLANDS RANCH, COLORADO 80129**

CENTENNIAL WATER AND SANITATION DISTRICT  
WATER AND SANITARY SEWER RULES AND REGULATIONS

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## ARTICLE I

### GENERAL

#### Section 1.1 Enactment

These Rules and Regulations are adopted by the Board of Directors of the Centennial Water and Sanitation District in accordance with the authority contained in Title 32, Article I, Part 10, C.R.S.

#### Section 1.2 Availability of Service

Water and sanitary sewer service shall be available in accordance with these Rules and Regulations and on the basis of the charges established therefore and subject to all penalties and charges for violation thereof, or any statutes applicable and subject to the availability of facilities and capacity.

#### Section 1.3 Intergovernmental Agreements

Centennial will only provide service to political subdivisions of the State of Colorado pursuant to intergovernmental agreements. Those agreements shall specifically incorporate these Rules and Regulations. In addition, any Customer served pursuant to an intergovernmental agreement shall adopt Rules and Regulations at least as strict as these Rules and Regulations and the Rules and Regulations adopted by Highlands Ranch Metropolitan District No. 1, No. 2, No. 3, No. 4, or No. 5.

#### Section 1.4 More Restrictive Rules and Regulations

Notwithstanding any other provision of these Rules and Regulations, the Rules and Regulations of any political subdivision receiving service from Centennial, to the extent they are more restrictive, shall apply.

#### Section 1.5 Compliance with Plumbing or Building Requirements

Nothing herein provided shall be deemed to relieve any Person from compliance with the plumbing code or building code of Douglas County or any other state or local plumbing or building requirements.

#### Section 1.6 Amendments

These Rules and Regulations may be amended from time to time in the same manner as the Rules and Regulations herein were adopted.

#### Section 1.7 Severability

If any section, subsection, sentence, clause or phrase of these Rules and Regulations if for any reason held to be invalid or unconstitutional, such decision shall not affect the remaining portions of these Rules and Regulations.

#### Section 1.8 Control and Operation of Facilities

All water and sanitary sewer facilities shall be under the management of the General Manager and the control of the Board.

No other Person shall have any right to enter upon, inspect, operate, adjust, change, alter, move or relocate any portion of Centennial's facilities.

#### Section 1.9 Control of Works

If, for any reason, Centennial deems it necessary to delay or stop work on any water or sanitary sewer facilities to be connected to Centennial facilities, a stop order by the General Manager shall be issued and delivered to the Customer or Person or their representative on the job. Work shall cease in an orderly manner with proper safety measure and protection for materials, equipment, property and other phases of the job. Work shall not be resumed until issuance of a proceed order. Such decision shall not be the basis of any claim by the Customer or Person or concern for direct, indirect, consequential or other damage by reason of any such action, but may be appealed to the Board for review.

#### Section 1.10 Other Charges

Not Used

#### SECTION 1.11 Special Conditions

Not Used

## ARTICLE II

### DEFINITIONS

Unless the context indicates otherwise, the meaning of the terms used herein shall be as follows:

Act or The Act: The Federal Water Pollution Control Act, also known as the Clean Water Act, as amended, 33 U.S.C. 1251, *et seq.*

Beneficial Use: The use of that amount of water that is reasonable and appropriate under efficient practices to accomplish without waste the purpose for which water is intended.

Biochemical Oxygen Demand (BOD): The quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedure over a period of five (5) days at 20 degrees centigrade, expressed in terms of milligrams per liter (mg/l).

Board: The Board of Directors of Centennial Water and Sanitation District.

Categorical Standards: National Categorical Pretreatment Standards or Pretreatment Standards as promulgated from time to time by the United States Environmental Protection Agency.

Centennial: Centennial Water and Sanitation District.

Colorado Discharge Permit System (CDPS): The permit issued by the State of Colorado pursuant to the Clean Water Act and the Water Quality Control Act.

Contractor: Any person, firm, association, corporation or agency performing work or furnishing materials to or for Centennial, directly or indirectly.

Cross Connection: Any physical connection or arrangement of piping or fixtures between two otherwise separate piping systems, one of which contains potable water and the other nonpotable water or water of questionable safety, through which or because of which backflow or back-siphonage may occur which would contaminate the potable water system.

Customer: Any person, firm, corporation, association or agency who is authorized, or who desires, to obtain services from Centennial.

District Engineer: Person authorized by the District to act as its engineer.

Domestic Service: Service to and for facilities for human comfort and convenience for normal household or residential varieties.

Domestic Sewage: Sewage which can be treated without pretreatment and within normal operating procedures; which does not contain pollutants that pass through or interfere with the POTW; which, when analyzed, shows, by weight, a daily average of not more than 300 parts per million of suspended solids and not more than 250 parts per million BOD; and which does not contain any

other constituents above levels normally found in solely residential wastewater, as determined by the General Manager.

Engineer: A duly qualified, Registered Engineer in the State of Colorado.

Environmental Protection Agency, or EPA: The U.S. Environmental Protection Agency, or where appropriate, the administrator or other duly authorized official of said agency.

Facility: Any building, equipment, pipe, valve, manhole or other appurtenance owned, operated or maintained by Centennial to provide water or sewer service.

Garbage: The animal and vegetable waste resulting from the handling, preparation, cooking and serving of foods.

General Manager: The person designated as General Manager by the Board, who administers and supervises the affairs of and operations and maintenance of facilities of the District or the person authorized by the Board or the General Manager to act on his or her behalf.

Industrial Wastewater Discharge Permit: A permit issued by Centennial allowing the conditional discharge of industrial wastewater into Centennial's POTW or POTW connected to Centennial, pursuant to 40 C.F.R. 403 of the "Act".

Industrial Waste Treatment Plant or Facility: Any works or devices for the pretreatment of industrial sewage prior to its discharge to the POTW.

Industrial User: A source or potential source of nondomestic sewage which is discharged into the POTW may interfere with, pass through or be otherwise incompatible with the POTW.

Inspector: The authorized representative of Centennial.

Interference: The inhibition or disruption of the POTW treatment processes or operations which contributes to a violation of any requirement of Centennial's CDPS and NPDES permit. The term includes prevention of sewage sludge use or disposal by the POTW in accordance with Section 405 of the Act (U.S.C. 1345) or any criteria, guidelines, or regulations developed pursuant to the Solid Waste Disposal Act (SWDA), the Clean Air Act, the Toxic Substances Control Act, or more stringent state criteria (including those contained in any state sludge management plan prepared pursuant to Title IV of SWDA) applicable to the method of disposal or use employed by the POTW.

Local Limits: Any regulation containing pollution discharge limits promulgated by Centennial in accordance with 40 C.F.R. 405.5(c) and (d), which are deemed to be enforceable as Pretreatment Standards in accordance with Section 307 (d) of the Act.

NPDES Permit: The National Pollution Discharge Elimination Systems permit issued pursuant to Section 402 of the Act (33 U.S.C. 1342).

New Source:

1. Any building, structure, facility or installation from which there is or may be a Discharge of Pollutants, the construction of which commenced after the publication of proposed Pretreatment Standards under section 307(c) of the Act which will be applicable to such source if such Standards are thereafter promulgated in accordance with that section, provided that:
  - a. The building, structure, facility or installation is constructed at a site at which no other source is located; or,
  - b. The building, structure, facility or installation totally replaced the process or production equipment that causes the discharge of pollutants at an existing source; or,
  - c. The production of wastewater generating processes of the building, structure, facility or installation are substantially independent of an existing source at the same site. In determining whether these are substantially independent, factors such as the extent to which the new facility is integrated with the existing plant, and the extent to which the new facility is engaged in the same general type of activity as the existing source should be considered.
2. Construction on a site at which an existing source is located results in a modification rather than a new source if the construction does not create a new building, structure, facility or installation meeting the criteria of paragraphs 1.b. or 1.c. of this definition but otherwise alters, replaces, or adds to existing process or production equipment.
3. Construction of a new source as defined under this paragraph has commenced if the owner or operator has:
  - a. Begun, or caused to begin as part of a continuous onsite construction program:
    1. Any placement, assembly, or installation of facilities or equipment; or,
    2. Significant site preparation work including clearing, excavation, or removal of existing buildings, structures, or facilities which is necessary for this placement, assembly, or installation of new source facilities or equipment; or,
  - b. Entered into a binding contractual obligation for the purchase of facilities or equipment which are intended to be used in its operation within a reasonable time. Options to purchase or contracts which can be terminated or modified without substantial loss, and contracts for feasibility, engineering, and design studies do not constitute a contractual obligation under this paragraph.

Nondomestic Service: Service which is not domestic service.

Nondomestic Sewage: Sewage which is not domestic sewage.

Owner: Any person, firm, corporation, association or agency who holds title to any real property or building served by Centennial.

Pass Through: A discharge which exits the POTW into waters of the United States in quantities or concentrations which, alone or in conjunction with a discharge or discharges from other sources, is a cause of a violation of any requirement of the POTW's NPDES permit (including an increase in the magnitude or duration of a violation).

Permit: Shall mean an industrial Wastewater Discharge Permit.

Person: Any individual, firm, company, association, society, corporation, group, government, governmental agency or other legal entity.

Pollutant: Any dredged spoil, solid waste, incinerator residue, sewage, garbage, sewage sludge munitions, chemical wastes, biological materials, radioactive materials, heat, wrecked or discarded equipment, rock, sand, cellar dirt and industrial, municipal and agricultural waste discharged into water.

Pollution: The man-made or man-induced alteration of the chemical, physical, biological, or radiological integrity of water.

Potable Water: That water furnished by Centennial which is pure, wholesome, potable and does not endanger the lives or health of human beings and which conforms to requirements of the Safe Drinking Water Act or any other applicable standards.

Pretreatment: The reduction of the amount of pollutants, the elimination of pollutants, or the alteration of the nature of pollutant properties in wastewater to a less harmful state prior to or in lieu of discharging or otherwise introducing pollutants into a POTW.

Pretreatment Standard: The National Categorical Pretreatment Standard Regulation containing pollutant discharge limits promulgated by the EPA in accordance with Section 307 (b) and (c) of the Act (33 U.S.C. 1317).

Pretreatment Standards and Requirements: The pretreatment standards and substantive or procedural requirements established under the Clean Water Act, the State of Colorado Water Quality Act, and any specific prohibitions of limits or pollutants and procedures to enforce compliance therewith adopted by the District.

Prohibitive Discharge Standards: The National Prohibitive Discharge Standard or regulations developed under the authority of Section 307 (b) of the Act of 40 C.F.R., Section 403.5.

Publicly Owned Treatment Works (POTW): A treatment works as defined by Section 212 of the Act (33 U.S.C. 1291) which is owned by Centennial. This includes any sewers that convey

wastewater to the POTW treatment plant, but does not include pipes, sewers or other conveyances not connected to a facility providing treatment. For the purposes of these Rules and Regulations, "POTW" shall also include any sewers that convey wastewaters to the POTW from persons, outside Centennial who are, by contract or agreement with Centennial, users of the Centennial POTW.

Sanitary Sewage: Any combination of liquid and water-carried wastes from residences or nondomestic sources.

Public Sewer: A sewer which is controlled and maintained by a public authority.

Sanitary Sewer: A sewer which carries liquid and water-carried wastes from residences or nondomestic sources.

Security Deposit: Any monies required to be deposited with Centennial District for the purpose or guaranteeing payment of utility bills rendered for water or sanitary sewer service.

Service Lateral: The sanitary sewer line from the connection on Centennial's main sanitary sewer to the improvements of the Customer.

Sewer Main: The principal sewer to which lateral sewers are tributary.

Significant Industrial User or SIU: All categorical industrial users, as listed in the Colorado Department of Health Pretreatment Regulations, or any industrial user that discharges 25,000 gallons per day or more of process wastewater ("process wastewater" excludes sanitary, noncontact cooling and boiler blowdown wastewaters), or contributes a process wastestream which makes up 5 percent or more of the average dry weather hydraulic or organic (BOD TSS, etc.) capacity of the POTW, or has a reasonable potential, in the opinion of the General manager, to adversely affect the POTW or any portion thereof (inhibition, pass-through or pollutants, sludge contamination, or endangerment of POTW workers).

Standard Specifications: The Water and Sanitary Sewer Standards Specifications for Highlands Ranch Metropolitan District No. 1, No. 2, No. 3, No. 4, and No. 5 as adopted and amended from time to time.

Storm Sewer: A sewer for conveying water, groundwater, subsurface water or water from any source other than a sanitary sewer.

Surcharge: Any charge imposed by Centennial for the provision of a special service not normally provided by Centennial.

Suspended Solids: The total suspended matter that floats on the surface of, or is suspended in, water, wastewater or other liquids, and which is removable by laboratory filtering.

Tap Fee: A charge imposed by Centennial for obtaining water and sanitary sewer service from Centennial.

Toxic Pollutant: Any pollutant or combination of pollutants listed as toxic in regulations

promulgated by the Administrator of the Environmental Protection Agency under Section 307 (a) of the Clean Water Act or other acts.

Treatment Plant: That portion of the POTW or any portion thereof designed to provide treatment of wastewater.

User: Any Person who contributes, causes or permits the contribution of wastewater into the POTW or any portion thereof.

Wastewater: The liquid and water-carried domestic or nondomestic wastes together with pollutants which may be present, whether treated or untreated, which are contributed into or permitted to enter the POTW.

Wastewater Facilities: The structure, equipment and processes required to collect, carry away and treat domestic and industrial wastes and dispose of the effluent.

Water Distribution Main: The principal water conveying conduit owned by Centennial.

Water Distribution System: Individually or collectively, any water facility or facilities owned by Centennial. Water Distribution systems shall include all fire hydrants.

Water Quality Control Act: The Colorado Water Quality Control Act C.R.S. 1973, 25-8-101 et seq.

Water Service Line: That portion of the water system from the distribution main to the point of connection within the building.

Water Treatment Works: An arrangement of devices and structures used to produce potable water.



## ARTICLE III

### APPLICATION OF A SERVICE OUTSIDE THE DISTRICT

#### Section 3.1 General

Not Used.

## ARTICLE IV

### CONSTRUCTION OF WATER DISTRIBUTION AND SANITARY SEWER FACILITIES

#### Section 4.1 General

Not Used.

#### Section 4.2 Extension and Sizing of Facilities

Any connection to Centennial's facilities shall be approved by Centennial. It shall be the Customer's responsibility to provide at the Customer's sole cost, any water or sanitary sewer line not built or to be built by Centennial as shown in the most current edition of the "Facilities Plan for Centennial Water and Sanitation District".

All connections shall be built in strict accordance with the most current edition of the Water and Sanitary Sewer Specifications or any similar Standard Specification adopted by any successor entities.

#### Section 4.3 Acceptance of Facilities

Not Used.

#### Section 4.4 Inspection

Not Used.

## ARTICLE V

### WATER SERVICE

#### Section 5.1 Water Use

The right to take and use water from any source supplied by the Centennial is only by permission and Centennial reserves the full right to determine all matters in connection with the control and use of water. Water shall be used only for beneficial purposes.

No water User in or upon any premises to which water is supplied shall supply water to any other Person without the approval of the General Manager.

Nothing contained herein shall operate to create any vested or proprietary right whatsoever, but any right hereunder shall give the Customer the right to the water service for the purposes specified in these Rules and Regulations. The right to use water service shall be subject to suspension or revocation and shutoff as set forth in any intergovernmental agreement.

#### Section 5.2 Water Turn-on

Not Used.

#### Section 5.3 Water Service Line Size, Location and Installation

Subject to the approval of Centennial, the Customer is solely responsible for determining the size of tap required for service, and for the cost of any connection should it be determined to be in error.

No person, other than a person authorized by Centennial, shall install or remove any water service facilities.

#### Section 5.4 Water Meters

Not Used.

#### Section 5.5 Pressure Reducing Valves

Any pressure reducing valve required by Centennial shall be adjusted by Centennial personnel at such time as water service is initiated. Only authorized personnel shall adjust such valves.

#### Section 5.6 Fire Hydrants

Fire hydrants are provided for the primary purpose of furnishing water for fire suppression. Any

other use of fire hydrants shall be allowed by permit, issued by Centennial and shall require the use of a hydrant meter and regulating valve for the monitoring of water use. Connections and disconnections shall be made by authorized personnel only. Rates to be charged for water extracted from each hydrant shall be in accordance with the current fee schedule.

Use of hydrant water shall cease for the duration of any fire or for any other reason upon notice by Centennial. Any damage to the hydrant, hydrant meter or other property of Centennial shall be paid for by the User.

#### Section 5.7 Cross Connection

##### A. Cross Connections

Cross connections of any type which may permit a backflow of water from a supply other than that of Centennial into Centennial's mains is prohibited. Each Customer shall adopt Rules and Regulations which shall be approved by Centennial and which shall be in strict compliance with the cross connection regulations of the Department of Public Health of the State of Colorado. Such Rules and Regulations shall provide that service of water to any premises shall be discontinued if a backflow prevention device required by such Rules and Regulations is not installed, tested and maintained or if it is found that a backflow prevention device has been removed or bypassed or if an unprotected cross connection exists on the premises and that service will not be restored until such conditions or defects are corrected.



## ARTICLE VI

### WATER CONSERVATION

#### Section 6.1 General

Centennial encourages the conservation of water within its service area. No person shall use any water provided by Centennial for other than beneficial use.

#### Section 6.2 Determination of Available Water Supply

Centennial shall, from time to time, determine the amount of available potable water supply for use and shall determine the expected demands for said water by all Customers of Centennial's water system for any given period of time. In the event the Board shall determine at any given time that there are insufficient potable water supplies to meet all of the present and anticipated needs, the Board may order restrictions, curtailments or prohibitions upon the use of water.

Any restriction, curtailments or prohibitions contemplated will be uniformly applied to all similarly situated water users within the Centennial's service area. Nothing herein shall be construed to prevent Centennial from treating different categories of water users in a different fashion. Except in cases of emergency, Centennial shall deliver written notice at least five (5) days any curtailments, restrictions and prohibitions upon the use of water. The notice shall include a statement as to said restrictions, curtailments or prohibitions, together with a statement of the penalties for violation thereof and the time period for which they shall be in effect.

*The Board has adopted an Urban Water Conservation Plan and pursuant to that plan has set forth a schedule of rates, tolls, fees and charges for the use of water and has imposed various restrictions on water use. Those restrictions, rates, tolls, fees and charges are set forth in Exhibit A.*

Any Person, Customer or User of Centennial violating any provision of this section shall be subject to the penalties set forth in Article VIII of, *or Exhibit A to*, these Rules and Regulations.

#### Section 6.3 Required Water Conservation Standards

Each Customer shall adopt Rules and Regulations at least as strict as those contained in the Water and Sanitary Sewer Standard Specifications.

## ARTICLE VII

### SANITARY SEWER SERVICE

#### Section 7.1 General

The right to any use of the POTW is only by permission granted by Centennial. Centennial reserves full right to determine all matters related to the control and use of its POTW. The right to use of the POTW shall be subject to suspension, disconnection or revocation as set forth in Article VIII or in any intergovernmental agreement.

#### Section 7.2 Service Lateral Size, Location and Installation

The General Manager shall approve the size, location and manner of accomplishing the installation of a service lateral. If a service lateral is installed by the Customer, the service lateral joints shall remain exposed until they have been inspected and approved by an authorized representative of Centennial. The size, slope, alignment and materials of construction of the Customer's service lateral and the method to be used in excavating, placing of the pipe, jointing, testing and backfilling of the trench shall conform to the criteria set forth in the most current edition of the Standard Specifications and the applicable plumbing codes enacted and enforced by Douglas County or its successor.

No swimming pool drains, roof downspouts, exterior foundation drains, sumps, area drains or other sources of surface runoff or groundwater shall be connected directly or indirectly to a sanitary sewer unless such connection is approved by the General Manager.

All costs and expenses incidental to the installation and connection of the service lateral shall be at no cost to Centennial. The Customer shall reimburse Centennial for any loss or damage which may directly or indirectly be occasioned by the installation of the service lateral.

#### Section 7.3 Limitations on Service Connection

Subject to the approval of Centennial, the Customer is responsible for determining the number, size and location of service laterals required for service.

Should a service lateral be of the wrong size or at the wrong location and not in accordance with the approved plans or the Water and Sanitary Sewer Standard Specifications, the cost of all changes required to correct the situation shall be paid by the Customer.

The Customer is responsible for maintenance of the service lateral from the point of connection to Centennial's sewer main.

Any sewer main damaged as the result of abnormal use or damage to such facilities shall be repaired or reconstructed at the expense of the Customer or person responsible for such abnormal use or damage.

No unauthorized Person shall uncover, make any connections with or open into, use, alter or disturb any public sewer or appurtenance thereof without first obtaining written permission from the General Manager.

#### Section 7.4 General Prohibition

No Person shall discharge or cause to be discharged into a public sewer or in any area served by or under the jurisdiction of Centennial any harmful waters or wastes, whether liquid, solid or gas, capable of causing interference or obstruction to the flow in the sewer, damage or hazard to structures, equipment or treatment processes, or hazards to personnel of Centennial.

Prohibited sewage shall include such quantity of clear water injected into a public sewer which would interfere with Centennial's volume capacity or with the biological process necessary for proper treatment.

#### Section 7.5 Dischargeable Sewage

Wastes shall be classified into two categories termed "Domestic Sewage", and "Nondomestic Sewage". The classification of dischargeable sewage shall be responsibility of the General Manager and shall follow recommended procedures of the Colorado State Department of Health, and subject to review by the Board, shall be final and binding.

Any Customer discharging nondomestic sewage into the public sewer shall install, at Customer's expense, suitable monitoring equipment which isolates appropriate wastewater discharges and facilitates accurate inspection, sampling, and flow measurement of such discharges when required by the General Manager. Such equipment shall be maintained in proper working order and kept safe and accessible at all times.

#### Section 7.6 Grease and Sand Interceptors

Each Customer shall adopt Rules and Regulations approved by Centennial sufficient to provide for the proper handling of liquid wastes containing excessive grease, excessive sand or other harmful ingredients.

#### Section 7.7 Industrial Pretreatment

All sources discharging nondomestic sewage shall be considered Industrial Users for the purpose of implementing and enforcing the Pretreatment Standards and Requirements established pursuant to the Clean Water Act. No Industrial User shall discharge or cause to be discharged or increase the discharge or change the nature of the discharge into the public sewer in any area served by Centennial where such discharge does not meet applicable Pretreatment Standards and Requirements or where such discharge would cause Centennial to violate its CDPS or NPDES permit.



## Section 7.8 Compliance

To assure compliance with Section 7.7, all Significant Industrial Users shall, prior to connecting into the sanitary sewer in any area served by Centennial, shall execute an Industrial Pretreatment Agreement, with Centennial and the governmental entity which serves the property. Any Industrial User who is not classified as a Significant Industrial User but who, in the opinion of the General Manager has on its premises sufficient quantities to types of compounds which if discharged to the POTW would cause the User to be classified as an SIU, shall also be issued an Industrial Wastewater Discharge Permit.

## Section 7.9 Industrial Wastewater Discharge Permit

The form of the Industrial Wastewater Discharge Permit attached to these Rules and Regulations as Exhibit B is approved, adopted, implemented and made enforceable as part of the Rules and Regulations. The Industrial Wastewater Discharge Permit shall provide:

- A. That the right of the Permittee to discharge, including all new or increased contributions of pollutants or changes in the nature of pollutants, is conditioned upon such discharge and contribution meeting the applicable Pretreatment Standards and Requirements and that such discharge and contribution would not cause Centennial to violate the CDPS and NPDES permit.
- B. That the Permittee shall comply with applicable Pretreatment Standards and Requirements. The National Pretreatment Standards prohibit the discharge into the POTW of the following pollutants:
  - 1. The Prohibitive Discharge Standards:
    - a. Fats, wax, grease, or oils of petroleum origin, whether emulsified or not, in excess of one hundred (100) mg/l or containing substances which may solidify or become viscous at temperatures between 32 degrees F (0 degrees C) and 140 degrees F (60 degrees C); or
    - b. Containing any gasoline, benzene, naphtha, fuel oil or other flammable or explosive liquids, solids or gasses; and in no case pollutants with a closed cup flashpoint of less than one hundred forth (140) degrees Fahrenheit (60 degrees C), using the test method specified in 40 CFR 261.21; or
    - c. Heat in amounts which will inhibit biological activity in the wastewater facilities resulting in interference but in no case heat in such quantities that the temperature at the connection to the POTW or any portion thereof exceeds 40 degrees C (104 degrees F); or
    - d. Any ashes, hair, cinders, sand mud, straw, shavings, metal, glass, rages, feathers, tar, plastics, wood, paunch, manure, or any other solids capable or viscous substances capable of causing obstructions or other interferences with proper operation of the POTW; or

- e. Having a pH lower than 5.0 or higher than 9.0 or having any other corrosive property capable of causing damage or hazards to structures, equipment or personnel of the POTW; or
  - f. Containing toxic or poisonous substances in sufficient quantity to injure or interfere with any wastewater treatment process, to constitute hazards to humans or animals, or to create any hazard in waters which receive treated effluent from the sewer system treatment plant; or
  - g. Containing noxious or malodorous gases or substances capable of creating a public nuisance; including pollutants which result in the presence of toxic gases, vapors, or fumes; or
  - h. Containing any substance which would cause the treatment plant to be in non compliance with sludge use, recycle or disposal criteria pursuant to guidelines or regulations developed under section 405 of the Federal Act, the Solid Waste Disposal Act, the Clean Air Act, the Toxic Substances Control Act or other regulations or criteria for sludge management and disposal as required by the State; or
  - i. Containing any radioactive wastes or isotopes; or
  - j. Any pollutant, including oxygen demanding pollutants (BOD etc.) at flow rate and/or concentration which will cause the pollutant to pass through to the receiving waters or interfere with the Centennial Water and Sanitation District wastewater treatment facility.
  - k. Any trucked or hauled pollutants, except at discharge points designated by the District.
- 2. The Local Limits, adopted by the District and attached to and incorporated in these Rules and Regulations as Exhibit C, as they may be revised from time to time, to protect the POTW and any portion thereof from passthrough, interference and sludge contamination.
  - 3. The National Categorical Pretreatment Standards of the Environmental Protection Agency (40 C.F.R. 403.6 and 405) are fully applicable and enforceable by these Rules and Regulations to all Industrial Users.
  - 4. In addition, all federally-promulgated listing of Toxic Pollutants and any other discharge standards which the District deems appropriate to protect its wastewater facilities shall be included in the Pretreatment Standards and Requirements.
- C. That the Permittee, when applicable, shall develop a compliance schedule for the installation of technology required to meet applicable Pretreatment Standards and Requirements as

determined by the General Manager.

- D. Install at its expense monitoring devices to allow sampling of the Permittee's wastewater and submit all notices and self-monitoring reports to the District as are required and necessary to assess and assure compliance.
- E. That the SIU shall pay a fee sufficient to enable Centennial to carry out all necessary inspection, surveillance and monitoring procedures to independently determine the Permittee's compliance or noncompliance with applicable Pretreatment Standards and Requirements.
- F. That a representative of the District shall be authorized to enter the premises of the Permittee in which a discharge source or treatment system is located or in which records are kept under 40 C.F.R. 403.12(n), for the purposes of inspection or monitoring activities.
- G. Centennial shall have the authority under the permit to disconnect the Permittee's system from Centennial's system, or to require the Permittee to immediately and effectively halt any discharge or pollutants into the POTW or any portion thereof, if such discharge reasonably appears to present an imminent endangerment to the health and welfare of persons or to the environment or interferes with the operation of the POTW or any portion thereof.
- H. Other provisions as may be required by the District, but the Clean Water Act or by EPA regulations, including a procedure to protect the confidentiality of reports and information furnished by the Permittee in accordance with 40 C.F.R. 403.14. Effluent data shall be considered nonconfidential.
- I. The District shall annually publish in the largest daily newspaper published in Douglas County a list of the SIU's which significantly violated any Pretreatment Standards or Requirements during the twelve (12) previous months. The notification shall also summarize any enforcement actions taken against the SIU during the same twelve (12) months.
- J. That the permittee shall pay an industrial surcharge fee as specified in Exhibit A to cover the cost of treating wastewater with higher oxygen demand or solids loadings than those found in typical domestic wastewater.

## ARTICLE VIII

### VIOLATIONS, PENALTIES AND COMPLAINTS

#### Section 8.1 Notice of Violations

When the District has reason to believe that any person or Customer is not in compliance with any provision of these Rules and Regulations, that Person or Customer shall be served a written notice stating the nature of the violation, the amount of any penalty assessed, that service may be suspended, the right to appeal to the Board, and providing a reasonable time limit to correct the violation. Written notice shall be served by delivery to the Person or Customer reasonably believed to be the violator, by the method set forth in the Colorado Rules of Civil Procedure, Section 4 (e), or by mailing to the service address by first-class mail. Mail shall be deemed to be received within three business days of mailing. The violator shall, within the period of time stated in such notice, permanently cease all violations and pay all penalties assessed.

#### Section 8.2 Violations and Penalties of Article VI

The penalties for violations of Article VI shall be as set forth in an intergovernmental agreement between Centennial and the Customer.

#### Section 8.3 Violations and Penalties of Article VII

- A. Any Customer who violates any provisions of Article VII, or any Industrial User who violates any provision of Article VII or of its permit, shall be notified and assessed a penalty. The amount of the penalty shall be determined by the General Manager as follows:
  - 1. In the event of a first violation, the penalty shall be one thousand dollars (\$1,000) or an amount equal to three (3) times the actual expenses incurred by Centennial, directly or indirectly, as a result of the violations, whichever is greater. The amount of the expenses shall include:
    - a. The costs of repair or replacement, or both, of the facilities of Centennial; and,
    - b. The amount of any penalty imposed on Centennial by any other governmental entity; and,
    - c. The amount expended by Centennial for equipment, employee compensation and payment to independent contractors (including attorneys' fees) to determine the existence and locate the source of, or to correct or terminate the violation; and,

- d. Any other incidental expenses related to the violation, including a surcharge to reimburse Centennial any cost incurred in reconnecting service.
- 2. In the event of a continuing violation or a second violation within six (6) months of the first, the General Manager shall assess the penalty set forth in Subsection A hereof, and may assess an additional penalty whose purpose is to deprive the violator of any economic benefit realized by the failure, refusal, or delay in complying with the requirements set forth in Article VII or in the violator's permit, where applicable. Said additional penalty shall include:
  - a. The capital costs the violator would have had to incur for compliance and debt service thereof over a normal amortization period of not longer than ten years; plus,
  - b. Any operation or maintenance costs foregone as a result on noncompliance; plus,
  - c. The amount of any additional financial benefit accruing to the violator due to the lack of or delay in compliance.
  - d. The amount of any expenditure made by the violator subsequent to the first notice for the purpose of bringing the source into, and maintaining compliance with the permit, where applicable, or Article VII of these Rules and Regulations, may be deducted from the additional penalty.
  - e. In determining the amount of the penalty provided for in this subsection 2, the General Manager may inquire of Centennial employees and consultants, the violator, suppliers of sewage treatment equipment, Industrial Users and any other person(s) whose estimates or opinions as to the amounts specified by subsections a, b, c, and d may be deemed credible.
- 3. A continuing violation may be treated as a separate violation for each day during which it continued, and penalties therefore maybe assessed in accordance with subsection 1 and 2 hereof for each such day.
- 4. The penalties provided for in this section shall be cumulative and in addition to any other remedies  
  
Centennial may have, including termination of service, injunctive relief or any other legal or equitable remedy available.
- 5. The General Manager and any person or arbitrator assessing or reviewing

any penalty may reduce the penalty assessed upon the request of the violator where a determination is made that one or more of the following factors applies, provided however; that any violation of any Permit shall be governed by the terms of the Permit.

- a. The violation was temporary and inadvertent, was caused by factors beyond the violator's reasonable control, and the violator has taken steps which render its reoccurrence unlikely;
- b. The violator reasonably believes that the discharge was not in violation of these Rules and Regulations;
- c. The violation did not cause or threaten harm to any Person, to the environment or to the POTW;
- d. The violator cooperated fully with Centennial in the investigation of the violation and in the correction of the cause of the violation;
- e. The violator was fined or penalized by another governmental entity for the same occurrence;
- f. The violation was inconsequential in nature and duration; or,
- g. Notwithstanding any other provisions of this section, no penalty shall be reduced below the amount necessary to reimburse Centennial for all costs associated with the violation as those costs are determined pursuant to subsection 1 of this section.

B. Determination of Violation Type

- 1. The General Manager shall determine the level of violation. Violations shall be classified as "Significant" or "Non-Significant". The following shall be deemed significant violations:
  - a. Violations of wastewater discharge limits:
    - i. A violation that remains uncorrected fifteen (15) days after Notice of Noncompliance.
    - ii. Chronic violations of wastewater discharge limits, defined here as those in which sixty-six percent or more of all of the measurements taken during a six-month period exceed (by any magnitude) the daily maximum limit or the average limit for the same pollutant parameter.
    - iii. Technical Review Criteria (TRC) violations, defined here as those in which thirty-three percent or more of all of the measurements for each pollutant parameter taken during a six-month period equal or exceed the product of the daily maximum limit or the average limit multiplied by the applicable TRC (= 1.4 for BOD, TSS, fats, oil, and grease, and 1.2 for all other pollutants except pH.)

- iv. Any other violation(s) of an effluent limit (average or daily maximum) that the General Manger believes has caused, alone or in combination with other discharges, interference or passthrough, or has endangered the health of any person.
  - v. Any discharge of a pollutant that has caused imminent endangerment to human health/welfare or to the environment and has resulted in the District's exercise of its emergency authority to halt or prevent such a discharge.
- b. Failure to meet, within ninety (90) days after the scheduled date any compliance schedule milestone.
  - c. Failure to provide adequate and complete reports within sever (7) days from the due date.
  - d. Failure to accurately report noncompliance.
  - e. Any failure to comply with a notice of noncompliance or any other violations or groups of violations which the General Manager considers to be significant.
2. All other violations shall be deemed non-significant.
- ii. A violation that remains uncorrected fifteen (15) days after Notice of Noncompliance.
  - iii. Any other violation(s) of an effluent limit (average or daily maximum) that the General Manger believes has caused, alone or in combination with other discharges, interference or passthrough, or has endangered the health of any person.
  - iv. Any discharge of a pollutant that has caused imminent endangerment to human health/welfare or to the environment and has resulted in the District's exercise of its emergency authority to halt or prevent such a discharge.
- b. Failure to meet, within ninety (90) days after the scheduled date any compliance schedule milestone.
  - c. Failure to provide adequate and complete reports within sever (7) days from the due date.
  - d. Failure to accurately report noncompliance.
  - e. Any failure to comply with a notice of noncompliance or any other



violations or groups of violations which the General Manager considers to be significant.

2. All other violations shall be deemed non-significant.

C. Enforcement Procedure

1. Informal Enforcement Action

- a. The violator will be contacted and made aware of the violation. At the time of contact, an informational meeting will be scheduled to discuss the violation and necessary remedial action.
- b. At the informational meeting, the violator will be advised of the nature of the violation and the necessary remedial action required to bring the violator into compliance.
- c. After the informational meeting, the District will issue a Notice of Non-compliance stating necessary remedial action.

2. Formal Enforcement Action

- a. Centennial shall establish the amount of the fine, determine the necessary corrective action and issue a Notice of Violation.
- b. In the event the violator decides to appeal the fine or corrective action required, the violator shall deliver a written Notice of Appeal, together with the cost bond required by sub-paragraph e, within five (5) days of the date of delivery of the Notice of Violation.
- c. Within five (5) days of receipt by Centennial of the Notice of Appeal, Centennial shall deliver to the violator a list of five acceptable arbitrators and the violator may select one of the five within five (5) days of delivery of the list. In the event the violator fails to select an arbitrator, Centennial shall select one of the five. If violator desires, he may designate a second arbitrator within five (5) days and the two arbitrators shall select a third within the next five (5) days.
- d. Arbitration Hearing
  - i. Hearing shall be conducted according to the Uniform Arbitration Act.
  - ii. The arbitrator(s) shall apply the Clean Water Act, 33 USC 1251 et seq and the Colorado Water Quality Control Act CRS 1973, 25-8-101 et seq and the Rules and Regulations of the EPA, CDOH and Centennial, as they are amended from time to time.

- iii. Except for good cause shown, the hearing shall be held no sooner than forty five (45) days not more than sixty (60) days following the selection of the arbitrator(s). Failure to hold the hearing within these time limits shall not be jurisdictional.
- iv. The arbitrator(s) shall issue their decision within fifteen (15) days of the conclusion of the hearing.
- e. The fees of the arbitrator(s) and the costs of the arbitration shall be shared equally by the parties and the violator shall deposit a cost bond with the Notice of Appeal in the amount of five hundred dollars (\$500) to assure payment of the arbitrator(s) and the cost of the arbitration hearing. Failure to post the cost bond with the Notice of Appeal shall be deemed a waiver of the right to appeal.
- f. Any appeal from the decision of the arbitrator(s) shall be taken within fifteen (15) days from the date of the decision.
- g. The failure of any violator to comply with the decision of the arbitrator(s) shall result in termination of service or the filing of an action for injunctive relief, or both, at the discretion of the Manager.

#### Section 8.4 Violations and Penalties of Section 5.7

Not used.

#### Section 8.5 Suspension of Service for Nonpayment

Not used.

#### Section 8.6 Suspension and Disconnection of Service

For violation of any portion of Centennial's Rules and Regulations or the terms and conditions of an Industrial Wastewater Discharge Permit, Centennial may suspend or disconnect service.

#### Section 8.7 Informal Resolution

Not Used.

#### Section 8.8 Suspension Hearing

Not Used.

#### Section 8.9 Appeal to the Board

Not used.

#### Section 8.10 Emergency Situations

If an emergency situation exists which constitutes an imminent threat to the health or safety of persons or potentially dangerous

to the environment or to the POTW as determined at the sole discretion of the General Manager, any service provided to any person served directly or indirectly by Centennial may be terminated immediately without notice and such termination of service shall continue for as long as the emergency situation continues to exist.

#### Section 8.11 Penalties Not Exclusive

The penalties set forth in this article are not exclusive and Centennial may prosecute to the fullest extent of the law any person engaged in any illegal activities and may institute whatever civil actions it deems necessary to insure compliance with these Rules and Regulations and to recover any damages, including attorney's fees caused by any violations of these Rules and Regulations.

#### Section 8.12 Customer Complaints

Any Customer having any complaint with respect to the conduct or action of any employee of Centennial in connection with the operation of the water and sanitary sewer system or in connection with the administration or implementation of any rule, regulation or policy related to the operation of said system, unless specifically provided for elsewhere in this article, shall follow the complaint process described hereafter:

- A. The person shall contact the General Manager to register any complaint. The General Manager will investigate the person's complaint and, upon completion of said investigation, shall contact the person and relate all information associated with said complaint within fifteen (15) days. If the investigation yields evidence of actions or conduct contrary to the operations, policies, rules, regulations or other procedures of Centennial, the General Manager shall initiate appropriate corrective action and shall promptly report such action to the complainant.
- B. The complainant can appeal the General Manager's decision to the Board by submitting whatever written documentation the complainant deems necessary or advisable. The Board or its designee(s) shall conduct an investigation considering all written documentation or other information submitted by the complainant or District personnel. The Board or its designee(s) may, but shall not be required to, allow testimony. The decision of the Board or its designee(s) will be given in writing to the complainant within thirty (30) days after the filing of the appeal.

#### Section 8.13 Billing-Related Complaints

Not used.

ARTICLE IX  
FEES AND CHARGES

Section 9.1 Establishment of Rates and Charges

The fees, rates, tolls, penalties and charges of Centennial for services provided by it shall be as set forth in an intergovernmental agreement.

Section 9.2 Perpetual Lien

Not Used.

Section 9.3 Joint Liability

Not Used.

Section 9.4 Change of Rates and Charges

Not Used.

Section 9.5 Tap Fees

Not Used.

Section 9.6 Water Meter Fee

Not Used.

Section 9.7 Inspection Fees

Not Used.

Section 9.8 Hydrant Permit Fee

Not Used.

Section 9.9 Disconnection and Reinstatement Charge

Not Used.

Section 9.10 Temporary Service Connections

Not Used.

Section 9.11 Fire Sprinkler Systems

July 1, 2005

Not Used.

Section 9.12 Special Situations

Not Used.

Section 9.13 Security Deposit

Not Used.

Section 9.14 Billing

Not Used.

Section 9.15 Metering

Not Used.

Section 9.16 Meter Reading

Not Used.

Section 9.17 Payment for Service

Not Used.

Section 9.18 Returned Check Fee

Not Used.

Section 9.19 Unmetered Service Fee

Not Used.

ARTICLE X  
STREETLIGHTS  
NOT USED

ARTICLE XI  
PARKS AND OPEN SPACE  
NOT USED

## ARTICLE XII OPEN RECORDS

### Section 12.1 Policy

- A. It shall be the policy of the District to make all public records available for public inspection at reasonable times in accordance with the Colorado Open Records Act, §24-72-201, et seq., C.R.S. (CORA).
- B. Subject to the limitations imposed by the Colorado Open Records Act, public records are all documents that exist on a piece of paper; this also includes recorded media and electronic mail communications (E-mails).
- C. The purpose for this policy is to set forth a general procedure for providing consistent, prompt and equitable service to those requesting access to public records and to establish reasonable and consistent fees for providing documents and so that the District can recover a portion of the cost of staff time for responding to open records requests.

### Section 12.2 Procedures

- A. The General Manager is the official custodian of all records that are maintained by the Districts.
- B. Citizens may make informal requests to the District employees for copies of specific identifiable and releasable public records that are readily available in the custody and control of various employees. Generally, the employee will make reasonable efforts to fill requests for those records as soon as reasonably practical.
- C. Any request that cannot be filled immediately shall be made in writing to the General Manager who will, in consultation with the District's attorney, review the records request for confidentiality issues prior to their release.
- D. If the written request cannot be filled immediately or the records are otherwise not readily available at the time the request is made, the General Manager will set a date and time for records inspection that is within three working days of the date on which the request was made. Such period may be extended if extenuating circumstances exist (per §24-72-203(3)(b), C.R.S.), but the total time including the extension period will not exceed ten working days from the date on which the request is made.
- E. The Districts may respond to requests for access to public records stored electronically and in computer databases by providing, upon written request, a copy, disk or printout, but not by allowing access to a computer terminal or the use of a private terminal connected to the Districts' computer system. Before releasing any electronic data, the General Manager will determine that the electronic data are no longer considered a "work-in-progress" subject to the deliberative process privilege or work product privilege and therefore eligible for release.
- F. Requests by the media shall be made directly to the Community Relations Manager. The Community Relations Manager will make every reasonable effort to comply with the



media request. If the Community Relations Manager is unable to fill the request, the Community Relations Manager will direct the media to submit a written request to the General Manager. Thereafter, the request will be governed by the provisions of this policy and the Act.

### Section 12.3 Charges

- A. There shall be a charge for any copies, printouts, or photographs requested. The cost for a standard size photocopy will be \$0.25 per copy. The charge for copies other than photocopies shall be \$1.25 per copy.
- B. There will also be an hourly fee for a) the manipulation of data; b) research to locate and gather requested documents; c) to otherwise manipulate the documents to make them appropriate for release, for instance, to redact documents to excise privileged material. A time-log will be kept for any time in excess of one hour. The standard charge for a District employee to perform this research shall be \$35.00 per hour. In the event the General Manager determines that a higher salaried employee or contractor is required because special skills are needed or because the District cannot promptly respond to a request and still provide normal and usual services to the public, the fee will be the higher of \$35.00 or the actual cost to the District. Prior to beginning the project, the General Manager shall inform the person requesting the records of the hourly fee for the person selected by the General Manager to perform the work and an estimate of the number of hours which will be required. Upon payment of the amount estimated, the District shall begin processing the request. Persons making a subsequent request for the same record shall be charged the same fee. In addition, there shall be an hourly fee of \$35.00/hour when the public record must be generated by computer output other than word processing.
- C. The fee charged for access to public records in electronic form will be based on recovery of the actual incremental costs associated with building and maintaining the database, as determined by Information Technology.
- D. Unless it requires extensive staff time, the District does not charge for requests from:
  - 1. other governmental entities;
  - 2. professional organizations to which the District as a whole pays membership dues, such as the Special District Association;
  - 3. students for specific educational projects;
  - 4. the media. These requests should be referred to the Community Relations Manager.

E. The District will charge for the following documents as follows:

- |                    |         |
|--------------------|---------|
| 1. District CAFR   | \$20.00 |
| 2. District Budget | \$20.00 |

The District will make these documents available on their web site.

#### Section 12.4 Access Denied

A. Access to certain records may be denied in accordance with the provisions of the CORA. Inspection of the following public records may not be permitted if, upon consultation with the Districts' Legal Counsel it is determined that the document is privileged or prohibited from disclosure:

1. If release is prohibited under any state statute, federal statute, or regulation issued thereunder or is prohibited by rules promulgated by the order of any court;
2. Personnel files, including social security numbers, home addresses and telephone numbers, and medical, psychological, and sociological data;
3. Scholastic achievement data;
4. Test questions and scoring keys;
5. Sexual harassment investigations;
6. Work product and drafts;
7. Letters of reference;
8. Identities of applicants, except finalists, for the position of General Manager;
9. Investigatory files compiled for any law enforcement purpose;
10. Addresses, telephone numbers, or financial data of past or present users of public utilities, public facilities or recreational or cultural services;
11. Real estate appraisals until the time that title passes to the District;
12. Documents pertaining to Homeland Security Act; and
13. Attorney/client privileged material.

## EXHIBITS

Exhibits A and B are subject to change by the Board of Directors and are not included in this printed copy of the Rules and Regulations. For an updated copy of the current Exhibits, please contact the Highlands Ranch Metropolitan District Offices at:

62 W. Plaza Dr.  
Highlands Ranch, CO  
(303) 791-0430

## EXHIBIT C

### INDUSTRIAL PRETREATMENT LOCAL LIMITS (MASS BASED)

<u>Pollutant (Total Basis)</u>	<u>Maximum Allowable Industrial Load (MAIL) (pounds per day*)</u>
Arsenic	0.258
Cadmium	0.206
Chromium	7.420
Chromium VI	2.394
Copper	4.143
Lead	0.883
Mercury	0.004
Molybdenum	1.183
Nickel	3.219
Selenium	0.124
Silver	4.780
Zinc	5.218

\* Maximum daily industrial loadings shall be allocated through Wastewater Discharge Permits and the total loading to all permitted industrial users shall not exceed the limits shown.