WATER INFRASTRUCTURE AND SUPPLY EFFICIENCY PROJECT

Loan Feasibility Study

Supplemental Information

INVERNESS WATER AND SANITATION DISTRICT

PREPARED FOR

Colorado Water Conservation Board on Behalf of the WISE Authority

11 MARCH 2014

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.

3/11/14
Date

Signed

Inverness Water and Sanitation District

WISE Authority - CWCB Loan Feasibility Study

Supplemental Information

1. **ENTERPRISE: DATE ESTABLISHED:** In 1973, the Inverness Water and Sanitation District ("Inverness" or "District") was formed pursuant to Article 1 of Title 32 C.R.S. to provide water supply and treatment systems for the customers within the described service area. Since the approval of TABOR in 1992, the District has been acting as a Water Activity Enterprise. In addition, the District is not subject to TABOR's annual spending limitations by virtue of a de-Brucing election held on November 5, 1996.

2. **COST BREAKDOWN:** This information is provided in the "Water Infrastructure and Supply Efficiency Project, Loan Feasibility Study, Supplemental Information", prepared by Black & Veatch, as attached, Exhibit 1.

3. **DESCRIPTION OF SERVICE AREA AND EXISTING WATER FACILITIES AND WATER RIGHTS:** The Inverness Water and Sanitation District is located in Arapahoe and Douglas Counties east of I-25 between the Highway and Centennial Airport as shown on the attached Exhibit 2. The District contains about 1,000 acres with approximately 2/3 of the development in unincorporated Arapahoe County and 1/3 in unincorporated Douglas County.

   The District has an independent water system with potable water provided from 4 non-tributary wells in the Arapahoe Aquifer of the Denver Basin, and through a permanent water lease with Denver Water. Denver Water is delivered through the systems of the Southgate Water District and the Castlewood Water District, both distributors of Denver Water.

   The Inverness' water supply is summarized in Exhibit 3. The District has non-tributary ground water rights amounting to 2,402 acre-feet in the Dawson, Arapahoe and Laramie-Fox Hills Aquifers. Currently the District has developed wells only in the Arapahoe Aquifer with the ability to deliver 1,305 acre-feet per year. The contract with Denver Water allows delivery of 593 acre-feet of renewable surface water supply. Both the non-tributary ground water and the Denver contract supply are reusable.

   Water supply is delivered through the District's distribution system and potable water storage. Wastewater is collected in the District's sanitary sewer collection system and is delivered to a lift station that pumps wastewater to the Lone Tree Creek Water Reclamation Facility ("LTCWRF") for treatment. The LTCWRF is owned and operated by the Arapahoe County Water and Wastewater Authority ("ACWWA"). Inverness purchased 1.1 MGD of capacity in this facility and pays service fees to ACWWA to treat and return the treated effluent to Inverness. Inverness stores the treated effluent in a 425 acre-foot reservoir and then reuses this supply for irrigation of the Inverness Golf Course, the Inverness Metro Park, and numerous commercial and multi-family residential projects.

4. <u>**CURRENT WATER DEMANDS**</u>**:** Current annual water demands are between 1,000 and 1,100 acre-feet per year for both potable and non-potable uses. Current water delivery is approximately 50% from Denver Water and 50% from the non-tributary well pumping.

5. <u>**CURRENT NUMBER OF TAPS**</u>**:** The District currently serves 2,400 single family equivalents which serve approximately 123 office buildings, a golf course, three hotels, four multi-family complexes containing about 700 units, an athletic club, a bank, and a mixed use building (retail/residential) with 90 residential units. There are currently about 680 additional residential units under construction.

6. <u>**AVERAGE MONTHLY WATER BILL**</u>**:** The average monthly water charge is $50 per SFE.

7. <u>**EXPECTED PROJECT YIELD**</u>**:** The WISE Project yield is discussed in the "Water Infrastructure and Supply Efficiency Project, Loan Feasibility Study, Supplemental Information" which is attached, <u>Exhibit 1</u>. The District has subscribed to 500 acre-feet of WISE water as an average annual delivery. The water supply from WISE will be intermittent with years of no delivery. When water is delivered from WISE, it will either be used directly in the potable water system, will be placed in storage in the non-tributary wells (Aquifer Storage and Recovery (ASR)), or will be delivered to storage in Rueter Hess Reservoir. In drought years, the District will meet demands through its contract deliveries from Denver Water, pumping of the non-tributary wells, through water placed in storage in these same wells or from delivery of water stored in Rueter Hess Reservoir.

   The District expects build-out demands of approximately 1,650 acre-feet. At build-out, the District will meet demands in average and wet years through 593 acre-feet from the Denver Water lease, 500 acre-feet on average of WISE deliveries, and full reuse of water from both sources. Drought conditions will be handled as described above.

   In addition, Inverness has purchased alluvial and non-tributary ground water rights from upper Cherry Creek as part of the Cherry Creek Project Authority. The District is currently evaluating development of these water rights and expects to use them as additional drought year supply if necessary.

Exhibit 1

WATER INFRASTRUCTURE AND SUPPLY EFFICIENCY PROJECT

Loan Feasibility Study

Supplemental Information

B&V PROJECT NO. 176888

PREPARED FOR

Colorado Water Conservation Board on Behalf of the WISE Authority

25 FEBRUARY 2014

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Expected Project Yield

The Water Delivery Agreement (WDA) with Denver Water and Aurora Water allows for variable deliveries every year based on hydrology conditions. However, the WDA also guarantees that each participant will receive a minimum amount of water over any 10-year period. This guaranteed delivery amount is listed in Supplement Table 1, along with the corresponding average annual average yield (1/10th of the 10-year guaranteed delivery).

Supplement Table 1. Expected WISE Project Yield

WISE Authority Member	10-Year Guaranteed Delivery (AF)	Average Annual Delivery (AFY)
Castle Rock	10,000	1,000
Centennial	10,000	1,000
Cottonwood	4,000	400
Dominion	13,250	1,325
Inverness	5,000	500
Meridian	3,000	300
Parker	12,000	1,200
Pinery	5,000	500
Rangeview	5,000	500
Stonegate	5,000	500
Total	**72,250**	**7,225**

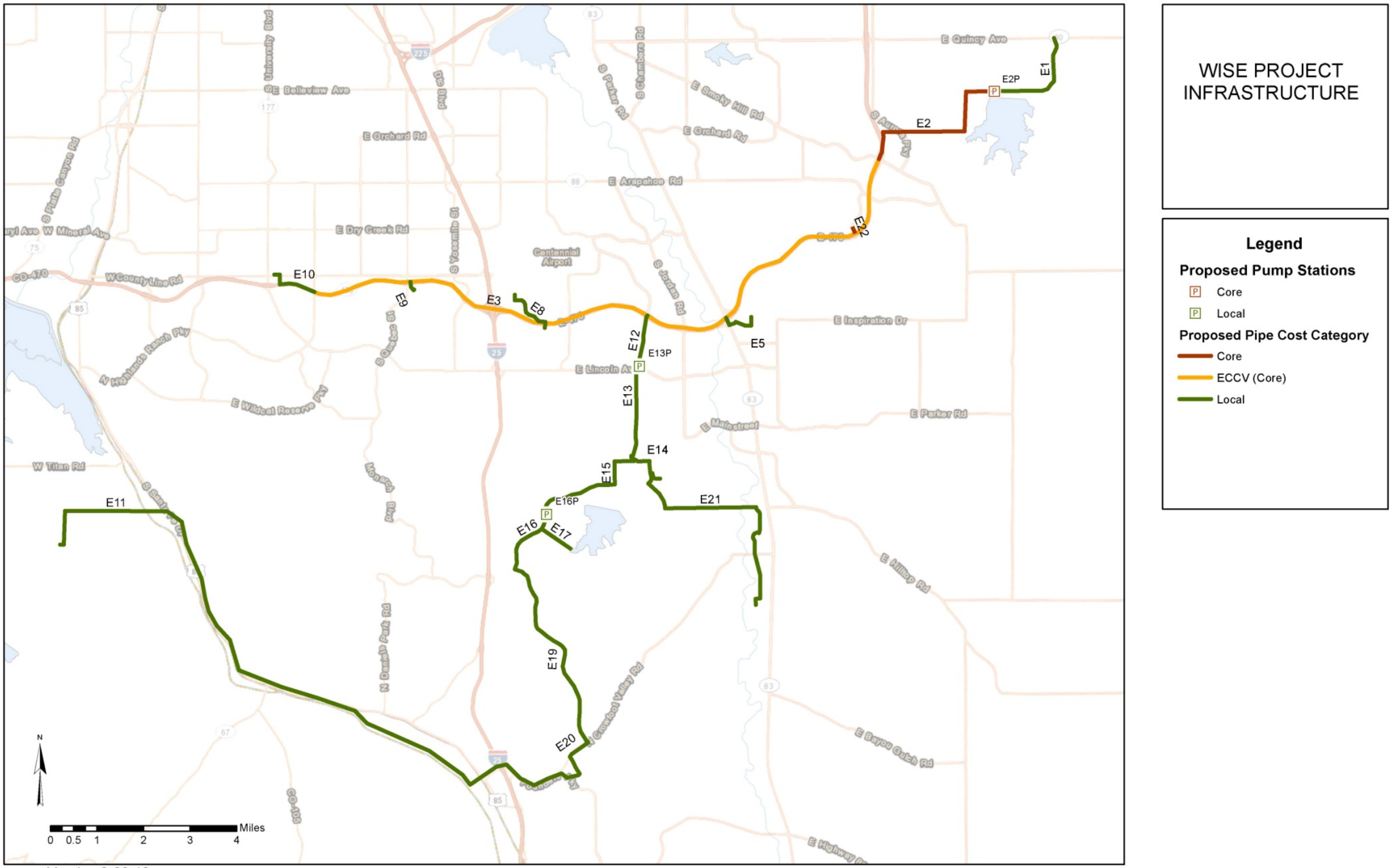
Detailed Project Cost Breakdown by Participant

The estimated amount that each WISE Authority member is required to pay for each project component is shown in Supplement Table 2 and is based on:

- The amount of water each WISE Authority member has committed to taking.
- The amount of local infrastructure that must be constructed to deliver each member's WISE water.

Supplemental Table 2 – WISE Project Capital Cost Opinion by Participant ($Millions)

Component ID	Castle Rock	Centennial	Cottonwood	Dominion	Inverness	Meridian	Parker	Pinery	Rangeview	Stonegate
E22	0.05	0.05	0.02	0.06	0.02	0.01	0.06	0.02	0.02	0.02
E3	0.32	0.32	0.13	0.43	0.16	0.10	0.39	0.16	0.16	0.16
E5	0.00	0.00	0.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E7	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.00	0.00	0.00
E8	0.00	0.00	0.00	0.00	0.73	0.00	0.00	0.00	0.00	0.00
E9	0.00	0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E13P	1.11	0.00	0.00	1.47	0.00	0.00	0.00	0.55	0.00	0.55
E15	1.77	0.00	0.00	2.35	0.00	0.00	0.00	0.00	0.00	0.00
E16P	8.16	0.00	0.00	2.06	0.00	0.00	0.00	0.00	0.00	0.00
E16, E19, E20	8.56	0.00	0.00	2.16	0.00	0.00	0.00	0.00	0.00	0.00
E12	0.66	0.00	0.00	0.87	0.00	0.00	0.79	0.33	0.00	0.33
E13	1.05	0.00	0.00	1.39	0.00	0.00	1.26	0.52	0.00	0.52
E17	0.55	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E2P	1.04	1.04	0.41	1.37	0.52	0.31	1.24	0.52	0.52	0.52
E2	1.16	1.16	0.46	1.53	0.58	0.35	1.39	0.58	0.58	0.58
E1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.28	0.00
E14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.33	0.00	0.33
E21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.86	0.00	0.00
E11	0.00	0.00	0.00	12.19	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	24.43	24.43	2.83	1.55	25.88	2.01	0.89	5.13	5.87	2.56
Engineering/Design (8%)	1.95	1.95	0.23	0.12	2.07	0.16	0.07	0.41	0.47	0.20
Permitting/Easements (2%)	0.49	0.49	0.06	0.03	0.52	0.04	0.02	0.10	0.12	0.05
Subtotal	26.87	26.87	3.11	1.71	28.47	2.21	0.98	5.64	6.46	2.82
Contingency (30%)	8.06	8.06	0.93	0.51	8.54	0.66	0.29	1.69	1.94	0.84
Total Construction Cost	34.93	34.93	4.05	2.22	37.01	2.87	1.27	7.34	8.39	3.66
ECCV pipeline acquisition (WISE Authority portion)	4.06	4.06	1.62	5.37	2.03	1.22	4.87	2.03	2.03	2.03
DIA Connection Fee	1.00	1.00	0.40	1.33	0.50	0.30	1.21	0.50	0.50	0.50
Total Capital Cost Opinion	**40.0**	**9.1**	**4.2**	**43.7**	**5.4**	**2.8**	**13.4**	**10.9**	**6.2**	**6.8**



Version 8-29-13

Source: Black & Veatch

WISE Authority

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CWCB Loan Feasibility Study

WISE Project Infrastructure

Figure 6

Exhibit 2

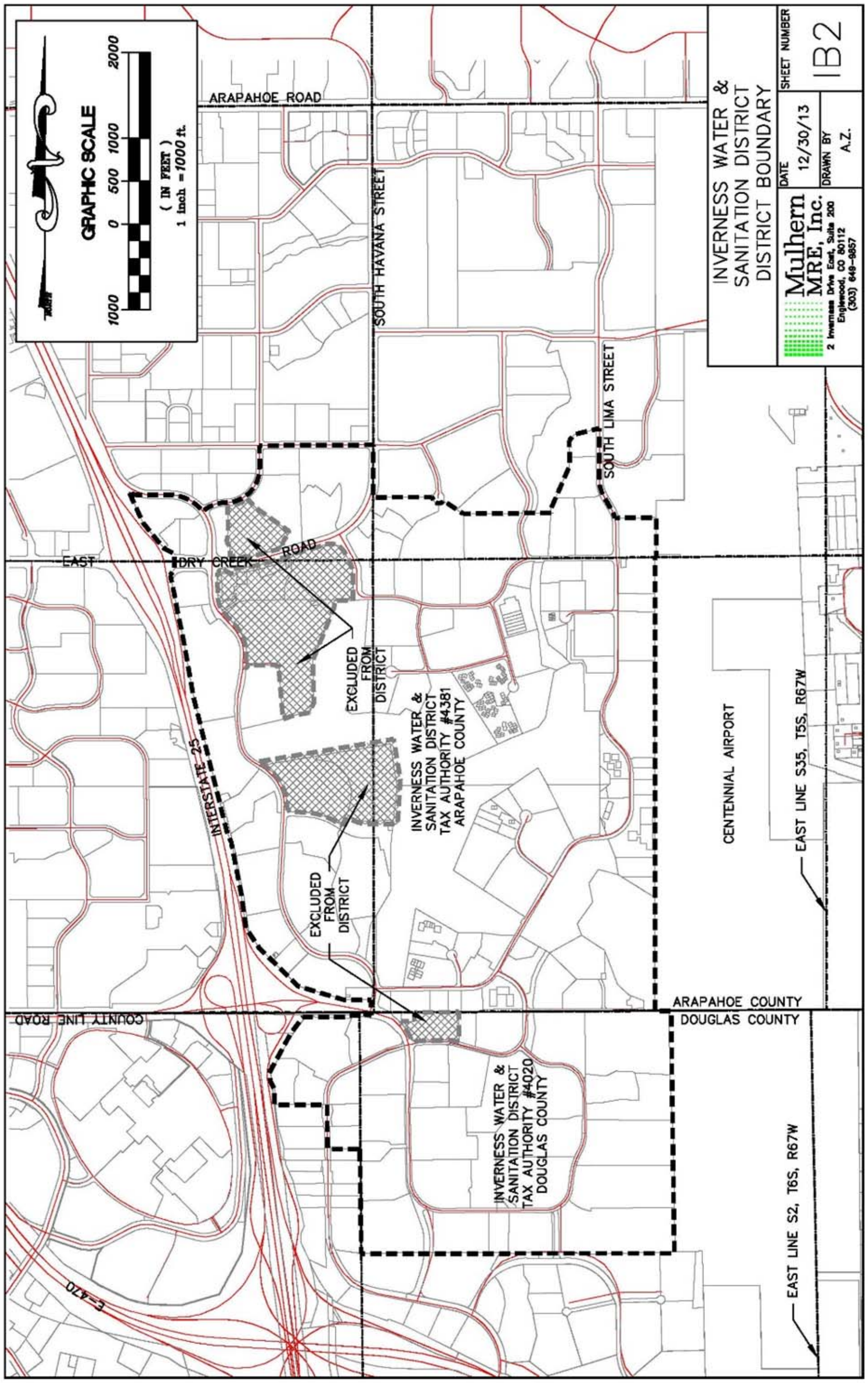
GRAPHIC SCALE
1000 0 500 1000 2000
(IN FEET)
1 inch = 1000 ft.
ARAPAHOE ROAD
SOUTH HAVANA STREET
SOUTH LIMA STREET
EAST DRY CREEK ROAD
INTERSTATE 25
EXCLUDED FROM DISTRICT
EXCLUDED FROM DISTRICT
INVERNESS WATER & SANITATION DISTRICT TAX AUTHORITY #4381 ARAPAHOE COUNTY
CENTENNIAL AIRPORT
EAST LINE S35, T5S, R67W
ARAPAHOE COUNTY
DOUGLAS COUNTY
COUNTY LINE ROAD
INVERNESS WATER & SANITATION DISTRICT TAX AUTHORITY #4020 DOUGLAS COUNTY
EAST LINE S2, T6S, R67W
E-470
INVERNESS WATER & SANITATION DISTRICT DISTRICT BOUNDARY
Mulhern MRE, Inc.
2 Inverness Drive East, Suite 200 Englewood, CO 80112 (303) 649-9857
DATE 12/30/13
DRAWN BY A.Z.
SHEET NUMBER IB2

Exhibit 3
(Details of the District's water rights are provided in the following table)

Water Supply Source	Water Rights (AFY)	Comments
Nontributary Groundwater		
• Dawson	824	Well C
• Arapahoe	1305	Wells 1-4
• Laramie-Fox Hills	273	None drilled as yet
Surface Water Sources		
• Denver Water Lease	593	
Total	**2,995**	

Note: All water is fully reusable, and all treated effluent is used for non-potable irrigation.

INVERNESS DISTRICT NONTRIBUTARY WELLS AND WATER RIGHTS

Well	Aquifer	Decree: Case No. Date	Decreed Amount cfs (gpm)[1]	Permit Amount gpm	Permit Amount af/y	Statement of Beneficial Use Amount gpm	Statement of Beneficial Use Amount af/y	Location
1-016213-F (Well A)	Dawson	W 7255 12/13/76	0.33 (148)	150	240	150	240	SW¼ SE¼ § 35 T5S, R67W
2-16302-F (Well B)	Dawson	W 7255 12/13/76	0.133 (60)	150	240	150[2]	240	NE¼ NE¼ § 34 T5S, R67W
3-16679-F (Well C)	Dawson	W 7255 12/13/76	0.18 (81) 0.26c[3] (117)	200	200	200	200	NW¼ SW¼ § 35 T5S, R67W
J16680-F (Well D)	Dawson	W 7255 12/13/76	0.44c[3] (197)	200	200	90	144	NW¼ NE¼ § 35 T5S, R67W
TOTAL GROUNDWATER RIGHTS FROM DAWSON AQUIFER			1.343 (603)	700	880	590	824	
1-015810-RF (Well 1)	Arapahoe	W 7254 12/13/76	0.8489 (381)	300	400	300	400	NW¼ SW¼ § 35 T5S, R67W
2-015885-RF (Well 2)	Arapahoe	W 7254 12/13/76	1.056 (474)	300	400	300	400	SW¼ SE¼ § 35 T5S, R67W
3-16303-RF (Well 3)	Arapahoe	W 7254 12/13/76	1.20 (539)	300	200	300	200	NW¼ NE¼ § 35 T5S, R67W
4-016309-RF (Well 4)	Arapahoe	W 7254 12/13/76	1.167 (524)	525	200	300	200	NE¼ NE¼ § 34 T5S, R67W
_3087-RF (Howell Well)	Arapahoe	W 1916 11/17/75	0.222 (100)	100	105	200	105	SE¼ NE¼ § 3 T6S, R67W
TOTAL GROUNDWATER RIGHTS FROM ARAPAHOE AQUIFER -			4.4939 (2018)	1525	1305	1400	1305	

[1] There are no acre-foot limitations in the decrees for Wells 1, 2, 3, 4, A, B, C, D, or the Howell Well. These wells were all decreed at a time when decrees stated only a rate at which the well could be pumped. The decrees for LFH-1, 2 and 3 were entered a little over 12 years later under a different statutory scheme and contain acre-foot limitations as set forth in the table.

[2] The Statement of Beneficial Use for Well B claims a pumping rate of 150 gallons per minute (gpm), but states that the maximum sustained rate at which the well will produce is 80 gpm.

[3] "C" means "conditional". At the time rights were decreed to these wells, they had not yet been pumped at their full decreed rates, and the rates which had not yet been achieved were decreed as "conditional" water

(footnotes cont'd next page)

Well	Aquifer	Decree: Case No. Date	Decreed Amount cfs (gpm) a-f/y	Permit Amount gpm af/y	Statement of Beneficial Use Amount gpm af/y	Location
LFH-1[4] (a/k/a LFH-5)	Laramie-Fox Hills	86CW363 1/14/88	0.45[5] (202) 91.1[6,7,8]	Pending	None	SE¼ SE¼ § 27 T5S, R67W
LFH-2	Laramie-Fox Hills	86CW363 1/14/88	0.45 (202) 91.1	None	None	NE¼ SE¼ § 34 T5S, R67W
LFH-3	Laramie-Fox Hills	86CW363 1/14/88	0.45 (202) 91.1	None	None	SE¼ NW¼ § 2 T6S, R67W
TAL GROUNDWATER RIGHTS FROM LARAMIE-FOX HILLS AQUIFER			1.35 (606) 273.3	--	--	

TOTAL DISTRICT NONTRIBUTARY WATER RIGHTS:

In cfs (gpm):	Decreed	7.1869	(3227)
	Permitted	4.96	(2225)[9]
	Per Beneficial Use Statements	4.43	(1990)[9]

In acre-feet per year (from Beneficial Use Statements for Wells 1-4, A-D and Howell and from decree for LFH 1, 2 and 3): 2402.3

Wells A, B, C and D are decreed for municipal and nonconsuming recreational purposes. Wells 1, 2, 3 and 4 are decreed for municipal and nonconsuming recreational purposes and for the irrigation of 200 acres of landscape and golf course within the District. The Howell Well is decreed for manufacturing and industrial purposes. Wells LFH-1, 2 and 3 are decreed for use in a unified municipal water system to serve the property located within the oundaries of the District and such other properties as the District may choose to serve. The water decreed to LFH 1, 2 and 3 may be used for municipal, domestic, industrial, commercial, irrigation, stockwatering, fire protection, recreation, fish and wildlife preservation and propagation, and all other beneficial purposes. It may be produced for immediate application to those uses, for storage and subsequent application of those uses, for exchange purposes, for the replacement of depletions resulting from the use of water from other sources, and for all augmentation purposes. All of the water decreed to all of the wells within the District is decreed as nontributary water. The rights associated with nontributary water include the rights to use, reuse, successively use, and dispose of by sale, exchange or otherwise all of the water, to extinction.

(footnote 3 cont'd)
rights. The District was required by the terms of the decree to apply to the Water Court every four years for a finding that the District had been reasonably diligent in developing the full appropriations decreed to the wells. Pursuant to Senate Bill 5, these rights are now considered to be "absolute" water rights, and no appliations for findings of reasonable diligence are required. The District has applied for an order from the Court in Case No. 84CW391 seeking to make the rights decreed to these wells absolute for 0.44 cfs and 200 acre-feet each.

(footnotes cont'd next page)

(Footnotes cont'd)

[4] LFH-1 was decreed at the location of the existing LFH-5 well. Although the permit application for Well LFH-5 is still pending, the well was drilled pursuant to approval of the State Engineer's office.

[5] The decreed pumping rate for each well is only a "nominal" pumping rate. The actual rate at which the LFH wells may be pumped may exceed the nominal pumping rate to the extent necessary to withdraw the full amount of water to which the wells are entitled in a given year.

[6] In accordance with the requirements of the statute, the Court has retained jurisdiction over Case No. 86CW363 in order to adjust the amount of water available for withdrawal from the Laramie-Fox Hills aquifer on an annual basis to conform to the actual characteristics of the aquifer encountered upon drilling the wells. The decreed amounts are, therefor, subject to increase and/or decrease.

[7] The decree provides that the entire amount of water to which all three of the Laramie-Fox Hills wells are entitled may be withdrawn from any one of them.

The decree contains a provision which permits the District to pump more acre-feet in a given year than the decreed amounts so long as the total amount pumped in a given year does not exceed the product of the decreed number of acre-feet and the number of years since the decree was entered. For example, Inverness is entitled to pump 273.3 acre-feet in 1988. If it does not pump any water in 1988, it will be entitled to pump twice that amount in 1989. If it does not pump any water in 1988 or 1989, it will be entitled to pump three times that number in 1990. If it pumps three times that number in 1990, then it can only pump 273.3 acre-feet in 1991.

[9] Does not include pumping rates for wells LFH-1 through LFH-3, which do not have permits or Beneficial Use Statements.

WATER INFRASTRUCTURE AND SUPPLY EFFICIENCY PROJECT

Loan Feasibility Study

B&V PROJECT NO. 176888

PREPARED FOR

Colorado Water Conservation Board on Behalf of the WISE Authority

23 OCTOBER 2013

BLACK & VEATCH
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1.0 Introduction

1.1 Background

Water providers in the South Metro area rely primarily on bedrock groundwater to supply the area's municipal and industrial water needs. Although there is a substantial amount of groundwater in the bedrock aquifers underlying the Denver area, these supplies do not have a natural source of replenishment and are thus considered to be non-renewable. Groundwater levels and well production data indicate that groundwater levels are declining in many areas as a result of groundwater pumping and South Metro water providers recognize the need to transition to a more renewable water supply portfolio.

In 2004, South Metro water providers formed the regional South Metro Water Supply Authority (SMWSA). SMWSA stemmed from the Douglas County Water Resource Authority (DCWRA), which started in 1992, and the South Metro Water Supply Study Board formed in January 2000. Currently there are fourteen members of SMWSA and those interested in participating in the Water Infrastructure and Supply Efficiency (WISE) partnership (described in Section 1.2) formed the WISE Authority in 2013. Members of the WISE Authority include:

- Town of Castle Rock (Castle Rock)
- Centennial Water and Sanitation District (Centennial)
- Cottonwood Water and Sanitation District (Cottonwood)
- Dominion Water and Sanitation District (Dominion)
- Inverness Water and Sanitation District (Inverness)
- Meridian Metropolitan District (Meridian)
- Parker Water and Sanitation District (Parker)
- Pinery Water and Wastewater District (Pinery)
- Rangeview Metropolitan District (Rangeview)
- Stonegate Village Metropolitan District (Stonegate)

Of the 10 WISE Authority member entities, six have indicated a desire to obtain funding support through the Colorado Water Conservation Board (CWCB) loan program in Fiscal Year 2013-2014. Those entities are: Cottonwood, Inverness, Parker, Pinery, Rangeview, and Stonegate. Detailed information regarding each entity including the year and statute under which the entity was formed, the number of customers/taps served, current water usage, future growth plans, the identification of revenue sources, and a description of existing water supply facilities was provided by each applicant with their loan application.

1.2 Project Overview

Aurora Water and Denver Water import raw water from the Colorado River and Arkansas River basins. This water, along with reusable South Platte supplies, is stored, treated, and delivered to customers in South Platte River basin as potable water. Under Colorado water law, water users have the right to reuse water originating from a non-tributary supply source, as well as in-basin water rights that are decreed for reuse. Aurora Water's and Denver Water's municipal return flows ultimately end up in the Middle South Platte River. These reusable return flows can be used to provide additional water to the south Denver metropolitan region.

The Aurora Water Prairie Waters Project (PWP) provides a drought-resistant water supply and involves:

- Diversion of water from the Middle South Platte River via alluvial wells and river bank filtration.
- Aquifer recharge and recovery (ARR).
- Conveyance of pre-treated water through pumping facilities and pipelines.
- Advanced water treatment at the Binney Water Purification Facility (Binney WPF).

After treatment, this water is blended with treated mountain water to produce potable water with a total dissolved solids (TDS) concentration of between 300 and 500 milligrams per liter (mg/L). PWP was designed to meet the current and future drinking water demands of Aurora during drought years. However, during off-peak or non-drought periods when Aurora is not utilizing the full PWP capacity, these facilities can be utilized by WISE Authority members through the WISE partnership. This partnership involves three entities: Aurora Water, Denver Water and the WISE Authority.

In drought years, Denver Water can benefit from having access to its unused reusable return flows or other potentially available water in the Middle South Platte River through the use of the PWP system. Under this scenario, raw mountain water will be conveyed through the Rampart system to the Binney WPF for treatment and blending. In non-drought years, Denver Water can make its available reusable return flows accessible to WISE Authority members. During wet years, Aurora Water and/or Denver Water may have available mountain water that could be made be available to WISE Authority members in addition to unused reusable return flows. Primary benefits of mountain water are that it can be delivered by gravity (instead of pumping), it is relatively cost-effective to treat due to its high quality, and it can be used to blend with other higher TDS water sources.

Water deliveries from the WISE partnership will be variable and at times intermittent. The potable water can be directly used in participants' distribution systems when demands for the water coincide with the availability of supplies. To the degree that deliveries exceed demand for the water (in any given month or day), that excess water can be put into storage for later withdrawal. Storage sites that may be utilized include Rueter-Hess Reservoir (RHR) and aquifer storage and recovery (ASR).

The WISE project involves four major infrastructure components in addition to Aurora Water's existing PWP system:

- A connection from Denver Water's distribution system near Denver International Airport to Aurora's PWP.
- A pump station and pipeline from the Binney WPF to connect to the existing ECCV pipeline.
- Acquisition of the existing ECCV pipeline.

- Local infrastructure to deliver WISE water from the ECCV pipeline turnout to each WISE Authority member.

The estimated total project cost is $142.5M. The amount that each WISE Authority member is required to pay depends on:

- The amount of water each WISE Authority member has committed to taking.
- The amount of local infrastructure that must be constructed to deliver each member's WISE water.

As a result, the amount of loan funding being requested by each applicant varies as shown in Table 1 below.

Table 1. CWCB Loan Request Amounts

WISE Authority Member	WISE Project Cost Share ($M)	CWCB Loan Request ($M)
Cottonwood	$4.2	$4.0
Inverness	$5.4	$5.0
Parker	$13.4	$12.0
Pinery	$10.9	$10.0
Rangeview	$6.2	$6.0
Stonegate	$6.8	$6.0
Total*	**$90.6**	**$44.0**
*This total does not include costs for participants not seeking a loan from the Colorado Water Conservation Board (CWCB). The total capital project cost is estimated to be $142.5M.		

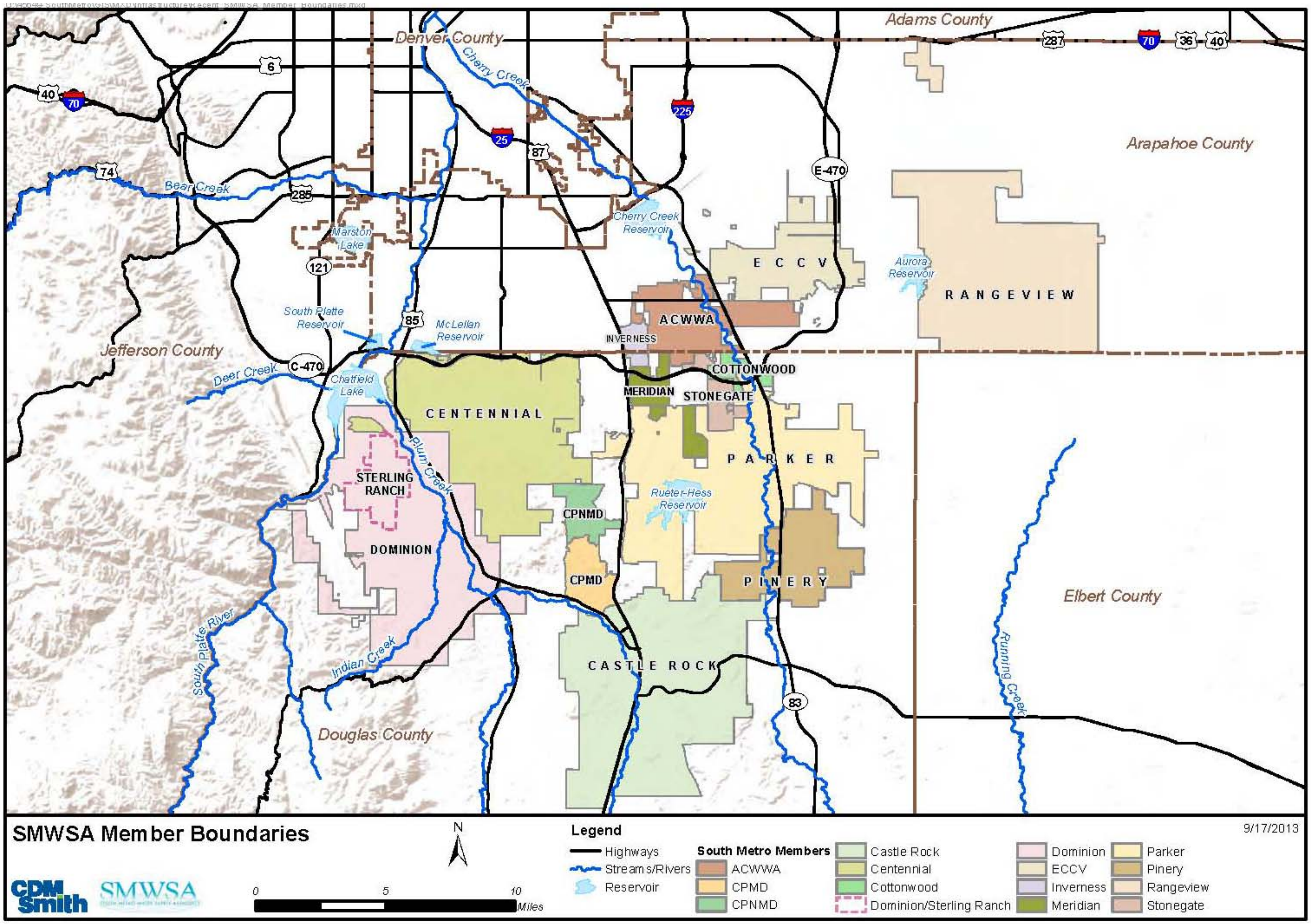
1.3 Study Area Description

SMWSA's members include 14 water providers that work together to plan, source and develop water for Douglas and Arapahoe Counties. Collectively the members serve about 80 percent of Douglas County and 10 percent of Arapahoe County. Figure 1 shows the location and relative size of the SMWSA members' existing service areas. The future service areas are anticipated to cover over 200 square miles at buildout, primarily within Douglas County.

Douglas County

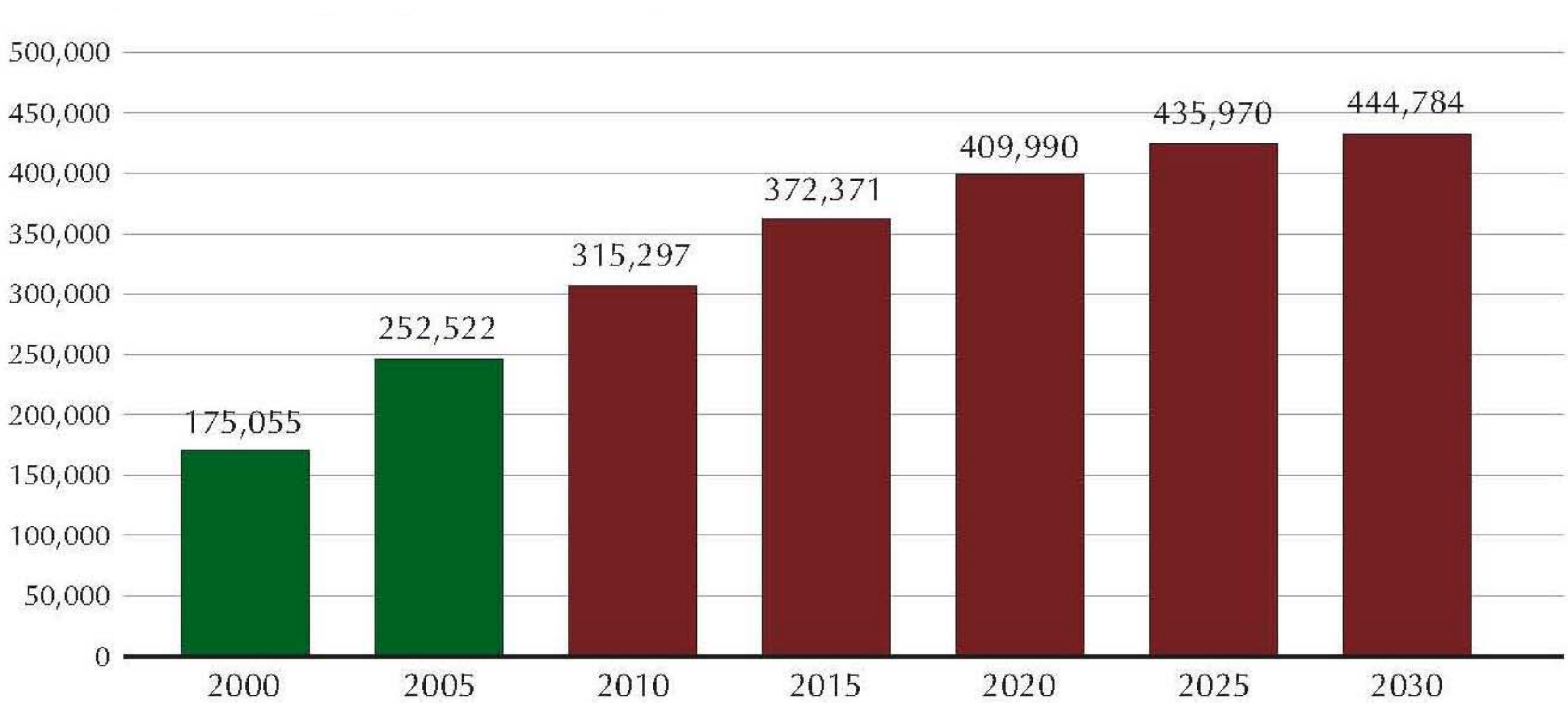
Douglas County, Colorado lies close to the center of the state along the I-25 Corridor between the major urban activity centers of Denver and Colorado Springs. It encompasses over 540,000 acres and elevations range from roughly 5,400 to 9,800 feet.

Douglas County is one of the fastest growing counties in Colorado. By the year 2030, the population is expected to surpass 444,000 people, as shown on Figure 2 from the Douglas County 2030 Comprehensive Master Plan, 2008.



Source: South Metro Water Supply Authority

WISE Authority	CWCB Loan Feasibility Study	Figure 1
BLACK & VEATCH building a world of difference	SMWSA Service Area	



Source: Douglas County 2030 Comprehensive Master Plan, 2008

WISE Authority BLACK & VEATCH building a world of difference™	**CWCB Loan Feasibility Study**	**Figure 2**
	Douglas County Population Projections (2000 – 2030)	

Douglas County has experienced significant job growth since the year 2000. From 2000 to 2006, the labor force grew by 30,700, averaging nearly 6,140 new jobs per year. While jobs in the County are still mostly in the service industry; professional, technical, and health care employment opportunities are growing rapidly. By 2030 total County employment could reach almost 262,000 jobs, as shown on Figure 3 from the Douglas County 2030 Comprehensive Master Plan, 2008.

Land use in Douglas County includes both urban and rural communities, as well as significant amounts of forest land and open space, as shown on the attached Map 1.1 of the Douglas County 2030 Comprehensive Master Plan.

Arapahoe County

Arapahoe County, Colorado is also located close to the center of the state, primarily east of I-25. It encompasses over 515,000 acres at an average elevation of 5,400 feet.

According to the 2001 Arapahoe County Comprehensive Master Plan, agriculture is the predominant land use in the County, mostly in the eastern two-thirds of the County. Institutional uses, including schools, public facilities and churches, account for roughly 6 percent of the land use in the County. Non-residential uses, including retail, commercial, industrial and utilities, account for roughly 2 percent of the County's land area, residential land uses account for over 8 percent, and vacant land accounts for the remaining 2 percent.

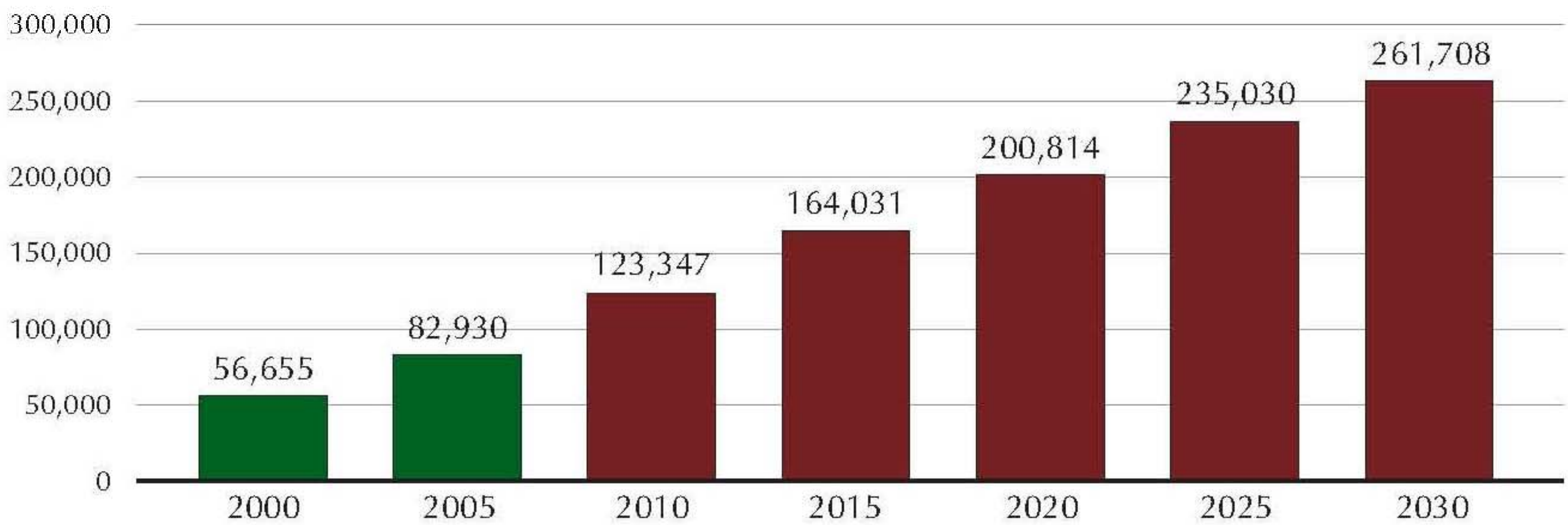
Arapahoe County, like the rest of Colorado, saw a tremendous amount of population growth and new development during the 1990s. In 1990, the population of Arapahoe County was 391,511. The Colorado State Demography Office estimated the population of Arapahoe County to be roughly 575,000 in 2010 and projects the County's population to increase to roughly 762,000 by 2030.

The areas of most plant and animal species significance include the prairie grasslands, which make up a significant portion of eastern Arapahoe County, and the forest dominated riparian areas, which are located along several of the major drainageways.

1.4 Previous Studies

SMWSA initiated its renewable supply planning in the early 2000s. Since that time, planning efforts have helped define near- and long-term renewable supply sources and infrastructure as summarized below.

- **2004 South Metro Water Supply Study.** This study was a joint effort between SMWSA, Denver Water, and the Colorado River Water Conservation District to investigate alternatives for meeting the water supply needs of the South Denver metropolitan area through the year 2050. Alternatives included the continued use of Denver Basin groundwater, better management of existing resources, and importation of additional renewable water supplies through the "conjunctive use" of surface water and ground water supplies.



Source: Douglas County 2030 Comprehensive Master Plan, 2008

WISE Authority BLACK & VEATCH building a world of difference	CWCB Loan Feasibility Study	Figure 3
	Douglas County Employment Projections (2000 – 2030)	

- **2007 Regional Water Master Plan.** The 2007 Regional Water Master Plan identified a phased approach to implementing renewable water supplies and related infrastructure that included:

  - **Near-Term.** Introduction of new surface water through interconnections between water providers and employing others' unused renewable supplies on a temporary basis, without major new infrastructure.

  - **Mid-Term (2025).** Additional renewable water through the acquisition of new supplies, while reducing the need for major new transmission pipelines.

  - **Long-Term.** Acquisition of additional water rights to meet the remaining renewable goals for buildout conditions, possibly through partnering with others on a major transmission pipeline investment.

- **2008 Mid-Term Water Delivery Project Plan.** In 2008, SMWSA developed a draft Mid-Term Water Delivery Project Plan that focused on the infrastructure and actions needed to bring mid-term renewable water supplies to SMWSA project participants through the East Cherry Creek Valley (ECCV) Northern Transmission System.

- **Draft 2010 Regional Water Supply Master Plan Update.** This report built upon SMWSA's previous master planning efforts and focused on near- and mid-term efforts to implement renewable supplies through regional partnerships, specifically the WISE partnership.

- **2013 Douglas County Rural Water Supply System Feasibility Study**. This study reviewed recent Denver Basin groundwater studies and water level data to assess the sustainability of current and future use of Denver Basin groundwater by rural residents and water districts. The study also evaluated the potential opportunity to convey renewable water from Aurora Water's PWP system through WISE Authority member infrastructure to the northwest and northeast areas of Douglas County, which could potentially serve over 5,000 rural homes currently using individual wells.

2.0 Water Supply and Demand

2.1 Existing Water Supply Sources

WISE Authority members currently use a combination of non-tributary groundwater, alluvial wells, surface water, and return flows to meet water demands.

Colorado water law for non-tributary ground water ties water ownership to the ownership of the land below which the aquifer lies. Water providers acquire non-tributary groundwater rights by requiring dedication of such rights to the water provider for service. Therefore, the non-tributary water rights available to each water provider are generally those water rights associated with the property within their service area boundaries. The non-tributary groundwater available to the water providers in the South Metro area is from the Denver Basin. The Denver Basin is comprised of the Dawson, Denver, Arapahoe, and Laramie-Fox Hills aquifers. These aquifers are deep sedimentary rock formations that are characterized by very low recharge rates and are considered to be a non-renewable water resource.

In Douglas County, the USGS estimates that 49 million acre-feet of water are theoretically recoverable although practical development levels have not been established. The actual availability of groundwater for municipal purposes is restrained by legal and physical factors. In general, these aquifers consist of very dense sandstones, which are relatively slow draining, and the production levels in gallons per minute are somewhat limited. The best producing aquifer is the Arapahoe aquifer, where wells generally produce 300 up to 1,500 gallons per minute. The production rates of wells in the Dawson and Denver Formations generally range from between 50 and 200 gallons per minute and between 100 and 300 gallons per minute for the Laramie-Fox Hills Formation. However, low water quality plus high costs for development limit the current use of the Laramie-Fox Hills Aquifer.

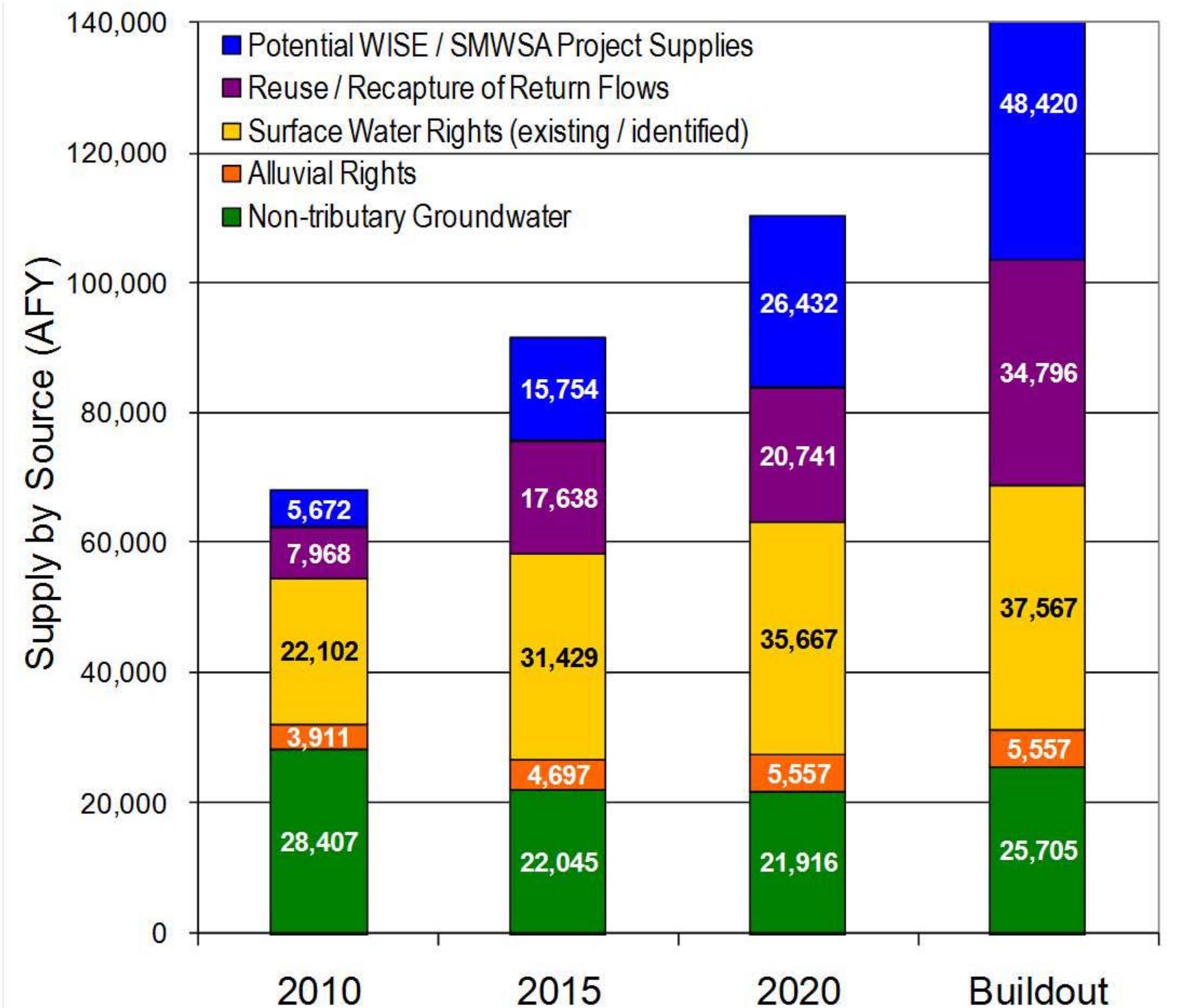
The majority of the South Metro municipal water delivery systems are designed for a maximum day demand, with peak hour demands met through storage. While SMWSA members' aggregate non-tributary groundwater rights of about 111,000 acre-feet per year (AFY) could nearly meet the projected buildout demands of 122,000 AFY, the members intend to substantially transition away from groundwater, using less than 20,000 AFY of non-tributary groundwater at buildout. Figure 4 from the draft 2010 Regional Water Supply Master Plan Update shows the SMWSA members' aggregated supplies by source category for each planning phase.

2.2 Existing and Future Water Demands

Figure 5 from the draft 2010 Regional Water Supply Master Plan Update shows the SMWSA members' projected total water demands (potable and non-potable), after conservation savings.

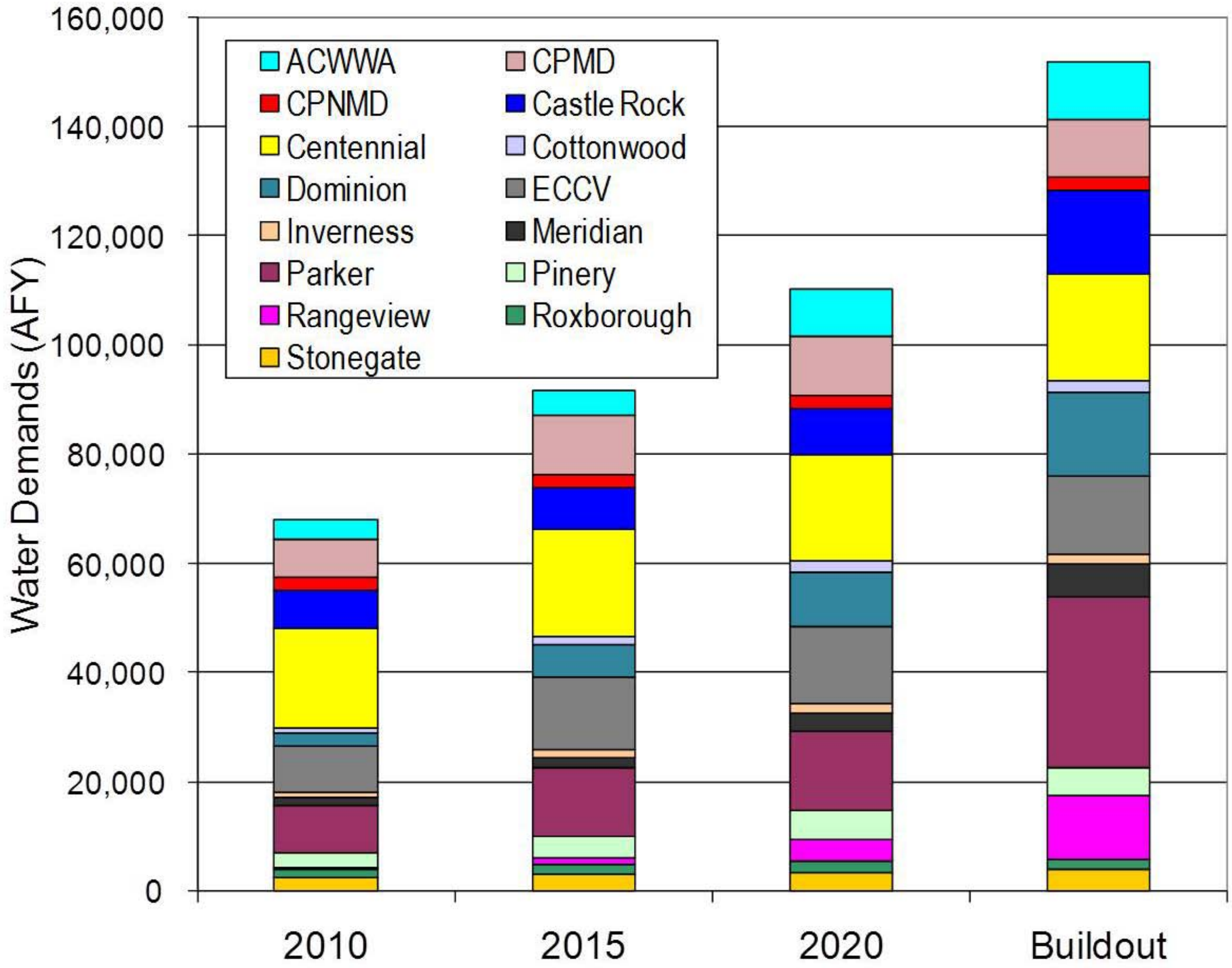
2.3 Adequacy of Water Rights/Existing Yields

As discussed previously, SMWSA members intend to substantially transition away from groundwater. In order to meet projected water demands, alternative renewable water supplies are needed.



Source: Draft 2010 Regional Water Supply Master Plan Update

WISE Authority BLACK & VEATCH building a world of difference™	**CWCB Loan Feasibility Study**	**Figure 4**
	SMWSA Members' Projected Aggregated Supplies by Source	



Source: Draft 2010 Regional Water Supply Master Plan Update

WISE Authority	CWCB Loan Feasibility Study	Figure 5
BLACK & VEATCH building a world of difference	SMWSA Members' Projected Aggregated Demands	

3.0 Alternatives Development and Analysis

The following section describes three alternatives that were considered in the development of this study.

3.1 Alternative 1 – No Action

Under this alternative, South Metro water providers would continue to primarily use groundwater to serve their customers. As discussed previously, these supplies do not have a natural source of replenishment and are considered non-renewable. Data indicate that groundwater levels are declining in many areas as a result of groundwater pumping. Therefore, the amount of energy required to extract the groundwater is higher, increasing the costs to deliver this supply. Based on these reasons, this alternative is considered irresponsible and was not evaluated further.

3.2 Alternative 2 – East Cherry Creek Valley Water and Sanitation District Northern Transmission System

The East Cherry Creek Valley (ECCV) Northern Transmission System consists of approximately 32 miles of 48-inch diameter steel pipeline capable of conveying 47 million gallons per day (mgd) of water from the Barr Lake area to the ECCV storage tanks at Smoky Hill Road and Highway E-470. The ECCV Northern Water Treatment Plant (WTP) is located at the northern end of the transmission system and will be ultimately be capable of treating 47 mgd at buildout.

ECCV indicated that approximately 8.0 mgd of firm capacity (available year round) could potentially be available to SMWSA members. ECCV also indicated that up to 29.0 mgd of variable capacity (not available year round) could potentially be available to SMWSA members.

Under this alternative, water from the Middle South Platte River, primarily consisting of transferred agricultural water, would be treated for SMWSA members at the ECCV Northern WTP. Treated water would then be conveyed to the ECCV storage tanks at Smoky Hill, and subsequently conveyed to SMWSA delivery locations through local infrastructure. Three local delivery infrastructure scenarios were developed for this alternative (Scenarios A, B, and C).

Table 2 shows the estimated capital and operation and maintenance (O&M) costs associated with this alternative (in 2008 dollars). The cost opinions that were developed did not include the following items: water rights, pipeline from water source to ECCV Northern WTP, local storage (if necessary), local retreatment (treating stored water for peak demands), or local distribution costs beyond the indicated storage/delivery points. These costs either carry significant uncertainties or are based on provider specific systems and decisions.

Table 2. Capital and O&M Cost Opinions for the ECCV Northern Transmission System Alternative

Scenario	Capital Cost Opinion ($M)	Annual O&M Cost Opinion ($M/year)
Scenario A	$479	$13.8
Scenario B	$472	$13.8
Scenario C	$460	$13.7

Since the ECCV northern pipeline is already in place, there will not be additional impacts to the man-made and natural environment. Furthermore, purchasing existing capacity will not require the myriad of permits needed for construction of a new pipeline, with the exception of the local delivery infrastructure. However, this alternative would require several water rights change cases for the transfer South Platte River agricultural supplies, which could take several years and may or may not be successful.

3.3 Alternative 3 – WISE Project

Under this alternative, Aurora Water would provide treated water to WISE participants during off-peak or non-drought periods when Aurora is not utilizing the full PWP capacity. In drought years, Denver Water will utilize the PWP system to access reusable return flows or other potentially available water in the Middle South Platte River. Water deliveries from the WISE partnership will be variable and at times intermittent. The potable water can be directly used in participants' distribution systems when demands for the water coincide with the availability of supplies. To the degree that deliveries exceed demand for the water (in any given month or day), that excess water can be put into storage for later withdrawal. Storage sites that may be utilized include RHR and ASR.

Water deliveries will be made to participants based on the amount defined in the Water Delivery Agreement. This defined volume is referred to as the subscription level, and is based on average annual water deliveries over a 10-year block of time in acre-feet per year. Table 3 lists the amount of water each WISE Authority member has committed to as part of the Water Delivery Agreement between Aurora Water, Denver Water and the WISE Authority.

The amount of renewable water each WISE Authority member seeks to obtain through the WISE project is a function of the member's own individual water supply planning, incorporating a broad set of influencing factors such as overall renewable supply goals, current or anticipated availability of other supply sources, anticipated growth in demand, and economic drivers.

Table 3. WISE Subscription Levels

WISE Authority Member	WISE Subscription Level (AFY)
Castle Rock	1,000
Centennial	1,000
Cottonwood	400
Dominion	1,325
Inverness	500
Meridian	300
Parker	1,200
Pinery	500
Rangeview	500
Stonegate	500
Total	**7,225**

Facilities associated with this alternative include a new pump station located at the BWPF. Water would be pumped generally west to a high point located near the intersection of Smoky Hill Road and Highway E-470. From this location, water would flow by gravity south and then west along the Highway E-470/C-470 corridor through an existing pipeline currently owned and operated by ECCV known as the ECCV Western Pipeline. Several turnouts would be constructed to deliver water directly to WISE participants with systems adjacent to this pipeline. A turnout and pump station would also be constructed near the intersection of Chambers Road and E-470 to deliver water to participants located south of the ECCV western pipeline. A pipeline would be constructed from the pump station south along the eastern side of Rueter-Hess Reservoir. A third booster pump station would be constructed to convey water to Participants and Partners located south of Rueter-Hess Reservoir. In total, this option includes three new pump stations, 45 miles of new pipelines varying between 8- and 42- inches in diameter, and 15 miles of existing pipe to be acquired from ECCV.

The pump station and pipeline from the Binney WPF to connect to the existing ECCV pipeline, as well as the existing ECCV Western Pipeline are considered core facilities. Core facilities are those downstream of the Binney WPF clearwell that are necessary for service to all or most of the participants. Core infrastructure costs are shared by all participants based on the participant's subscription level. Local facilities are those that are necessary for one or more participants to receive water from the ECCV pipeline turnout to each WISE Authority member. Local infrastructure costs are shared only by the participants that utilize the infrastructure, based on the participant's percent of the design flow used to size the infrastructure.

The estimated amount that each WISE Authority member is required to pay is shown in Table 4 and is based on:

- The amount of water each WISE Authority member has committed to taking.
- The amount of local infrastructure that must be constructed to deliver each member's WISE water.
- O&M costs include both fixed and variable (electricity) costs, as well a water rate charge of $5.50 per 1,000 gallons.

Table 4. WISE Authority Participant Project Cost Share

WISE Authority Member	Capital Cost Share ($M)	O&M Cost Share ($/year)
Castle Rock	$40.0	$2,310,000
Centennial	$9.1	$1,872,000
Cottonwood	$4.2	$750,000
Dominion	$43.7	$2,755,000
Inverness	$5.4	$938,000
Meridian	$2.8	$562,000
Parker	$13.4	$2,252,000
Pinery	$10.9	$977,000
Rangeview	$6.2	$939,000
Stonegate	$6.8	$969,000
Total	**$142.5**	**$14,324,000**

Since the ECCV Western Pipeline is already in place there will not be additional impacts to the man-made and natural environment. Furthermore, purchasing existing capacity will not require the myriad of permits needed for construction of a new pipeline, with the exception of the local delivery infrastructure. Additionally, this alternative utilizes existing water rights and no court actions are required to allow the water to be used by the WISE Authority participants.

4.0 Selected Alternative

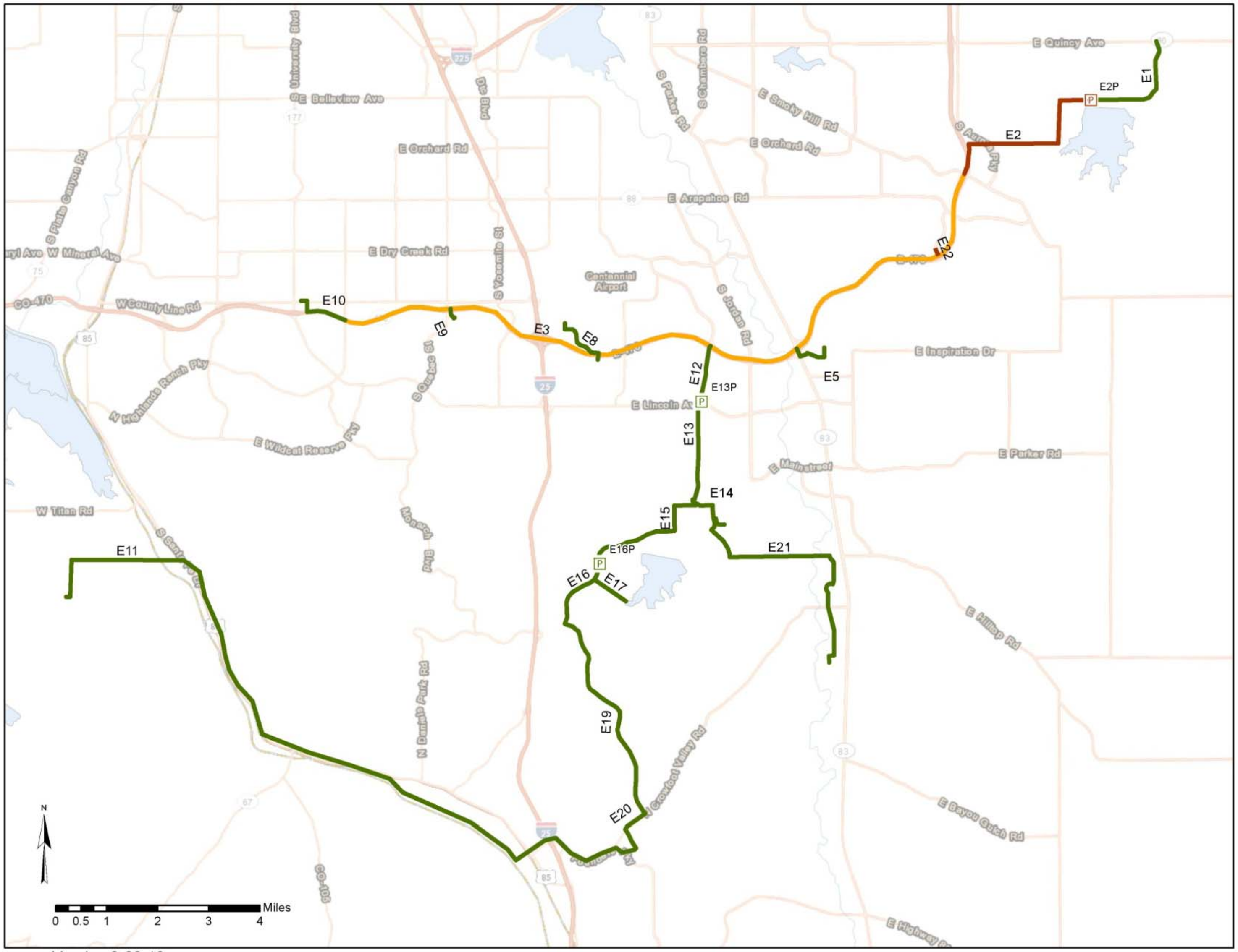
4.1 Detailed Project Description

The WISE project was selected as the preferred alternative. A map showing the proposed pipeline alignment and the delineation of core versus local infrastructure is shown on Figure 6. A description of each component is provided in Table 5.

Table 5. WISE Project Components

Component ID	Type	Description
E22	Core	Temporary connection to Aurora Water
E3	Core	ECCV pipeline, pump station modifications, groundwater treatment plant, and storage tank (WISE Authority portion)
E5	Local	ECCV to Cottonwood
E7	Local	ECCV to Meridian pipeline
E8	Local	ECCV to Inverness pipeline
E9	Local	ECCV to Centennial
E13P	Local	Pump station at Parker Water Treatment Plant (WTP)
E15	Local	Pipeline from Parker WTP pump station to Newlin Gulch pump station
E16P	Local	Newlin Gulch pump station
E16, E19, E20	Local	Pipeline from Newlin Gulch to Castle Rock
E12	Local	ECCV to Lincoln pipeline
E13	Local	Pipeline from Lincoln to Parker WTP pump station
E17	Local	Pipeline from Newlin Gulch to RHR
E2P	Core	Pump station at Binney WPF
E2	Core	Pipeline from Binney WPF to Smoky Hill pump station
E1	Local	Pipeline from Binney WPF to Rangeview
E14	Local	Pipeline from Parker WTP to Stonegate
E21	Local	Pipeline from Stonegate to Pinery
E11	Local	Pipeline to Dominion from ECCV or Crowfoot Valley
	Core	DIA Connection

All pipelines for this project have been sized to not exceed a velocity of five feet per second during the maximum flow condition. All pump stations have been sized to produce a minimum pressure of at least 10 pounds per square inch (psi) at the highest point downstream of the pump station. Pipelines, pump stations and connection facilities are predominately located within multi-use public rights-of-way. Detailed design of the facilities has not yet been completed, but typical pipeline trench cross sections are anticipated for the pipeline and standard horizontal or vertical centrifugal pumps are anticipated for the pump station.



Version 8-29-13

WISE PROJECT INFRASTRUCTURE

Legend

Proposed Pump Stations

- P Core
- P Local

Proposed Pipe Cost Category

- Core
- ECCV (Core)
- Local

Source: Black & Veatch

WISE Authority BLACK & VEATCH building a world of difference™	CWCB Loan Feasibility Study WISE Project Infrastructure	Figure 6

4.2 Detailed Cost Estimate

Table 6 details the capital cost opinion for each component of the WISE project for the WISE Authority.

Table 6. WISE Project Capital Cost Opinion

ID	Component	Cost Opinion
E22	Temporary connection to Aurora Water	$0.4
E3	ECCV pump station modifications, groundwater treatment plant, and storage tank (WISE Authority portion)	$2.3
E5	ECCV to Cottonwood	$0.6
E7	ECCV to Meridian pipeline	$0.1
E8	ECCV to Inverness pipeline	$0.7
E9	ECCV to Centennial	$0.3
E13P	Pump station at Parker Water Treatment Plant (WTP)	$3.7
E15	Pipeline from Parker WTP pump station to Newlin Gulch pump station	$4.1
E16P	Newlin Gulch pump station	$10.2
E16, E19, E20	Pipeline from Newlin Gulch to Castle Rock	$10.7
E12	ECCV to Lincoln pipeline	$2.9
E13	Pipeline from Lincoln to Parker WTP pump station	$4.8
E17	Pipeline from Newlin Gulch to RHR	$0.6
E2P	Pump station at Binney WPF	$7.5
E2	Pipeline from Binney WPF to Smoky Hill pump station	$8.3
E1	Pipeline from Binney WPF to Rangeview	$1.3
E14	Pipeline from Parker WTP to Stonegate	$0.6
E21	Pipeline from Stonegate to Pinery	$2.9
E11	Pipeline to Dominion from ECCV or Crowfoot Valley	$12.2
	Subtotal	$74.1
Engineering/Design (8%)		$5.9
Permitting/Easements (2%)		$1.5
	Subtotal	$81.5
Contingency (30%)		$24.4
	Total Construction Cost Opinion	$105.9
ECCV pipeline acquisition (WISE Authority portion)		$29.3
DIA Connection Fee		$7.3
	Total Capital Cost Opinion	**$142.5**

4.3 Implementation Schedule

Figure 7 shows the anticipated implementation schedule. All facilities are scheduled to be constructed by mid-2020. Major milestones to note include:

- All agreements will be finalized by the end of 2013.
- Design of the infrastructure required to make initial connections to all of the WISE Authority participants will begin in 2014. Construction of these components will begin in 2015 and will be completed mid-2016.
- Design of the Chambers reach infrastructure will begin in 2016. These components will be constructed in 2017.
- Design of the permanent infrastructure to bypass Aurora Water's distribution system as well as the long-term connections will begin in 2018. Construction of these components will begin in 2019 and will be completed mid-2020.

4.4 Institutional Considerations

There are four agreements that play an important role in enabling the WISE partnership, as described below:

- **Aurora Water – Denver Water Operational Agreement.** This agreement outlines the terms under which Aurora Water and Denver Water will cooperate in delivering water to the WISE Authority and the terms under which Denver Water can take deliveries.

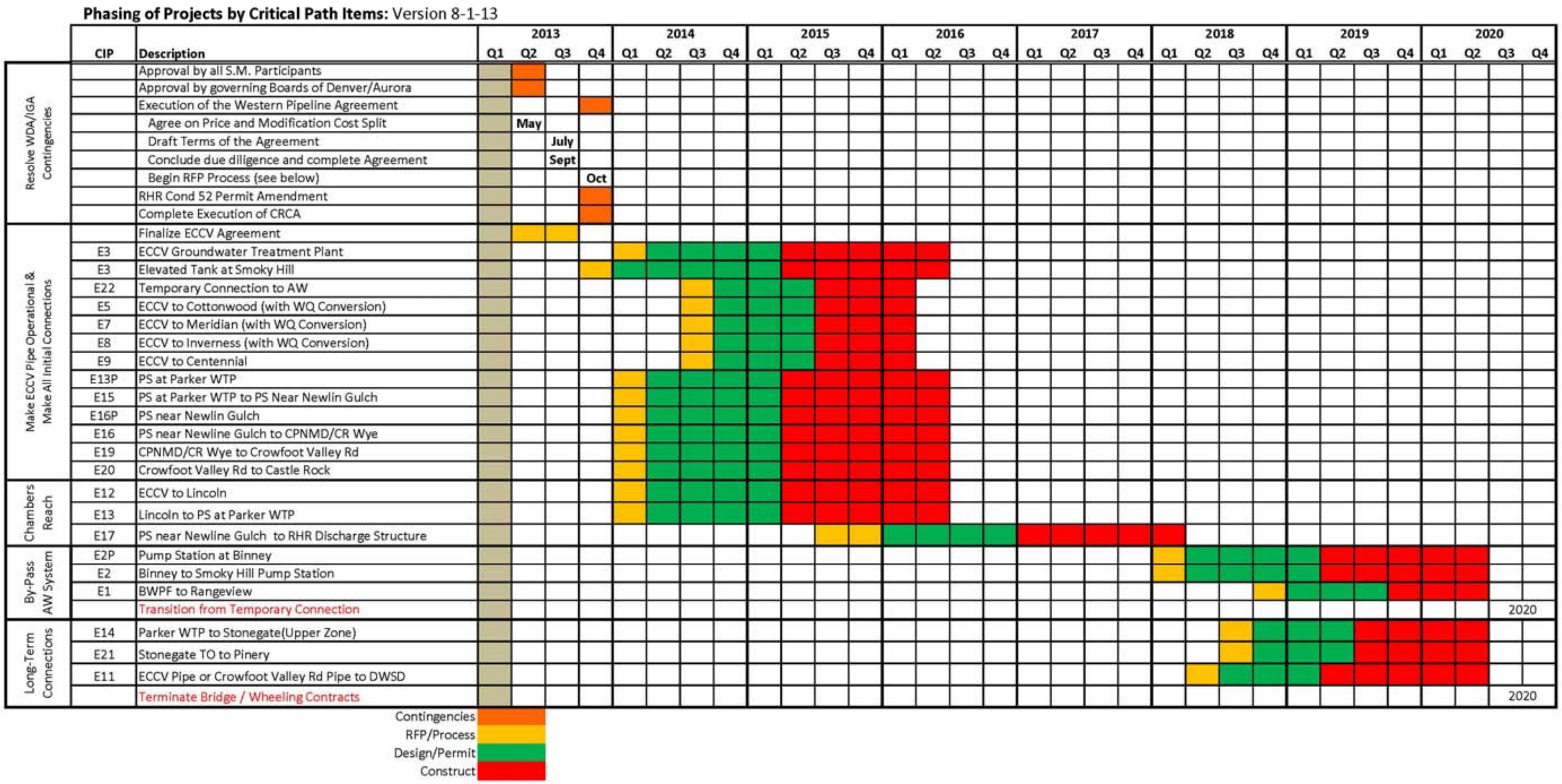
- **WISE Water Delivery Agreement (WDA).** This is the overarching agreement that defines the terms under which deliveries of potable water to WISE Authority members are made by Aurora Water and Denver Water using available capacity in Aurora Water's PWP system. The signatories to this agreement are Aurora Water, Denver Water, and the WISE Authority.

- **WISE Authority Intergovernmental Agreement (IGA).** Individual entities of the WISE Authority are not signatories to the WISE Water Delivery Agreement. Therefore, the WISE Authority IGA binds them to the terms of the WDA, creates the WISE Authority, and defines each participant's responsibilities to the WISE Authority and other participants.

- **Colorado River Cooperative Agreement (CRCA).** The CRCA is the product of years of negotiations that involved parties stretching from Grand Junction to the Denver metro area. The agreement outlines a path of cooperation and collaboration in managing the state's water resources and became effective on September 26, 2013.

4.5 Impact Mitigation

The following is a description of potential environmental impacts that have been considered during the development of the WISE project. These impacts are negligible and therefore, no mitigation is proposed.



Source: Black & Veatch

WISE Authority	CWCB Loan Feasibility Study	Figure 7
BLACK & VEATCH building a world of difference	WISE Project Implementation Schedule	

- **Water quality.** WISE water will first be treated by Aurora Water's Binney WPF and will not degrade the water quality in existing storage reservoirs or ASR facilities.

- **South Platte River stream flows.** The reusable water supplies that Aurora Water and Denver Water will provide to WISE are either foreign to the South Platte River basin (imported from another basin) or can be fully consumed (i.e. non-tributary groundwater and the fully consumable component of transferred agricultural water rights). These supplies will continue to increase as the Denver metropolitan area population grows. Therefore, the changes in flows in the reach of interest for the South Platte River associated with WISE water are estimated to have no effect to temporary minor effects on the aquatic environment.

- **Waters of the U.S.** The primary concern is conveyance infrastructure that will need to be constructed from Aurora Water's Binney WPF system each of the participant's systems. Pipeline crossings of waters of the U.S. and wetlands subject to the Corps' jurisdiction will be identified during design, and the discharge of dredge and fill material into jurisdictional waters and wetlands will be avoided by rerouting pipelines, boring, or tunneling under the jurisdictional drainage or wetland.

- **Endangered species.** The proposed conveyance for WISE would cross drainages in Douglas County that have been mapped by Douglas County, with concurrence from the U.S. Fish and Wildlife Service, as habitat for the federally-threatened Preble's meadow jumping mouse (Preble's). Some of this habitat has also been designated by the Service as critical habitat. The WISE participants will avoid adverse impacts to Preble's habitat by tunneling or boring under all mapped Preble's habitat. Tunneling under drainages, wetlands and Preble's habitat will also avoid adversely affecting two federally-threatened plant species that may occur in Douglas County, the Colorado butterfly plant and Ute ladies'-tresses orchid.

  The WISE participants are currently coordinating with the U.S. Army Corps of Engineers (Corps) and the Service on Endangered Species Act (ESA) compliance for WISE water that will be stored in RHR. The Corps is consulting with the Service on depletions to the Platte River and associated effects on federally-listed species and their designated critical habitat in Nebraska. The Corps will conduct a biological assessment and the Service will issue a biological opinion.

4.6 Financial Plan

A financial plan for each entity is provided as an attachment and includes the following information:

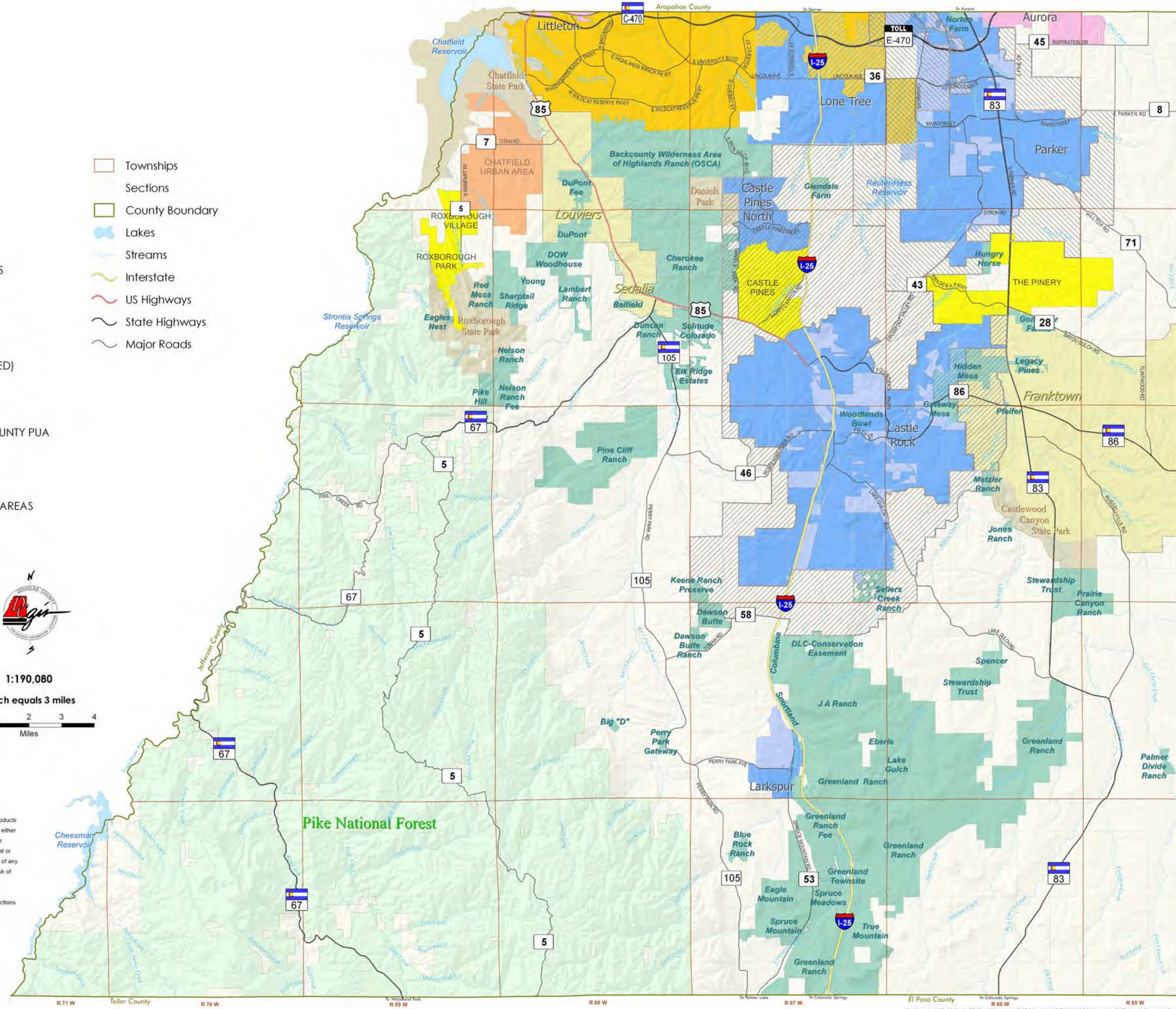
- Funding sources
- Financial impacts
- Revenue and expenditure projections
- TABOR issues
- Collateral
- Sponsor creditworthiness

Land Use

Map 1.1

Comprehensive Master Plan 2030

May 12th, 2008



COMPREHENSIVE MASTER PLAN AREAS

- CHATFIELD URBAN AREA
- PRIMARY URBAN AREA (PUA)
- RURAL COMMUNITIES
- SEPARATED URBAN AREA (SUA)
- NON-DOUGLAS COUNTY BASED MUNICIPALITIES
- NON-URBAN AREA

MUNICIPAL PLANNING AREAS

- MUNICIPAL PLANNING AREA (INCORPORATED)
- MUNICIPAL PLANNING AREA (UNINCORPORATED)
- CASTLE ROCK IGA BOUNDARY & BUFFER AREA
- PARKER IGA BOUNDARY & BUFFER AREA
- MUNICIPAL PLANNING AREA INCLUSIVE OF COUNTY PUA

SIGNIFICANT OPEN SPACE & PARKS

- OPEN SPACE
- COUNTY OPEN SPACE WITHIN INCORPORATED AREAS
- PIKE NATIONAL FOREST
- PARKS

- Townships
- Sections
- County Boundary
- Lakes
- Streams
- Interstate
- US Highways
- State Highways
- Major Roads

1:190,080

1 inch equals 3 miles

0 0.5 1 2 3 4

Miles

General questions about this or any other Douglas County GIS products, including errors, omissions, corrections and/or updates should be directed to the Douglas County GIS Division at (303) 660-7416.

Douglas County GIS Division
Philip S. Miller Bldg., 100 Third St.
Castle Rock, Colorado 80104

DOUGLAS COUNTY COLORADO

Financial Plan for
Inverness Water and Sanitation District

Funding Sources

Total project costs in the amount of $5.4M are based on the purchase of 500 acre-feet of water supply. Sources of funds for the project include $0.4M of future service and tap fee revenue. Estimated debt payments are calculated at $263,000 per year based on a 30 year, 3.25% loan. A summary of estimated project costs and source of funds is presented in **Table 1** below.

Table 1
Summary of Project Costs and Funding

Total Project Costs		$5,400,000
Source of Funds		
Future Tap & Service Fees		$400,000
	Funds Requested	**$5,000,000**
	Terms Requested	30-Years 3.25% Interest
	Annual Payment	$263,000

Funds for loan repayment would be generated from user charges and/or property taxes. Based on an annual debt service of $263,000 and 1,800 SFEs (single family equivalents), the estimated monthly cost for debt service is $12.18 per SFE if the entire amount were funded from user charges. Based on an assessed value of $300,000,000, the annual debt service would be funded by a mill levy increase of 0.9 mills if the entire amount were funded by property taxes.

Financial Impacts

The annual estimated Debt Service of $263,000 ($12.18 per SFE per month) would require the District to increase its water service fees by a maximum of approximately 18%. Based on the estimated projected cash flows, this increase could be implemented at 3% per year for 6 years.

Alternatively, the annual estimated Debt Service would require the District to increase its mill levy by a maximum of 12%. This would result in an approximate 1% increase in the average property owner's total tax bill.

Revenue and Expenditure Projections

Appendix A includes the District's adopted 2013 Budget as well as the District's 2014 Draft Budget and revenue and expenditure projections. The 2014 Draft Budget was used as the baseline for projections. Revenues and expenses were inflated throughout the 30 year projection period. Revenues include the required $12.18 per SFE for debt service.

TABOR Issues

Entering into a loan to finance the project will not result in any TABOR issues for the District. As authorized by TABOR, the District has established a water activity enterprise, as defined in Section 37-45. 1-102(3), C.R.S., by resolution of the District Board of Directors. The District provides water service acting by and through its water activity enterprise, and the revenues pledged to repay the loan will be water use charges and fees collected by the enterprise. As such, pursuant to TABOR, the loan will be an enterprise borrowing and will not constitute a multiple fiscal year obligation of the District for which prior voter authorization is required pursuant to TABOR.

In addition, the District is not subject to TABOR's annual spending and revenue limitations, by virtue of a de-Brucing election held on November 5, 1996. At the 1996 election, the District's voters exempted the District from TABOR's spending and revenue limitations.

Collateral

The loan will be secured as to repayment by a pledge of system revenues from the District, acting by and through its water activity enterprise. The revenue stream will consist of fees and user charges imposed by the District, acting by and through its water activity enterprise, for the provision of potable water supply within the District's geographic boundaries. It is anticipated that the District, through its water activity enterprise, will covenant to set its water fees and user charges at a level adequate to meet annual principal and interest payments to the loan.

Alternatively, the loan could be secured through a General Obligation pledge of property taxes. The District has approximately $13M of authorized but unissued debt. See the 2013 Audit Report in **Appendix B**.

Creditworthiness

Financial audits for the last three years, 2010, 2011, and 2012, have been included in **Appendix B**. In addition, the District's unaudited financial statement, dated July 31, 2013, is included as **Appendix C**.

Appendix A

INVERNESS WATER & SANITATION DISTRICT
2013 BUDGET SUMMARY

APPROVED

-

	2011 Actual	2012 Projected	2012 Budget	2013 Budget
Operating Fund:				
Total Service Fees	2,419,783	2,515,049	2,404,000	2,435,000
Total Operating Expenses (1)	(2,112,219)	(2,260,344)	(2,479,000)	(2,521,300)
Net Operating Income (Expense)	**307,564**	**254,705**	**(75,000)**	**(86,300)**
Debt Fund:				
Property Taxes	1,929,967	1,914,375	1,981,923	2,215,709
Other Revenue	218,866	228,937	220,568	233,293
Net Bond Proceeds (Cost)(2)	-	(294,397)	(300,000)	-
Debt Service	(2,190,868)	(1,899,130)	(2,197,237)	(2,465,004)
Net Debt Service Income (Expense)	**(42,035)**	**(50,215)**	**(294,746)**	**(16,002)**
Capital Fund:				
Tap & Development Fees	155,466	1,121,833	89,280	1,200,000
Interest & Other Income	30,004	20,724	50,000	30,000
Capital Expenses	(1,013,468)	(291,910)	(1,995,000)	(3,230,000)
Net Capital (Expense)	**(827,998)**	**850,647**	**(1,855,720)**	**(2,000,000)**
Combined Net Income (Expense)	**(562,469)**	**1,055,137**	**(2,225,466)**	**(2,102,302)**
Beginning Fund Balance	7,344,570	6,782,101	6,884,242	7,837,238
Ending Fund Balance	**6,782,101**	**7,837,238**	**4,658,776**	**5,734,936**
Assessed Values:	267,812,810	240,207,240	240,207,240	254,846,270
Mill Levies:	7.30	7.90	7.90	8.35

(1) Operating expenses do not include approximately $130,000 annually for contributions to the WWTP repair and reserve fund which is reflected on the balance sheet.

(2) Includes accrued interest on old bonds paid into refunding escrow.

APPENDIX A

INVERNESS WATER & SANITATION DISTRICT **APPROVED**

2013 BUDGET

Operating Fund

	2011 Actual	2012 JAN - OCT ACTUAL	2012 NOV-DEC PROJECTED	2012 Total Projected	2012 Budget	2013 Budget	Notes
Operating Revenues							
Potable Water Fees	898,120	962,657	100,000	1,062,657	1,000,000	1,000,000	2012 was extremely hot and dry
Effluent Irrigation Fees	358,712	431,094		431,094	400,000	400,000	2012 was extremely hot and dry
Sewer Service Fees	804,251	733,800	148,000	881,800	875,000	900,000	3% Increase
Sewer Capacity Lease	6,986	2,668		2,668	2,000	2,000	
Cottonwood Operations	99,840	83,200	16,640	99,840	100,000	100,000	
Solar Credits	9,823	27,456	3,000	30,456	25,000	30,000	
Other	242,051	6,034	500	6,534	2,000	3,000	2011 was reclass of 2009-2010 wastewater
Total Operating Revenue	**2,419,783**	**2,246,909**	**268,140**	**2,515,049**	**2,404,000**	**2,435,000**	treatment costs reclassed to R&R reserve
OPERATING EXPENDITURES							
General & Administrative							
Office Utilities/Janitorial	2,648	2,118	400	2,518	3,000	3,000	
Rent	20,267	16,377	3,300	19,677	21,000	21,000	
Office Expenses	4,467	9,556	500	10,056	10,000	11,000	
Telephone	8,758	6,753	1,000	7,753	9,000	9,000	
Salaries and Wages	183,394	159,943	27,000	186,943	190,000	190,000	
Employee Benefits & P/R Taxes	43,386	40,070	8,000	48,070	45,000	48,000	
Publications, Dues & Permits	12,892	16,038	500	16,538	15,000	17,000	
Legal, Water Rights	3,217	6,269	3,000	9,269	20,000	20,000	Working on LIRFs and WISE
Legal, Administrative	9,233	17,657	5,000	22,657	15,000	50,000	
District Management - MMRE	159,996	133,330	26,670	160,000	160,000	164,800	
District Management - IPLLC	10,000	8,333	1,667	10,000	10,000	10,000	
Accounting/Finance - IPLLC	83,000	69,167	13,833	83,000	83,000	84,500	
Director Fees	2,100	1,500	1,500	3,000	3,000	3,000	
Audit Fees	9,000	9,000		9,000	11,000	10,000	
Consulting/Engineering	27,292	10,181	2,500	12,681	25,000	20,000	
Insurance	48,207	36,822		36,822	50,000	40,000	
Landscaping/Snow Removal	21,115	13,259	2,500	15,759	22,000	20,000	
Water Conservation Plan/Rebates	7,923	1,365	500	1,865	20,000	20,000	
CCPWA Operating Cost	161,814	164,924		164,924	165,000	170,000	
Auto and Truck Expense	9,970	12,937	1,500	14,437	8,000	12,000	
Total General & Administrative	828,679	735,599	99,370	834,969	885,000	923,300	
Water Operating Expenses							
Repairs and Maintenance	24,726	82,073	5,000	87,073	60,000	60,000	
Utilities	212,751	202,228	30,000	232,228	160,000	160,000	
Solar Lease	20,553	15,613	3,100	18,713	20,000	19,000	
Denver Water	280,395	45,551	200,000	245,551	450,000	450,000	Waiting for Denver to agree to estimate
Chemicals/Labwork	36,773	25,532	5,000	30,532	38,000	35,000	
Total Water Operating Expenses	575,198	370,997	243,100	614,097	728,000	724,000	

INVERNESS WATER & SANITATION DISTRICT

APPROVED

2013 BUDGET

Operating Fund

	2011 Actual	2012 JAN - OCT ACTUAL	2012 NOV-DEC PROJECTED	2012 Total Projected	2012 Budget	2013 Budget	Notes
Sewer Operating Expenses							
Repairs and Maintenance	17,843	26,425	3,000	29,425	45,000	45,000	Lines & collection system
Utilities	14,402	13,846	2,500	16,346	16,000	17,000	Lift Station
ACWWA Treatment (1)	594,101	532,960	106,000	638,960	625,000	660,000	3% rate increase
Total Sewer Operating Expenses	626,346	573,231	111,500	684,731	686,000	722,000	
Effluent Irrigation Operating Expenses							
Repairs and Maintenance	8,924	2,350	18,500	20,850	20,000	10,000	Contract for $18,500 to still happen in 2012
Tree Replacements		22,670		22,670	30,000	15,000	Last year was double typical amount
Utilities	71,969	61,027	12,000	73,027	75,000	75,000	Theoretically cost won't increase with solar
Chemicals/Labwork	1,103			-	5,000	2,000	
Total Effl.Irrigation Operating Expenses	81,996	86,047	30,500	116,547	130,000	102,000	
Contingency	-		10,000	10,000	50,000	50,000	
Total Operating Expenditures	2,112,219	1,765,874	494,470	2,260,344	2,479,000	2,521,300	
Excess (Deficit) of Service Fees over Operating Expenditures	**307,564**	**481,035**	**(226,330)**	**254,705**	**(75,000)**	**(86,300)**	

(1) Does not include approximately $130,000 annually for contributions to the WWTP repair and reserve fund reflected on balance sheet

INVERNESS WATER & SANITATION DISTRICT **APPROVED**

2013 BUDGET

Capital Fund

	2011 Actual	2012 JAN-OCT ACTUAL	2012 NOV-DEC PROJECTED	2012 Total Projected	2012 Budget	2013 Budget	
Tap and Development Fees							
Commercial							
Residential	155,466	1,121,833		1,121,833	89,280	1,200,000	Grand Peaks/Vallagio
Total Tap and Development Fees	155,466	1,121,833		1,121,833	89,280	1,200,000	
Interest Income	30,004	17,224	3,500	20,724	50,000	30,000	
Total Other Revenue	30,004	17,224	3,500	20,724	50,000	30,000	
TOTAL REVENUE	185,470	1,139,057	3,500	1,142,557	139,280	1,230,000	
Capital EXPENDITURES	1,013,468	116,910	175,000	291,910	1,995,000	3,230,000	
Net Capital Fund (Expense)	(827,998)	1,022,147	(171,500)	850,647	(1,855,720)	(2,000,000)	
** CAPITAL PROJECTS DETAIL **							
WATER							
Water Rights					150,000		
ECCV Pipeline / E/W Line					250,000		
Well Rebuilds	659,432				60,000	700,000	
Billing Software		11,687		11,687			
Denver Pump Station	8,775						
E-470 Connection					80,000	100,000	
South Metro Water - General	39,744	21,055		21,055	35,000	15,000	SMWSA Operating
South Metro Water - WISE					100,000	600,000	WISE Capital
South Metro WISE Subscription						55,000	WISE Subscription
Water Tank Paint & Logo						60,000	
CCPWA Capital					260,000	1,000,000	CCPWA Construction Potential
Truck Purchase		8,826		8,826	20,000		
Fire System Upgrades		33,400	55,000	88,400	25,000	25,000	Fire Improvements almost complete
Hotel Filtration			35,000	35,000			Hotel Iron Filters
General Contingency					250,000	250,000	
Total Water	707,951	74,968	90,000	164,968	1,230,000	2,805,000	
SEWER							
Golf Course Valves & Heads	166,982	23,000		23,000	80,000		
Nonpotable Extension							
Reservoir/Sulpher Burner	43,762				25,000	15,000	
Sewer Line Upgrades	86,771	4,491	40,000	44,491	60,000	60,000	Southwest sewer replacement

INVERNESS WATER & SANITATION DISTRICT

APPROVED

2013 BUDGET

Capital Fund

	2011 Actual	2012 JAN-OCT ACTUAL	2012 NOV-DEC PROJECTED	2012 Total Projected	2012 Budget	2013 Budget	
Lift Station Upgrades		14,451	10,000	24,451	450,000	200,000	Grange lift station design and construction
Sanitary Sewer Rehab			35,000	35,000			Manhole Repairs south end
Contingency					150,000	150,000	
Total Sewer	297,515	41,942	85,000	126,942	765,000	425,000	
STORM DRAINAGE							
General	8,002						
Total Storm Drainage	8,002						
TOTAL CAPITAL PROJECTS	**1,013,468**	**116,910**	**175,000**	**291,910**	**1,995,000**	**3,230,000**	

INVERNESS WATER & SANITATION DISTRICT

APPROVED

2013 BUDGET

Debt Fund

	2011 Actual	2012 JAN - OCT ACTUAL	2012 NOV-DEC PROJECTED	2012 Total Projected	2012 Budget	2013 Budget
Debt Revenue						
Property Taxes	1,929,967	1,914,375		1,914,375	1,981,923	2,215,709
Tax Equivalent Revenue	92,039	100,694		100,694	95,568	108,293
Specific Ownership Tax	126,827	108,243	20,000	128,243	125,000	125,000
Bond Proceeds		10,000,000		10,000,000	10,000,000	
Total Revenue - Debt Service	**2,148,833**	**12,123,312**	**20,000**	**12,143,312**	**12,202,491**	**2,449,002**
Debt Service:						
Principal - Series 2006A	1,165,000		1,210,000	1,210,000	1,210,000	1,270,000
Interest - Series 2006A	546,218	249,404	249,404	498,808	498,808	439,068
Interest - Series 2008	476,000					
Principal - Series 2012					125,000	430,000
Interest - Series 2012			158,005	158,005	280,000	239,000
Pmnt to Refunding Bond Escrow		10,237,172		10,237,172	10,180,000	
Bond Issue Costs		57,225		57,225	120,000	
County Treasurer's Fees		28,904		28,904	29,729	33,236
Paying Agent Fees	3,650	2,413	1,000	3,413	3,700	3,700
Contingency					50,000	50,000
Total Debt Service	**2,190,868**	**10,575,118**	**1,618,409**	**12,193,527**	**12,497,237**	**2,465,004**
Excess (Deficit) of Debt Fees over Debt Expenditures	**(42,035)**	**1,548,194**	**(1,598,409)**	**(50,215)**	**(294,746)**	**(16,002)**

Property Tax Detail:

	2011	**2012**	**2013**	
Base District Assessed Values:				
Arapahoe County	181,863,600	162,174,420	159,427,310	
Douglas County	85,949,210	78,032,820	95,418,960	
Total Base District	267,812,810	240,207,240	254,846,270	
Mill Levy	7.30	7.90	8.35	Increase due to shorter amort term on
Base District Property Taxes	1,955,034	1,897,637	2,127,966	new bonds
Taxes on Excluded Properties (see detail next page)	106,669	84,285	87,742	
Total Property Taxes Levied	2,061,703	1,981,923	2,215,709	

INVERNESS WATER & SANITATION DISTRICT **DRAFT**
2014 BUDGET SUMMARY **-**

	2012 Actual	2013 Projected	2013 Budget	2014 Budget
Operating Fund:				
Total Service Fees	2,507,958	2,298,458	2,435,000	2,515,000
Total Operating Expenses (1)	(2,209,971)	(2,280,437)	(2,521,300)	(2,598,000)
Net Operating Income (Expense) (1)	**297,987**	**18,021**	**(86,300)**	**(83,000)**
Debt Fund:				
Property Taxes	1,913,338	2,156,470	2,215,709	2,201,217
Other Revenue	229,300	269,594	233,293	270,540
Net Bond Proceeds (Cost)(2)	(254,731)	-	-	-
Debt Service	(1,914,695)	(2,414,328)	(2,465,004)	(2,462,569)
Net Debt Service Income (Expense)	**(26,788)**	**11,736**	**(16,002)**	**9,187**
Capital Fund:				
Tap & Development Fees	1,211,113	1,919,973	1,200,000	1,500,000
Interest & Other Income	22,828	13,327	30,000	15,000
Capital Expenses	(321,752)	(341,400)	(3,230,000)	(3,770,000)
Net Capital (Expense)	**912,189**	**1,591,900**	**(2,000,000)**	**(2,255,000)**
Combined Net Income (Expense)	**1,183,388**	**1,621,657**	**(2,102,302)**	**(2,328,813)**
Beginning Fund Balance	6,701,394	7,884,782	6,884,242	9,506,439
Ending Fund Balance	**7,884,782**	**9,506,439**	**4,781,940**	**7,177,626**
Assessed Values:	240,207,240	254,846,270	254,846,270	271,694,483
Mill Levies:	7.90	8.35	8.35	7.80

(1) Operating expenses do not include approximately $130,000 annually for contributions to the WWTP repair and reserve fund which is reflected on the balance sheet.

(2) Includes accrued interest on old bonds paid into refunding escrow.

Inverness Water & Sanitation District
30 Year Cash flow Projections

	Growth	Inflation	Service Fee Increase	Service Fees	Tap Fees	WISE Loan Proceeds	Operating Expenses	WISE Operating	WISE Debt Service (1)	WISE Capital	Other Capital	Net Cash Flow	End of Year Reserves
2014				2,636,836	1,500,000	2,075,642	(2,600,000)	(36,836)		(2,075,642)	(2,500,000)	(1,000,000)	8,500,000
2015	2.0%	2.0%	1.9%	2,738,602	1,500,000	133,685	(2,704,000)	(34,602)		(133,685)	(1,000,000)	500,000	9,000,000
2016	2.0%	2.0%	5.3%	2,939,767	1,500,000	149,639	(2,812,160)	(127,607)		(149,639)	(1,000,000)	500,000	9,500,000
2017	2.0%	2.0%	7.1%	3,207,262	500,000	171,858	(2,924,646)	(282,616)		(171,858)	(500,000)	-	9,500,000
2018	2.0%	2.0%	5.5%	3,448,255	500,000	1,737,776	(3,041,632)	(406,623)		(1,737,776)	(500,000)	0	9,500,000
2019	2.0%	2.0%	6.0%	3,724,929	500,000	171,858	(3,163,298)	(561,631)		(171,858)	(500,000)	-	9,500,000
2020	1.0%	2.0%	7.7%	4,050,791	250,000	189,331	(3,258,196)	(792,594)		(189,331)	(500,000)	(250,000)	9,250,000
2021	1.0%	2.0%	4.8%	4,286,494	250,000	124,898	(3,355,942)	(930,552)		(124,898)	(500,000)	(250,000)	9,000,000
2022	1.0%	2.0%	1.3%	4,387,173	250,000	124,898	(3,456,621)	(930,552)		(124,898)	(500,000)	(250,000)	8,750,000
2023	1.0%	2.0%	1.4%	4,490,871	250,000	1,195,010	(3,560,319)	(930,552)		(1,195,010)	(500,000)	(250,000)	8,500,000
2024	1.0%	2.0%	1.4%	4,597,681	250,000	41,616	(3,667,129)	(930,552)		(41,616)	(500,000)	(250,000)	8,250,000
2025		2.0%	1.6%	4,671,023		-	(3,740,471)	(930,552)			(500,000)	(500,000)	7,750,000
2026		2.0%	1.6%	4,745,833		-	(3,815,281)	(930,552)			(500,000)	(500,000)	7,250,000
2027		2.0%	1.6%	4,822,139		-	(3,891,586)	(930,552)			(500,000)	(500,000)	6,750,000
2028		2.0%	1.6%	4,899,970		-	(3,969,418)	(930,552)			(500,000)	(500,000)	6,250,000
2029		2.0%	1.6%	4,979,359		-	(4,048,807)	(930,552)			(500,000)	(500,000)	5,750,000
2030		2.0%	1.6%	5,060,335		-	(4,129,783)	(930,552)			(500,000)	(500,000)	5,250,000
2031		2.0%	1.6%	5,142,930		-	(4,212,378)	(930,552)			(500,000)	(500,000)	4,750,000
2032		2.0%	1.6%	5,227,178		-	(4,296,626)	(930,552)			(500,000)	(500,000)	4,250,000
2033		2.0%	1.6%	5,313,110		-	(4,382,558)	(930,552)			(500,000)	(500,000)	3,750,000
2034		2.0%	1.6%	5,400,762		-	(4,470,210)	(930,552)			(500,000)	(500,000)	3,250,000
2035		2.0%	1.7%	5,490,166		-	(4,559,614)	(930,552)			(250,000)	(250,000)	3,000,000
2036		2.0%	1.7%	5,581,358		-	(4,650,806)	(930,552)			(250,000)	(250,000)	2,750,000
2037		2.0%	1.7%	5,674,374		-	(4,743,822)	(930,552)			(250,000)	(250,000)	2,500,000
2038		2.0%	1.7%	5,769,251		-	(4,838,699)	(930,552)			(250,000)	(250,000)	2,250,000
2039		2.0%	1.7%	5,866,025		-	(4,935,473)	(930,552)			(250,000)	(250,000)	2,000,000
2040		2.0%	1.7%	5,964,734		-	(5,034,182)	(930,552)			(250,000)	(250,000)	1,750,000
2041		2.0%	1.7%	6,065,418		-	(5,134,866)	(930,552)			(250,000)	(250,000)	1,500,000
2042		2.0%	1.7%	6,168,115		-	(5,237,563)	(930,552)			(250,000)	(250,000)	1,250,000
2043		2.0%	1.7%	6,272,866		-	(5,342,314)	(930,552)			(250,000)	(250,000)	1,000,000
				143,623,608	7,250,000	6,116,211	(119,978,400)	(23,645,207)	-	(6,116,211)	(15,750,000)	(8,500,000)	

Appendix B

APPENDIX B

INVERNESS WATER AND SANITATION DISTRICT

Financial Statements

December 31, 2010 and 2009

with

Independent Auditors' Report

C O N T E N T S

SIMMONS & WHEELER, P.C. Certified Public Accountants
8005 South Chester Street, Suite 150, Centennial, CO 80112 (303) 689-0833, Fax (303) 689-0834

Board of Directors
Inverness Water and Sanitation District
Arapahoe and Douglas Counties, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the business-type activities of Inverness Water and Sanitation District as of and for the years ended December 31, 2010 and 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Inverness Water and Sanitation District as of December 31, 2010 and 2009, and the respective changes in the financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Inverness Water and Sanitation District has elected to not present Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Inverness Water and Sanitation District's basic financial statements. The accompanying supplementary information on pages 26 through 29 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Simmons & Wheeler P.C.

June 22, 2011

Inverness Water and Sanitation District

Statement of Net Assets
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 7,503,416	$ 8,547,945
Accounts receivable		
Service fees	182,833	187,484
Due from other governments	10,331	59,933
Property taxes - current	8,863	-
Property taxes - deferred	2,059,168	2,082,249
Interest income	18,104	9,012
Other	20,537	47,313
Total current assets	9,803,252	10,933,936
Other assets		
Investments in authorities	6,046,110	5,861,580
Unamortized bond issue costs	230,473	268,868
Total other assets	6,276,583	6,130,448
Capital assets		
Capital assets, not being depreciated		
Water and supply contract rights	4,766,304	4,766,304
Land and easements	67,417	67,417
Construction in progress	85,625	896,969
	4,919,346	5,730,690
Capital assets, being depreciated		
Water system	10,119,599	10,018,187
Effluent irrigation system	3,223,554	3,053,722
Sewer system	24,572,683	23,465,943
Storm drainage system	3,466,802	3,466,802
Equipment and vehicles	84,517	84,517
	41,467,155	40,089,171
Less accumulated deprecation	12,995,651	11,799,692
	28,471,504	28,289,479
Total capital assets, net of accumulated depreciation	33,390,850	34,020,169
TOTAL ASSETS	49,470,685	51,084,553
LIABILITIES		
Current liabilities		
Accounts payable - trade	198,706	121,138
Accounts payable - capital	109,017	245,863
Other accrued liabilities	6,606	11,336
Current portion of bonds payable	1,165,000	1,115,000
Accrued interest payable	85,185	88,937
Deferred property tax revenue	2,059,168	2,082,249
Total current liabilities	3,623,682	3,664,523
Long-term liabilities		
Bonds payable	21,192,935	22,332,793
Total long-term liabilities	21,192,935	22,332,793
TOTAL LIABILITIES	24,816,617	25,997,316
NET ASSETS		
Invested in capital assets, net of related debt	11,032,915	10,572,376
Unrestricted	13,621,153	14,514,861
TOTAL NET ASSETS	$ 24,654,068	$ 25,087,237

The accompanying notes are an integral part of the financial statements.

Inverness Water and Sanitation District

Statement of Revenue, Expenses and Changes in Net Assets
For the Years Ended December 31, 2010 and 2009

	2010	2009
Operating revenues and expenses:		
Water service fee	$ 797,327	$ 662,310
Water expense		
Operating expenses	616,300	414,463
Depreciation	323,782	286,922
	940,082	701,385
Water gross profit (loss)	(142,755)	(39,075)
Effluent irrigation fees	367,006	238,338
Effluent irrigation expenses		
Operating expenses	150,680	82,045
Depreciation	93,133	90,322
	243,813	172,367
Effluent gross profit (loss)	123,193	65,971
Sewer service fees	753,196	736,158
Sewer expenses		
Operating expenses	799,256	563,354
Depreciation	709,706	454,265
	1,508,962	1,017,619
Sewer gross profit (loss)	(755,766)	(281,461)
Sewer capicity lease	21,358	38,356
Storm drainage fees	-	-
Storm drainage expenses		
Operating expenses	-	1,902
Depreciation	69,338	68,062
	69,338	69,964
Storm drainage gross profit (loss)	(69,338)	(69,964)
Total gross profit from services	(823,308)	(286,173)
General and administrative expenses	643,552	656,814
Income (Loss) From Operations	(1,466,860)	(942,987)
Non-operating Revenue (expenses)		
Property taxes	1,886,048	1,980,070
Specific ownership taxes and other tax equivalent revenue	220,191	216,876
Net investment income and other income	90,048	80,552
Interest expense	(1,063,486)	(1,106,684)
Amortization	(63,538)	(67,726)
County treasurers' fees	(28,281)	(29,744)
Paying agent fees	(3,650)	(3,500)
Change in investment in authorities	(52,745)	(69,188)
Total non-operating revenue	984,587	1,000,656
Income Before Capital Contributions	(482,273)	57,669
Capital Contributions		
Tap and development fees	49,104	1,517,401
Change in Net Assets	(433,169)	1,575,070
Net Assets - Beginning of Year	25,087,237	23,512,167
Net Assets - End of Year	$ 24,654,068	$ 25,087,237

The acompanying notes are an integral part of the financial statements.

Inverness Water and Sanitation District

Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers	$ 1,943,538	$ 1,796,609
Payments to suppliers	(1,961,063)	(1,496,176)
Payments to employees and related expenses	(175,887)	(227,038)
Net cash provided by operating activities	(193,412)	73,395
Cash flows from non-capital and related financing activities:		
Property taxes	1,881,146	1,980,070
Specific ownership taxes and other tax equivalent revenue	202,087	216,876
County treasurer's fees	(28,281)	(29,744)
Cash flows from non-capital and related financing activities	2,054,952	2,167,202
Cash flows from capital and related financing activities:		
Capital contributions - tap and development fees	49,104	1,517,401
Capital improvements	(612,966)	(2,963,229)
Investment in authorities	(237,275)	(86,145)
Interest paid on bonds	(1,067,238)	(1,110,267)
Principal paid on bonds	(1,115,000)	(1,075,000)
Paying agent fees	(3,650)	(3,500)
Net cash used by capital and related financing activities	(2,987,025)	(3,720,740)
Cash flows from investing activities:		
Net investment income and other income	80,956	71,540
Net cash provided by investing activities	80,956	71,540
Net decrease in cash and cash equivalents	(1,044,529)	(1,408,603)
Cash and cash equivalents at beginning of year	8,547,945	9,956,548
Cash and cash equivalents at end of year	$ 7,503,416	$ 8,547,945

	2010	2009
Reconciliation of operating income to net cash provided (used) by operating activities		
Net income (loss) from operations	$ (1,466,860)	$ (942,987)
Depreciation	1,195,959	899,571
Adjustments to reconcile net loss to net cash used by operating activities		
(Increase) / decrease in service fees receivable	4,651	121,447
Increase / (decrease) in trade accounts payable	72,838	(4,636)
Net cash provided by operating activities	$ (193,412)	$ 73,395

The accompanying notes are an integral part of the financial statements.

Note 1: Summary of Significant Accounting Policies:

The accounting policies of the Inverness Water and Sanitation District, located in Arapahoe and Douglas Counties, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. 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 net income and capital maintenance are appropriate determinations of accountability. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity
The District is a quasi-municipal corporation and political subdivision of the State of Colorado established in 1973, under the State of Colorado Special District Act. The District was established to develop and provide water, sewer and storm drainage facilities and services. The District's primary revenues are property taxes and water usage and sewage charges. The District is governed by an elected Board of Directors.

The District follows the Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting 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, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization to provide specific financial benefits or burdens and fiscal dependency.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District has no component units as defined by the Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.*

The District is not financially accountable for any other entity, including the Inverness Metropolitan Improvement District, which is financially autonomous with a separately elected Board, nor is the District a component unit of any other primary governmental entity.

Note 1: Summary of Significant Accounting Policies (Continued):

Basis of presentation
The accompanying financial statements are presented per GASB no. 34.

The government-wide financial statements (i.e. the statement of net assets) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

Measurement focus, basis of accounting and financial statement presentation
The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are collected.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The District reports the following major proprietary fund:

> *Enterprise Fund* - The Enterprise Fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

As a general rule, the effect of interfund activity has been eliminated from the statement of new assets.

Note 1: Summary of Significant Accounting Policies (Continued):

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item without notification. The appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Encumbrance accounting (open purchase orders, contracts in process and other commitments for the expenditures of funds in future periods) is not used by the District for budget or governmental fund reporting purposes.

Net Assets

The District has net assets consisting of three components – invested in capital assets, net of related debt, restricted for debt and unrestricted.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, unamortized bond issues costs, unspent bond proceeds reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2010 and 2009, the District had invested in capital assets, net of related debt of $11,032,915 and $10,572,376, respectively.

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets or restricted. The District utilizes unrestricted net assets before using restricted net assets.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of six months or less to be cash equivalents. During 2010, the District incurred no noncash activities.

Note 1: Summary of Significant Accounting Policies (Continued):

Assets, liabilities, and net assets:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2010 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

Bond Issue Costs

Bond issue costs from the Series 2006A and Series 2008 bonds are being amortized over the respective terms of the bonds using the interest method. Accumulated amortization of bond issue costs amounted to $120,841 at December 31, 2010.

Deferred Cost on Bond Refunding

The deferred cost on bond refunding is being amortized using the straight-line method over the life of the defeased bonds.

Note 1: Summary of Significant Accounting Policies (Continued):

Property Tax

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessors generally as of January 1 of each year. The levy is normally set during December by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of each year. The County Treasurers collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July and tax sales are in November. The County Treasurers remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectable taxes, are recorded initially as deferred revenue in the year they are levied and measurable since they are not normally available not are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Water Rights

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.

Capital Contributions

Tap fees are recorded as capital contributions when received by the District. Inclusion fees are recorded as capital contributions when inclusion is accepted by the District. Acreage fees represent system development charges assessed on a pre-acre basis. They are recorded as capital contribution when received by the District (normally when property development begins).

Capital Assets

Capital assets, which include water and supply contract rights, land and easements, construction in progress, water system, effluent irrigation system, sewer system, storm drainage system, and equipment and vehicles, are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets are not capitalized.

Note 1: Summary of Significant Accounting Policies (Continued):

Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated economic useful lives:

Water system	10-50 years
Effluent irrigation system	25-50 years
Sewer system	10-50 years
Storm drainage system	45-50 years
Equipment and vehicles	5 years

Compensated Absences
The District accrues vacation pay when earned. These amounts are included in other accrued liabilities on the statements of net assets.

Note 2: Cash and Investments:

As of December 31, 2010 and 2009, cash and investments are classified in the accompanying financial statements as follows:

Statement of net assets:	2010	2009
Cash and cash equivalents - unrestricted	$ 7,503,416	$ 8,547,945

Cash and investments as of December 31, 2010 and 2009, consist of the following:

	2010	2009
Deposits with financial institutions	$ 4,010,925	$ 5,106,144
Cash with County Treasurers	-	3,961
Investments - Colotrust	3,490,739	3,437,840
Investments - UMB Bank	1,752	-
	$ 7,503,416	$ 8,547,945

Note 2: Cash and Investments (continued):

Deposits:

Custodial credit risk

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured depositories and assets maintained in the collateral pools.

As of the December 31, 2010 and 2009, the District's cash deposits had the following balances:

Deposit	Maturity	2010	2009
Checking account	N/A	$ 10,910	$ 106,144
CD - United Western	180 Days	-	2,000,000
CD - United Western	1 Year	1,000,000	1,500,000
CD - United Western	1 Year	-	1,500,000
CD - CoBiz Bank	180 Days	3,000,015	-
		$ 4,010,925	$ 5,106,144

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments:

Credit Risk

The District's investment policy allows for the District to invest in local government investment pools following state statutes. Colorado statutes specify types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. government agency entities, certain money markets funds, guaranteed investment contracts, and local government pools.

Note 2: Cash and Investments (continued):

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District adopted a policy to comply with State statutes governing deposits.

Interest rate risk

Colorado Revised Statutes and the District's investment policy limit investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values declines arising from increasing interest rates.

Concentration Risk

The District's investments are concentrated in local investment pools and other money market funds. As of December 31, 2010 and 2009, the District had the following investments:

Investments	Maturity	2010	2009
Colotrust	Less than one year	$ 3,490,739	$ 3,437,840
US Treasury Money Market Fund	Weighted Average - Under 90 days	1,752	-
		$ 3,492,491	$ 3,437,840

Colotrust

During 2010, the District invested in the Colorado Local Government Liquid Asset Trust ("Colotrust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreement collateralized by certain obligation of U.S. government agencies. 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.

Note 2: Cash and Investments (continued):

The custodian's internal records segregate investments owned by the Trust. As of December 31, 2010 and 2009, the District had invested $ 3,490,739 and $3,437,840 respectively in COLOTRUST PLUS+. As of December 31, 2010, Colotrust was rated AAAm by Standard & Poor's.

U.S. Treasury Money Market Fund

During 2010, the debt service money and a portion of the bond proceeds to be used for construction that was included in the trust accounts at UMB Bank was invested in the SEI Daily Income Treasury Portfolio. The portfolio is a money market fund that is managed by SEI Investments and each share is equal to $1.00. The fund is AAA rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 90 days or less. As of December 31, 2010 and 2009, the District had $1,752 and $0, respectively invested in the SEI Fund held by UMB Bank.

INVERNESS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2010 and 2009

Note 3: Capital Assets:

The following is an analysis of changes in capital assets for the years ended December 31, 2010 and 2009 respectively:

	Balance as of 12/31/09	Additions	Reclassifications	Balance as of 12/31/10
Capital Assets, not being deprecated:				
Water and Supply contract rights	$ 4,766,304	$ -	$ -	$ 4,766,304
Land and easements	67,417	-	-	67,417
Construction in progress	896,969	566,640	1,377,984	85,625
Total Capital Assets not being depreciated:	**5,733,690**	**566,640**	**1,377,984**	**4,919,346**
Capital Assets Being Depreciated:				
Water system	10,018,187	101,412	-	10,119,599
Effluent irrigation system	3,053,722	169,832	-	3,223,554
Sewer system	23,465,943	1,106,740	-	24,572,683
Storm drainage system	3,466,802	-	-	3,466,802
Equipment and vehicles	84,517	-	-	84,517
Total Capital assets being depreciated:	**40,089,171**	**1,377,984**	**-**	**41,467,155**
Less accumulated depreciation for:				
Water system	4,686,486	323,782	-	5,010,268
Effluent irrigation system	1,087,522	93,133	-	1,180,655
Sewer system	5,001,871	709,706	-	5,711,577
Storm drainage system	939,296	69,338	-	1,008,634
Equipment and vehicles	84,517	-	-	84,517
Total accumulated depreciation:	**11,799,692**	**1,195,959**	**-**	**12,995,651**
Total capital assets, being depreciated, net	**28,289,479**	**182,025**	**-**	**28,471,504**
Capital Assets, Net	**$ 34,023,169**	**$ 748,665**	**$ 1,377,984**	**$ 33,390,850**

INVERNESS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2010 and 2009

Note 3: Capital Assets (continued):

	Balance as of 12/31/08	Additions	Reclassifications	Balance as of 12/31/09
Capital Assets, not being deprecated:				
Water and Supply contract rights	$ 4,766,304	$ -	$ -	$ 4,766,304
Land and easements	67,417	-	-	67,417
Construction in progress	15,174,219	2,992,852	17,270,102	896,969
Total Capital Assets not being depreciated:	**20,007,940**	**2,992,852**	**17,270,102**	**5,730,690**
Capital Assets Being Depreciated:				
Water system	9,340,658	677,529	-	10,018,187
Effluent irrigation system	3,053,722	-	-	3,053,722
Sewer system	7,000,987	16,464,956	-	23,465,943
Storm drainage system	3,339,185	127,617	-	3,466,802
Equipment and vehicles	84,517	-	-	84,517
Total Capital assets being depreciated:	**22,819,069**	**17,270,102**	**-**	**40,089,171**
Less accumulated depreciation for:				
Water system	4,399,564	286,922	-	4,686,486
Effluent irrigation system	997,200	90,322	-	1,087,522
Sewer system	4,547,606	454,265	-	5,001,871
Storm drainage system	871,234	68,062	-	939,296
Equipment and vehicles	84,517	-	-	84,517
Total accumulated depreciation:	**10,900,121**	**899,571**	**-**	**11,799,692**
Total capital assets, being depreciated, net	**11,918,948**	**16,370,531**	**-**	**28,289,479**
Capital Assets, Net	**$ 31,926,888**	**$ 19,363,383**	**$ 17,270,102**	**$ 34,020,169**

Note 4: Long-Term Debt:

The following is an analysis of changes in long-term debt for the year ended 2010:

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
Long-Term Debt				
General Obligation Bonds - 2006A	$ 13,595,000	$ -	$ 1,115,000	$ 12,480,000
General Obligation Bonds - 2008	10,000,000	-	-	10,000,000
	23,595,000	-	1,115,000	22,480,000
Deferred loss on refunding	(140,094)	-	23,938	(116,156)
Original issue discount	(7,113)	-	1,204	(5,909)
	$ 23,447,793	$ -	$ 1,140,142	22,357,935
Due in one year				(1,165,000)
Total Long-term Debt				**$ 21,192,935**

The following is an analysis of changes in long-term debt for the year ended 2009:

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Long-Term Debt				
General Obligation Bonds - 2006A	$ 14,670,000	$ -	$ 1,075,000	$ 13,595,000
General Obligation Bonds - 2008	10,000,000	-	-	10,000,000
	24,670,000	-	1,075,000	23,595,000
Deferred loss on refunding	(165,921)	-	25,827	(140,094)
Original issue discount	(8,405)	-	1,292	(7,113)
	$ 4,495,674	$ -	$ 1,102,119	23,447,793
Due in one year				(1,115,000)
Total Long-term Debt				**$ 22,332,793**

Note 4: Long-Term Debt (continued):

General Obligation Bonds, Series 2006A:
On June 2, 2006, the District authorized the issuance of General Obligation Bonds, Series 2006A at $17,000,000 consisting of $14,000,000 of serial bonds due annually in varying amounts through December 1, 2019 with interest rates 4.0% through 5.0% payable June 1st and December 1st commencing on December 1, 2006 and $3,000,000 in term bonds due December 1, 2019 with interest at 4.6%. The term bonds are subject to mandatory sinking fund redemption beginning December 1, 2010. The term bonds are subject to redemption prior to maturity on December 1, 2009 and on any date thereafter at par. Serial bonds maturing on and after December 1, 2017 are subject to redemption prior to maturity on December 1, 2016 and in any date thereafter at par. Repayment of principal and interest are insured by Radian Asset Assurance, Inc. ("Radian"). In 2009, Standard & Poor's downgraded its rating of Radian to BB-.

A portion of the net proceeds of the Series 2006A Bonds were used to advance refund $5,035,000 of the District's General Obligation Bonds, Series 1996. The defeased bonds were not considered a liability of the District since sufficient funds ($5,052,952) were deposited with a trustee and invested for the purpose of paying the principal and interest of the defeased bonds when due on December 1, 2007. The District reduced its aggregate debt service payments by $179,143 over the next 10 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $151,901. The District incurred a cost on refunding in the amount of $55,505, which has been deferred and is being amortized over the life of the old debt.

General Obligation Refunding and Improvement Bonds, Series 2008:
On October 21, 2008, the District authorized the issuance of the General Obligation Refunding and Improvement Bonds, Series 2008 for $10,000,000. The Bonds mature on December 1, 2025 and bear interest at the initial rate of 4.76% per annum for 7 years from the date of delivery payable in June 1st and December 1st of each year commencing December 1, 2008. On December 1, 2015 until December 1, 2025, the interest rate will be adjusted to the Adjusted Interest Rate. The Adjusted Interest Rate will be calculated using the prevailing 7 year LIBOR swap rate, plus 275 basis points, multiplied by 70%. The maximum effective interest rate shall not exceed 10% per annum. The Series 2008 Bonds are subject to mandatory sinking fund redemption beginning December 1, 2012. These bonds were used for the current refunding of the Series 2006B Bonds. The bonds are secured by pledged revenues derived by the required mill levy and specific ownership taxes received in conjunction with the property tax mill levy.

Note 4: Long-Term Debt (continued):

The Series 2008 Bonds maturing on December 1, 2025 shall be subject to redemption prior to maturity, in whole or in part, at the option of the District on any interest payment date at the redemption prices plus accrued interest to the redemption dates set forth below:

Redemption Date	Price as a Percent of Par
December 1, 2008, June 1, 2009 and December 1, 2009	103.0%
June 1, 2010 and December 1, 2010	102.0%
June 1, 2011 and December 1, 2011	101.0%
June 1, 2012 and thereafter	100.0%

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2006A Bonds are as follows:

	Principal	Interest	Total
2011	$ 1,165,000	$ 546,218	$ 1,711,218
2012	1,210,000	498,808	1,708,808
2013	1,270,000	439,068	1,709,068
2014	1,320,000	386,828	1,706,828
2015	1,380,000	331,283	1,711,283
2016 - 2019	6,135,000	699,163	6,834,163
	$ 12,480,000	$ 2,901,368	$ 15,381,368

Note 4: Long-Term Debt (continued):

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2008 Bonds are as follows:

	Principal	Interest	Total
2011	$ -	$ 476,000	$ 476,000
2012	125,000	476,000	601,000
2013	205,000	470,050	675,050
2014	420,000	460,292	880,292
2015	440,000	440,300	880,300
2016 - 2020	3,745,000	1,777,146	5,522,146
2021 - 2025	5,065,000	745,892	1,162,836
	$ 10,000,000	$ 4,845,680	$ 10,197,624

On December 1, 2015, the interest rate for the Series 2008 Bonds will be adjusted to the Adjusted Interest Rate as described above. The preceding schedule reflects an estimate of 4.76% per annum.

Note 5: Debt Authorization:

At elections held May 4, 2004 and November 1, 2005, a majority of the qualified electors of the District who voted in the elections authorized the issuance of general obligation indebtedness in an amount not to exceed $15,000,000 for the purposes of the extension and improvements of the existing sanitary sewer system and $20,000,000 for the extension and improvement of the existing potable and non-potable water supply, storage transmission and distribution system of the District, respectfully. After the issuance of the Series 2008 Bonds, the District has the authority to issue additional obligation for sanitary sewer purposes in the amount of $3,154,400 from the May 2004 election and $4,561,110 from the November 2005 election and will have the authority to issue additional obligations for water improvements in the amount of $13,210,000 from the November 2005 election.

Note 6: <u>Related Party Transactions:</u>

All members of the Board of Directors of the District also serve on the Board of the Inverness Metropolitan Improvement District. On September 21, 2004, the District entered into an Office Lease Agreement with Building 19 Inverness Way East, LLC. The term of the lease is from January 1, 2005, through December 31, 2009. In 2010, it was extended. Two members of the Board of Directors have an ownership interest in Building 19 Inverness Way East, LLC. The base rent is $1,941 per month and will be increased every January 1st, beginning on January 1, 2006 at 2% per year. In 2010 and 2009, the District paid Building 19 Inverness Way East, LLC, $22,202 and $23,645 respectively for rent.

One member of the District's Board of Directors has an ownership interest in Inverness Properties LLC. During 2010 and 2009, the District paid $111,956 and $105,378 respectively, to Inverness Properties, LLC for administration and maintenance services.

One member of the District's Board of Directors has an ownership interest in 7390 South Iola, LLC. During 2008, the District paid $121,998 to 7390 South Iola, LLC per a cost share agreement entered into by the District (see note 7).

Note 7: <u>Intergovernmental Agreements:</u>

<u>Wastewater Treatment Plant Relocation and Expansion</u>
On April 19, 2005, the District entered into an agreement with Arapahoe County Water and Wastewater Authority ("ACWWA") and Arapahoe County Water and Wastewater Public Improvement District ("PID") to expand the existing Lone Tree Creek Wastewater Treatment Plant ("WWTP"). Included in the project are the Inverness Pipeline Improvements, which are comprised of the Inverness Lift Station, a collection system to WWTP, and an effluent return pipeline to Inverness. ACWWA as manager of the PID will contract the design and construction of the WWTP Expansion including the effluent pump station. The District will contract the design and construction of the Inverness Pipeline Improvements. Capital costs to construct to WWTP will be based on each party's share of capacity of the new facility, and capital costs to construct the Inverness Pipeline Improvements will be funded entirely by the District. The estimated cost of the WWTP Expansion is $24.8 million, and the estimated cost of the Inverness Pipeline Improvements is $6.4 million, for a total cost of $31.2 million. The WWTP Expansion is to provide a total treatment capacity of 3.6 million gallons per day with the District's capacity at 1.1 million gallons per day. The District's total costs for the project were $14.55 million. Final costs and cost sharing was determined based on the District's pro rata share of the total capacity. The WWTP was completed in early 2009 and the District began sending flows in July 2009.

Note 7: Intergovernmental Agreements (continued):

Inverness North Metropolitan District
On July 8, 2005, the District approved a petition for exclusion of approximately 40 acres ("Property") in Filing No. 44 from Inverness Associates, LLC ("IA"). In order to provide services and facilitate funding for services within the excluded area, IA formed the Inverness North Metropolitan District ("INMD"). The District will continue to provide facilities, services and programs to the Property in the same manner and to the extent as the Property had received prior to the exclusion. INMD has the authority to collect, through property taxes, funds to make payments to the District for the ongoing services and for capital improvements. Property owners within INMD are obligated for debt service property taxes for debt existing prior to the exclusion.

Starting in 2006, the District began collecting water and sewer tap fees from the property owners within INMD, of $7,440 per residential unit. These tap fees include the District's water tap fee, sewer tap fee, development fee, storm water detention fee, water quality fee and impact fee.

Fairfield Dry Creek Village, LP – On November 28, 2006, the District approved a petition for exclusion of approximately 7.63 acres ("Property") in Filing No. 39 located within the District's boundaries. The District will continue to provide facilities, services and programs to the Property and to the same extent as the Property had received prior to the exclusion. The District has the authority to assess fees, charges or tolls, in the form of an External Services Surcharge as an item on the water and sewer bills for the property for the ongoing operations and maintenance services and for capital improvements. This fee may be Property owners within the District are obligated for debt service property taxes for debt existing prior to the exclusion.

Iola Access Cost Sharing
On September 24, 2008, the District and the Inverness Metropolitan Improvement District ("IMID") entered into a cost sharing agreement with 7390 South Iola, LLC ("the Owner"), the owner of land within the District known as the Iola Site ("the Site"). The District has developed a regional detention facility that has resulted in storm water runoff in a tributary traversing the Site. In order to gain access to the Site, the tributary must be crossed. The District and IMID are willing to contribute to some of the funding of these public improvements based on the taxes previously received and taxes that are to be paid following completion of an improved property. The District will fund an escrow established by the Owner for the project costs not to exceed $130,000. Additionally, IWSD agrees to pay the Owner directly an additional one-third of the cost of the improvements not to exceed $120,000 after the Tap and Development Fees are received for development of improvements on the Site. The District will be reimbursed by IMID for this additional payment.

Note 7: <u>Intergovernmental Agreements (continued):</u>

In 2008, the District reimbursed the Owner $121,998 for its share of the public improvements. In 2010 and 2009, the District received $0 and $120,000 respectively as reimbursement from IMID.

<u>Arapahoe County Water and Wastewater Authority ("ACWWA")</u>
The District has an agreement with ACWWA to provide wastewater treatment for Inverness at it Lone Tree Creek Water Reclamation Facility ("LTCWRF"). The District purchased capacity in the LTCWRF with the intent to accommodate all future wastewater treatment for Inverness, including disposal of the District's sewage. The LTCWRF is intended to replace the District's Wastewater Treatment Plant and its Advanced Wastewater Treatment Plant. The District's Wastewater Treatment Plant and its Advanced Wastewater Treatment Plant are currently idle and will remain so while the District assesses whether these facilities can be utilized for other purposes.

While ACWWA has been treating wastewater for the District since early 2009, ACWWA and the District are not in agreement over ACWWA's charges for wastewater treatment and are in the process of negotiating an agreement regarding these rates.

Note 8: <u>Investments in Authorities:</u>

<u>South Metro Water Supply Authority – Barr Lake Pipeline Enlargement</u>
On March 25, 2005, the South Metro Water Supply Authority ("South Metro Authority"), of which the District is a member, entered into an agreement with East Cherry Creek Valley Water and Sanitation District ("ECCV") to participate in the over sizing of the ECCV Barr Lake Pipeline, the South Metro Authority members agreed to contribute a total amount of $69,276,000 to ECCV. The District's share of this amount is $732,200 which was based upon a future use of 0.7 million gallons per day capacity of 6.0 millions gallons per day. However, the District will receive no water from this pipeline until future connecting lines have been built and the South Metro Authority is able to obtain water rights necessary to place water in the line. Since December 31, 2005, the District has paid $732,200 to the South Metro Authority. There were no additional capital contributions during 2010.

Note 8: Investments in Authorities (continued):

Cherry Creek Project Water Authority
On October 14, 2005, the District entered into a Water Project Agreement and created the Cherry Creek Project Water Authority ("Cherry Creek Authority") with Arapahoe County Water and Wastewater Authority ("ACWWA"), Denver Southeast Suburban Water and Sanitation District ("Pinery"), and Cottonwood Water and Sanitation District ("Cottonwood"). On November 17, 2005, the Cherry Creek Authority purchased certain water rights, well rights, facilities and storage rights at a bankruptcy action for $14,000,000 plus closing costs. These assets were previously owned by Western Water Company. Of this amount, the District paid $6,011,489 representing an interest of 40% in the Cherry Creek Authority. The District contributed $655,286 during 2006 for the Cherry Creek Authority's purchase of additional water rights and operating costs. The District is also responsible for contributing to the operating costs of the Cherry Creek Authority. In 2010 and 2009, the District contributed $237,275, and $108,913, respectively in capital assessments and operating costs. As of December 31, 2010, the District held a 31.118% interest in the Cherry Creek Authority due to ownership purchases by ACWWA totaling $2,010,002. For a copy of the Cherry Creek Authority's financial statements, contact Steve Christensen at (303) 799-9595.

Note 9: Deferred Compensation Plan:

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Great West Life Assurance Co. Participation in the plan is mandatory for all employees. The plan allows the employees to defer a portion of their salary until future years. The plan assets are owned by the District employees and are not reflected in these financial statements.

Note 10: Tax Spending and Debt Limitations:

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights ("TABOR") contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

Note 11: Risk Management:

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Colorado Special Districts Property and Liability Pool ("the Pool") is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Note 11: <u>Risk Management (continued):</u>

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 12: <u>Subsequent Events</u>

Subsequent to year-end, the District entered into an Operating Lease ("lease") with Zion's Credit Corporation for a solar panel system installed within the District's boundaries. The amount of the equipment installed is not to exceed $885,000. The initial estimated monthly payment will be $1,683. Upon commission of the equipment, the rate will adjust based on the 10 year interest rate swap plus 3.50%. This is an annual lease and will renew automatically unless certain events occur. The District has an option to purchase the equipment at fair market value. The District is responsible for all operations and maintenance and repair costs.

SUPPLEMENTAL INFORMATION

Inverness Water and Sanitation District

Schedule of Revenues, Expenditures and Changes in Funds Available
Budget and Actual (Non GAAP Budgetary Basis)
For the Year Ended December 31, 2010

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Service fees	$ 2,066,000	$ 1,938,887	$ (127,113)
Property taxes	2,082,249	1,886,048	(196,201)
Specific ownership taxes and other tax equivalent revenu	162,803	220,191	57,388
Tap and development fees	311,888	49,104	(262,784)
Interest income and other income	91,767	90,048	(1,719)
Total revenues	4,714,707	4,184,278	(530,429)
Expenditures:			
Operating expenses:			
Utilities	330,000	293,920	36,080
Salaries and wages	38,000	139,712	(101,712)
Professional fees	86,000	87,806	(1,806)
Administrative and management fees	269,100	250,592	18,508
Repairs and maintenance	90,000	146,083	(56,083)
Insurance	45,000	46,717	(1,717)
Employee benefits and payroll taxes	-	36,175	(36,175)
Rent	12,000	22,202	(10,202)
Landscape maintenance	25,000	17,028	7,972
Supplies and materials	53,000	42,058	10,942
Denver Water purchase	250,000	320,647	(70,647)
CCPWA operating costs	110,000	81,685	28,315
ACWWA operating costs	130,000	-	130,000
ACWWA treatment costs	500,000	763,528	(263,528)
Office and communications	13,500	16,253	(2,753)
County treasurers' fees	31,234	28,281	2,953
Water conservation rebates	100,000	785	99,215
Other	14,000	26,281	(12,281)
Capital outlay:			
Water system	3,740,000	136,408	3,603,592
Sewer system	1,090,000	430,234	659,766
Storm drainage	70,000	-	70,000
CCPWA capital assessments	2,000,000	155,590	1,844,410
Debt service:			
Principal	1,115,000	1,115,000	-
Interest	1,067,238	1,063,486	3,752
Paying agent fees	3,500	3,650	(150)
Contingency	50,000	-	50,000
Total expenditures	11,232,572	5,224,121	6,008,451
Excess (deficiency) of revenues over expenditures	(6,517,865)	(1,039,843)	5,478,022
Funds available - beginning of year	8,547,945	8,384,413	(163,532)
Funds available - end of year	$ 2,030,080	$ 7,344,570	$ 5,314,490

Funds available at December 31, 2010 is computed as follows:

Current assets	9,803,252
Less - current liabilities	(3,623,682)
Add - current portion of bonds payable	1,165,000
	$ 7,344,570

The accompanying notes are an integral part of the financial statements.

Inverness Water and Sanitation District

Reconciliation of Revenues and Expenditures
(Budgetary Basis) to the Statement of Revenue,
Expenses and Changes in Net Assets
For the Year Ended December 31, 2010

The following is a reconciliation of the budgetary basis, as presented, to generally accepted accounting principals (GAAP). The basis on which the financial statements were prepared.

Revenue (budgetary basis)	$	4,184,278
Total revenue per statement of revenues, expenses and changes in funds available:		4,184,278
Expenditures - (budgetary basis)		5,224,121
Capital improvements		(566,642)
Bond principal payment		(1,115,000)
Amortization		63,538
Depreciation		1,195,959
Change in investment in authorities		(184,529)
Total expenses per statement of revenues, expenses and changes in fund balance:		4,617,447
Changes in net assets per statement of revenue, expenses and changes in net assets:	$	(433,169)

The accompanying notes are an integral part of the financial statements.

Inverness Water and Sanitation District

Schedule of Operating, General and Administrative Expenses
For the Years Ended December 31, 2010 and 2009

	2010	2009
Water Operating Expenses		
Utilities	$ 211,098	$ 194,904
Repairs and maintenance	52,737	33,718
Supplies and materials	31,818	24,187
Denver water purchases	320,647	161,654
	$ 616,300	$ 414,463
Effluent Operating Expenses		
Utilities	$ 67,367	$ 56,276
Repairs and maintenance	74,422	14,959
Supplies and materials	8,891	10,810
	$ 150,680	$ 82,045
Sewer Operating Expenses		
Utilities	$ 15,455	$ 52,633
Repairs and maintenance	18,924	30,637
Supplies and materials	1,349	35,663
Treatment - ACWWA	763,528	379,930
Sludge hauling	-	61,274
Cherry Creek Basis Authority	-	3,217
	$ 799,256	$ 563,354
Drainage Maintenance Expense		
Drainage maintenance	$ -	$ 1,902
	$ -	$ 1,902
General and Administrative Expenses		
Salaries and wages	$ 139,712	$ 183,459
Employee benefits and payroll taxes	36,175	43,579
Professional fees	87,806	26,930
Administrative and management fees	250,592	255,104
Insurance	46,717	54,810
Rent	22,202	23,645
Landscape maintenance	17,028	16,712
Office and communications	16,253	20,167
Other	27,067	32,408
	$ 643,552	$ 656,814

The acompanying notes are an integral part of the financial statements.

Inverness Water and Sanitation District
Seven Year Summary of Assessed Valuation, Mill Levy
And Property Taxes Collected
December 31, 2010

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied Debt Service Fund	Total Property Taxes Levied	Total Property Taxes Collected (2)	Percent Collected to Levied
2005					
Arapahoe County	$ 153,101,680	6.25	$ 956,886		
Arapahoe County Sewer Only (1)	14,459,300	3.23	46,704		
Douglas County	67,759,920	6.25	423,500		
	$ 235,320,900		$ 1,427,089	$ 1,388,356	97.29%
2006					
Arapahoe County	$ 138,918,040	6.25	$ 868,238		
Arapahoe County Sewer Only (1)	9,478,690	4.15	39,337		
Douglas County	69,479,750	6.25	434,248		
	$ 217,876,480		$ 1,341,823	$ 1,302,686	97.08%
2007					
Arapahoe County	$ 142,062,950	6.25	$ 887,893		
Arapahoe County Sewer Only (1)	9,498,490	4.09	38,849		
Arapahoe County Excluded Property (4)	3,194,390	1.21	3,865		
Douglas County	69,367,390	6.25	433,546		
	$ 224,123,220		$ 1,364,153	$ 1,324,744	97.11%
2008					
Arapahoe County	$ 169,156,590	8.00	$ 1,353,253		
Arapahoe County Sewer Only (1)	11,698,150	5.54	64,808		
Arapahoe County Excluded Property (4)	4,358,160	1.48	6,450		
Douglas County	76,364,730	8.00	610,918		
	$ 261,577,630		$ 2,035,428	$ 1,999,406	98.23%
2009					
Arapahoe County	$ 172,362,400	7.80	$ 1,344,427		
Arapahoe County Sewer Only (1)	10,732,040	5.41	58,060		
Arapahoe County Excluded Property (4)	11,699,050	1.45	16,964		
Douglas County	79,435,130	7.80	619,594		
	$ 274,228,620		$ 2,039,045	$ 1,980,070	97.11%
2010					
Arapahoe County	$ 193,270,310	7.10	$ 1,372,219		
Arapahoe County Sewer Only (1)	15,505,400	4.74	73,463		
Arapahoe County Excluded Property (4)	13,746,960	1.23	16,871		
Arapahoe County Excluded Property (4)	2,060,520	4.28	8,815		
Douglas County Excluded Property (4)	178,480	6.41	1,144		
Douglas County	85,878,380	7.10	609,736		
	$ 310,640,050		$ 2,082,249	$ 1,886,048	90.58% (5)
2011					
Arapahoe County	$ 181,863,600	7.30	$ 1,327,604		
Arapahoe County Sewer Only (1)	15,113,730	4.80	72,546		
Arapahoe County Excluded Property (4)	14,883,110	1.22	18,151		
Arapahoe County Excluded Property (4)	2,056,890	4.31	8,865		
Douglas County Excluded Property (4)	696,880	6.56	4,572		
Douglas County	85,949,210	7.30	627,429		
	$ 300,563,420		$ 2,059,168		

NOTES:
(1) A portion of Arapahoe County is excluded from water services.
(2) Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.
(3) Property taxes collected from Arapahoe County include abatements related to prior years.
(4) Residential property excluded from water and sewer services is subject to the debt service mill levy for debt issued prior to its exclusion.
(5) Includes abatements from prior year.

The accompanying notes are an integral part of the financial statements.

INVERNESS WATER
AND SANITATION DISTRICT

Financial Statements

December 31, 2011 and 2010

with

Independent Auditors' Report

C O N T E N T S

SIMMONS & WHEELER, P.C. Certified Public Accountants
8005 South Chester Street, Suite 150, Centennial, CO 80112 (303) 689-0833, Fax (303) 689-0834

Board of Directors
Inverness Water and Sanitation District
Arapahoe and Douglas Counties, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the business-type activities of Inverness Water and Sanitation District as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 opinions.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Inverness Water and Sanitation District as of December 31, 2011 and 2010, and the respective changes in the financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Inverness Water and Sanitation District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Inverness Water and Sanitation District. 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 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 taken as a whole.

Simmons & Wheeler P.C.

May 14, 2012

Inverness Water and Sanitation District

Statement of Net Assets
December 31, 2011 and 2010

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 6,518,954	$ 7,503,416
Accounts receivable		
Service fees	211,356	182,833
Due from other governments	-	10,331
Property taxes - current	4,239	8,863
Property taxes - deferred	1,981,922	2,059,168
Interest income	14,671	18,104
Other	11,240	20,537
Reserve by ACWWA	360,863	-
Total current assets	9,103,245	9,803,252
Other assets		
Investments in authorities	6,154,176	6,046,110
Unamortized bond issue costs	194,394	230,473
Total other assets	6,348,570	6,276,583
Capital assets		
Capital assets, not being depreciated		
Water and supply contract rights	4,766,304	4,766,304
Land and easements	67,417	67,417
Construction in progress	169,131	85,625
	5,002,852	4,919,346
Capital assets, being depreciated		
Water system	10,954,789	10,119,599
Effluent irrigation system	3,223,554	3,223,554
Sewer system	23,322,382	24,572,683
Storm drainage system	3,474,804	3,466,802
Equipment and vehicles	104,977	84,517
	41,080,506	41,467,155
Less accumulated deprecation	13,375,149	12,995,651
	27,705,357	28,471,504
Total capital assets, net of accumulated depreciation	32,708,209	33,390,850
TOTAL ASSETS	48,160,024	49,470,685
LIABILITIES		
Current liabilities		
Accounts payable - trade	235,485	198,706
Accounts payable - capital	86,771	109,017
Other accrued liabilities	1,221	6,606
Current portion of bonds payable	1,335,000	1,165,000
Accrued interest payable	81,234	85,185
Deferred property tax revenue	1,981,922	2,059,168
Total current liabilities	3,721,633	3,623,682
Long-term liabilities		
Bonds payable	19,881,018	21,192,935
Total long-term liabilities	19,881,018	21,192,935
TOTAL LIABILITIES	23,602,651	24,816,617
NET ASSETS		
Invested in capital assets, net of related debt	11,492,191	11,032,915
Unrestricted	13,065,182	13,621,153
TOTAL NET ASSETS	$ 24,557,373	$ 24,654,068

The accompanying notes are an integral part of the financial statements.

Inverness Water and Sanitation District

Statement of Revenue, Expenses and Changes in Net Assets
For the Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenues and expenses:		
Water service fee	$ 898,120	$ 797,327
Water expense		
Operating expenses	575,198	616,300
Depreciation	342,063	323,782
	917,261	940,082
Water gross profit (loss)	(19,141)	(142,755)
Effluent irrigation fees	358,712	367,006
Effluent irrigation expenses		
Operating expenses	81,996	150,680
Depreciation	105,404	93,133
	187,400	243,813
Effluent gross profit (loss)	171,312	123,193
Sewer service fees	804,251	753,196
Sewer expenses		
Operating expenses	626,346	799,256
Depreciation	722,818	709,706
	1,349,164	1,508,962
Sewer gross profit (loss)	(544,913)	(755,766)
Storm drainage fees	-	-
Storm drainage expenses		
Depreciation	69,351	69,338
	69,351	69,338
Storm drainage gross profit (loss)	(69,351)	(69,338)
Other operating revenue	117,650	21,358
Total gross profit from services	(344,443)	(823,308)
General and administrative expenses	672,035	643,552
Income (Loss) From Operations	(1,016,478)	(1,466,860)
Non-operating Revenue (expenses)		
Property taxes	1,929,967	1,886,048
Specific ownership taxes and other tax equivalent revenue	218,866	220,191
Net investment income and other income	271,055	90,048
Interest expense	(1,018,266)	(1,063,486)
Amortization	(59,163)	(63,538)
County treasurers' fees	(28,960)	(28,281)
Paying agent fees	(3,650)	(3,650)
Change in investment in authorities	(53,748)	(52,745)
Total non-operating revenue	1,256,101	984,587
Income Before Capital Contributions	239,623	(482,273)
Capital Contributions		
Tap and development fees	140,616	49,104
Special Item		
Impairment loss of capital assets	(476,934)	-
Change in Net Assets	(96,695)	(433,169)
Net Assets - Beginning of Year	24,654,068	25,087,237
Net Assets - End of Year	$ 24,557,373	$ 24,654,068

The acompanying notes are an integral part of the financial statements.

Inverness Water and Sanitation District

Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Receipts from customers	$ 2,297,372	$ 1,943,538
Payments to suppliers	(1,835,260)	(1,961,063)
Payments to employees and related expenses	(226,786)	(175,887)
Net cash provided by operating activities	235,326	(193,412)
Cash flows from non-capital and related financing activities:		
Property taxes	1,934,591	1,881,146
Specific ownership taxes and other tax equivalent revenue	218,866	202,087
County treasurer's fees	(28,960)	(28,281)
Cash flows from non-capital and related financing activities	2,124,497	2,054,952
Cash flows from capital and related financing activities:		
Capital contributions - tap and development fees	140,616	49,104
Capital improvements	(1,046,045)	(612,966)
Investment in authorities	(161,814)	(237,275)
Interest paid on bonds	(1,022,017)	(1,067,238)
Principal paid on bonds	(1,165,000)	(1,115,000)
Paying agent fees	(3,650)	(3,650)
Net cash used by capital and related financing activities	(3,257,910)	(2,987,025)
Cash flows from investing activities:		
Net investment income and other income	(86,375)	80,956
Net cash provided by investing activities	(86,375)	80,956
Net decrease in cash and cash equivalents	(984,462)	(1,044,529)
Cash and cash equivalents at beginning of year	7,503,416	8,547,945
Cash and cash equivalents at end of year	$ 6,518,954	$ 7,503,416

	2011	2010
Reconciliation of operating income to net cash provided (used) by operating activities		
Net income (loss) from operations	$ (1,016,478)	$ (1,466,860)
Depreciation	1,239,636	1,195,959
Adjustments to reconcile net loss to net cash used by operating activities		
(Increase) / decrease in service fees receivable	118,639	4,651
Increase / (decrease) in trade accounts payable	(106,471)	72,838
Net cash provided by operating activities	$ 235,326	$ (193,412)

The accompanying notes are an integral part of the financial statements.

Note 1: Summary of Significant Accounting Policies:

The accounting policies of the Inverness Water and Sanitation District, (the "District"), located in Arapahoe and Douglas Counties, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. 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 net income and capital maintenance are appropriate determinations of accountability. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District is a quasi-municipal corporation and political subdivision of the State of Colorado established in 1973, under the State of Colorado Special District Act. The District was established to develop and provide water, sewer and storm drainage facilities and services. The District's primary revenues are property taxes and water usage and sewage charges. The District is governed by an elected Board of Directors.

The District follows the Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting 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, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization to provide specific financial benefits or burdens and fiscal dependency.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District has no component units as defined by the Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.*

The District is not financially accountable for any other entity, including the Inverness Metropolitan Improvement District, which is financially autonomous with a separately elected Board, nor is the District a component unit of any other primary governmental entity.

Note 1: Summary of Significant Accounting Policies (Continued):

Basis of Presentation
The accompanying financial statements are presented per GASB No. 34.

The government-wide financial statements (i.e. the statement of net assets) report information on all of the nonfiduciary activities of the District. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

The statement of net assets reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net assets.

Major individual proprietary funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation
The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are collected.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The District reports the following major proprietary fund:

> *Proprietary Fund* - The Proprietary Fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Note 1: <u>Summary of Significant Accounting Policies (Continued):</u>

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

As a general rule, the effect of interfund activity has been eliminated from the statement of new assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

<u>Budgetary Accounting</u>
Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item without notification. The appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Encumbrance accounting (open purchase orders, contracts in process and other commitments for the expenditures of funds in future periods) is not used by the District for budget or governmental fund reporting purposes.

<u>Net Assets</u>
The District has net assets consisting of three components – invested in capital assets, net of related debt, restricted for debt and unrestricted.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, unamortized bond issues costs, unspent bond proceeds reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2011 and 2010, the District had invested in capital assets, net of related debt of $11,492,191 and $11,032,915, respectively.

Note 1: Summary of Significant Accounting Policies (Continued):

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets or restricted. The District utilizes unrestricted net assets before using restricted net assets.

Statement of Cash Flows
For purposes of the statement of cash flows, the District considers cash deposits with a maturity of six months or less to be cash equivalents. During 2011, the District incurred no noncash activities.

Assets, liabilities, and net assets:
Fair Value of Financial Instruments
The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2011 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments
The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates
The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-term obligations
In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

Note 1: Summary of Significant Accounting Policies (Continued):

Bond Issue Costs
Bond issue costs from the Series 2006A and Series 2008 bonds are being amortized over the respective terms of the bonds using the interest method. Accumulated amortization of bond issue costs amounted to $156,930, at December 31, 2011.

Deferred Cost on Bond Refunding
The deferred cost on bond refunding is being amortized using the straight-line method over the life of the defeased bonds.

Property Tax
Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessors generally as of January 1 of each year. The levy is normally set during December by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of each year. The County Treasurers collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July and tax sales are in November. The County Treasurers remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectable taxes, are recorded initially as deferred revenue in the year they are levied and measurable since they are not normally available not are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Property owners within the boundaries of the District have been assessed $2,059,168 and $2,082,249 for 2011 and 2010, respectively. Since these taxes are not normally available to the District until the following year, they are classified as deferred income.

Water Rights
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.

Capital Contributions
Tap fees are recorded as capital contributions when received by the District. Inclusion fees are recorded as capital contributions when inclusion is accepted by the District. Acreage fees represent system development charges assessed on a pre-acre basis. They are recorded as capital contribution when received by the District (normally when property development begins).

Note 1: Summary of Significant Accounting Policies (Continued):

Capital Assets

Capital assets, which include water and supply contract rights, land and easements, construction in progress, water system, effluent irrigation system, sewer system, storm drainage system, and equipment and vehicles, are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Improvements that are not completed and/or may be conveyed to other governmental entities are classified as construction in progress and are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated economic useful lives:

Water system	10-50 years
Effluent irrigation system	25-50 years
Sewer system	10-50 years
Storm drainage system	45-50 years
Equipment and vehicles	5 years

Compensated Absences

The District accrues vacation pay when earned. These amounts are included in other accrued liabilities on the statements of net assets.

Note 2: Cash and Investments:

As of December 31, 2011 and 2010, cash and investments are classified in the accompanying financial statements as follows:

Statement of net assets:	2011	2010
Cash and cash equivalents - unrestricted	$ 6,518,954	$ 7,503,416

Cash and investments as of December 31, 2011 and 2010, consist of the following:

	2011	2010
Deposits with financial institutions	$ 1,115,391	$ 4,010,925
Investments - Colotrust	5,401,812	3,490,739
Investments - UMB Bank	1,751	1,752
	$ 6,518,954	$ 7,503,416

Deposits:

Custodial credit risk
The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured depositories and assets maintained in the collateral pools.

Note 2: Cash and Investments (continued):

As of the December 31, 2011 and 2010, the District's cash deposits had the following balances:

Deposit	Maturity	2011	2010
Checking account	N/A	$ 115,391	$ 10,910
CD - First Citizen Bank	1 Year	1,000,000	-
CD - United Western	1 Year	-	1,000,000
CD - CoBiz Bank	180 Days	-	3,000,015
		$ 1,115,391	$ 4,010,925

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments:

Credit Risk
The District's investment policy allows for the District to invest in local government investment pools following state statutes. Colorado statutes specify types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. government agency entities, certain money markets funds, guaranteed investment contracts, and local government pools.

Custodial Credit Risk
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District adopted a policy to comply with State statutes governing deposits.

Interest rate risk
Colorado Revised Statutes and the District's investment policy limit investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values declines arising from increasing interest rates.

Note 2: Cash and Investments (continued):

Concentration Risk

The District's investments are concentrated in local investment pools and other money market funds. As of December 31, 2011 and 2010, the District had the following investments:

Investments	Maturity	2011	2010
Colotrust	Less than one year	$ 5,401,812	$ 3,490,739
US Treasury Money Market Fund	Weighted Average - Under 90 days	1,751	1,752
		$ 5,403,563	$ 3,490,739

Colotrust

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAm by Standard & Poor's. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund with each share maintaining a value of $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2011 and 2010, the District had $5,401,812 and $3,490,739 invested in COLOTRUST respectively.

U.S. Treasury Money Market Fund

During 2011, the debt service money and a portion of the bond proceeds to be used for construction that was included in the trust accounts at UMB Bank was invested in the SEI Daily Income Treasury Portfolio. The portfolio is a money market fund that is managed by SEI Investments and each share is equal to $1.00. The fund is AAA rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 90 days or less. As of December 31, 2011 and 2010, the District had $1,751 and $1,752, respectively invested in the SEI Fund held by UMB Bank.

Note 3: Capital Assets:

The following is an analysis of changes in capital assets for the years ended December 31, 2011 and 2010 respectively:

	Balance as of 12/31/10	Additions	Reclassifications	Balance as of 12/31/11
Capital Assets, not being depreciated:				
Water and Supply contract rights	$ 4,766,304	$ -	$ -	$ 4,766,304
Land and easements	67,417	-	-	67,417
Construction in progress	85,625	1,013,468	929,963	169,130
Total Capital Assets not being depreciated:	**4,919,346**	**1,013,468**	**929,963**	**5,002,851**
Capital Assets Being Depreciated:				
Water system	10,119,599	835,190	-	10,954,789
Effluent irrigation system	3,223,554	-	-	3,223,554
Sewer system	24,572,683	86,771	1,337,072	23,322,382
Storm drainage system	3,466,802	8,002	-	3,474,804
Equipment and vehicles	84,517	20,460	-	104,977
Total Capital assets being depreciated:	**41,467,155**	**950,423**	**1,337,072**	**41,080,506**
Less accumulated depreciation for:				
Water system	5,010,268	337,971	-	5,348,239
Effluent irrigation system	1,180,655	105,404	-	1,286,059
Sewer system	5,711,577	722,818	860,138	5,574,257
Storm drainage system	1,008,634	69,350	-	1,077,984
Equipment and vehicles	84,517	4,092	-	88,609
Total accumulated depreciation:	**12,995,651**	**1,239,635**	**860,138**	**13,375,148**
Total capital assets, being depreciated, net	**28,471,504**	**(289,212)**	**476,934**	**27,705,358**
Capital Assets, Net	**$ 33,390,850**	**$ 724,256**	**$ 1,406,897**	**$ 32,708,209**

In 2011, the District recognized an impairment in the advanced wastewater treatment plant as the majority of the plant is no longer utilized due to the contract with Arapahoe County Water and Wastewater Authority ("ACWWA"). (See note 7.) Total impairment loss was $476,934 and is recorded as a special item on the financial statements under the guidelines of GASB Statement No. 42, *Capital Asset Impairment and Insurance Recoveries*.

INVERNESS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2011 and 2010

Note 3: Capital Assets (continued):

	Balance as of 12/31/09	Additions	Reclassifications	Balance as of 12/31/10
Capital Assets, not being depreciated:				
Water and Supply contract rights	$ 4,766,304	$ -	$ -	$ 4,766,304
Land and easements	67,417	-	-	67,417
Construction in progress	896,969	566,640	1,377,984	85,625
Total Capital Assets not being depreciated:	**5,733,690**	**566,640**	**1,377,984**	**4,919,346**
Capital Assets Being Depreciated:				
Water system	10,018,187	101,412	-	10,119,599
Effluent irrigation system	3,053,722	169,832	-	3,223,554
Sewer system	23,465,943	1,106,740	-	24,572,683
Storm drainage system	3,466,802	-	-	3,466,802
Equipment and vehicles	84,517	-	-	84,517
Total Capital assets being depreciated:	**40,089,171**	**1,377,984**	**-**	**41,467,155**
Less accumulated depreciation for:				
Water system	4,686,486	323,782	-	5,010,268
Effluent irrigation system	1,087,522	93,133	-	1,180,655
Sewer system	5,001,871	709,706	-	5,711,577
Storm drainage system	939,296	69,338	-	1,008,634
Equipment and vehicles	84,517	-	-	84,517
Total accumulated depreciation:	**11,799,692**	**1,195,959**	**-**	**12,995,651**
Total capital assets, being depreciated, net	**28,289,479**	**182,025**	**-**	**28,471,504**
Capital Assets, Net	**$ 34,023,169**	**$ 748,665**	**$ 1,377,984**	**$ 33,390,850**

Note 4: Long-Term Debt:

The following is an analysis of changes in long-term debt for the year ended 2011:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Long-Term Debt				
General Obligation Bonds - 2006A	$ 12,480,000	$ -	$ 1,165,000	$ 11,315,000
General Obligation Bonds - 2008	10,000,000	-	-	10,000,000
	22,480,000	-	1,165,000	21,315,000
Deferred loss on refunding	(116,156)	-	21,971	(94,185)
Original issue discount	(5,909)	-	1,112	(4,797)
	$ 22,357,935	$ -	$ 1,188,083	21,216,018
Due in one year				(1,335,000)
Total Long-term Debt				**$ 19,881,018**

The following is an analysis of changes in long-term debt for the year ended 2010:

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
Long-Term Debt				
General Obligation Bonds - 2006A	$ 13,595,000	$ -	$ 1,115,000	$ 12,480,000
General Obligation Bonds - 2008	10,000,000	-	-	10,000,000
	23,595,000	-	1,115,000	22,480,000
Deferred loss on refunding	(140,094)	-	23,938	(116,156)
Original issue discount	(7,113)	-	1,204	(5,909)
	$ 23,447,793	$ -	$ 1,140,142	22,357,935
Due in one year				(1,165,000)
Total Long-term Debt				**$ 21,192,935**

Note 4: <u>Long-Term Debt (continued):</u>

<u>General Obligation Bonds, Series 2006A:</u>
On June 2, 2006, the District authorized the issuance of General Obligation Bonds, Series 2006A at $17,000,000 consisting of $14,000,000 of serial bonds due annually in varying amounts through December 1, 2019 with interest rates 4.0% through 5.0% payable June 1st and December 1st commencing on December 1, 2006 and $3,000,000 in term bonds due December 1, 2019 with interest at 4.6%. The term bonds are subject to mandatory sinking fund redemption beginning December 1, 2010. The term bonds are subject to redemption prior to maturity on December 1, 2009 and on any date thereafter at par. Serial bonds maturing on and after December 1, 2017 are subject to redemption prior to maturity on December 1, 2016 and in any date thereafter at par. Repayment of principal and interest are insured by Radian Asset Assurance, Inc. ("Radian"). In 2009, Standard & Poor's downgraded its rating of Radian to BB-.

A portion of the net proceeds of the Series 2006A Bonds were used to advance refund $5,035,000 of the District's General Obligation Bonds, Series 1996. The defeased bonds were not considered a liability of the District since sufficient funds ($5,052,952) were deposited with a trustee and invested for the purpose of paying the principal and interest of the defeased bonds when due on December 1, 2007. The District reduced its aggregate debt service payments by $179,143 over the next 10 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $151,901. The District incurred a cost on refunding in the amount of $55,505, which has been deferred and is being amortized over the life of the old debt.

<u>General Obligation Refunding and Improvement Bonds, Series 2008:</u>
On October 21, 2008, the District authorized the issuance of the General Obligation Refunding and Improvement Bonds, Series 2008 for $10,000,000. The Bonds mature on December 1, 2025 and bear interest at the initial rate of 4.76% per annum for 7 years from the date of delivery payable in June 1st and December 1st of each year commencing December 1, 2008. On December 1, 2015 until December 1, 2025, the interest rate will be adjusted to the Adjusted Interest Rate. The Adjusted Interest Rate will be calculated using the prevailing 7 year LIBOR swap rate, plus 275 basis points, multiplied by 70%. The maximum effective interest rate shall not exceed 10% per annum. The Series 2008 Bonds are subject to mandatory sinking fund redemption beginning December 1, 2012. These bonds were used for the current refunding of the Series 2006B Bonds. The bonds are secured by pledged revenues derived by the required mill levy and specific ownership taxes received in conjunction with the property tax mill levy. Subsequent to year-end, the bonds were refunded (See Note 13).

Note 4: Long-Term Debt (continued):

The Series 2008 Bonds maturing on December 1, 2025 shall be subject to redemption prior to maturity, in whole or in part, at the option of the District on any interest payment date at the redemption prices plus accrued interest to the redemption dates set forth below:

Redemption Date	Price as a Percent of Par
December 1, 2008, June 1, 2009 and December 1, 2009	103.0%
June 1, 2010 and December 1, 2010	102.0%
June 1, 2011 and December 1, 2011	101.0%
June 1, 2012 and thereafter	100.0%

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2006A Bonds:

	Principal	Interest	Total
2012	$ 1,210,000	$ 498,808	$ 1,708,808
2013	1,270,000	439,068	1,709,068
2014	1,320,000	386,828	1,706,828
2015	1,380,000	331,283	1,711,283
2016	1,435,000	271,843	1,706,843
2017- 2019	4,700,000	427,320	5,127,320
	$ 11,315,000	$ 2,355,150	$ 13,670,150

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2008 Bonds:

	Principal	Interest	Total
2012	$ 125,000	$ 476,000	$ 601,000
2013	205,000	470,050	675,050
2014	420,000	460,292	880,292
2015	440,000	440,300	880,300
2016	600,000	419,356	1,019,356
2017 - 2021	4,065,000	1,598,884	5,663,884
2022 - 2025	4,145,000	504,798	4,649,798
	$ 10,000,000	$ 4,369,680	$ 14,369,680

Note 4: Long-Term Debt (continued):

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2012 Bonds (See note 13):

	Principal	Interest	Total
2012	$ -	$ 158,005	$ 158,005
2013	430,000	239,000	669,000
2014	440,000	228,723	668,723
2015	445,000	218,207	663,207
2016	460,000	207,572	667,572
2017 - 2021	5,910,000	827,298	6,737,298
2022	2,315,000	55,329	2,370,329
	$ 10,000,000	$ 1,934,134	$ 11,934,134

The Series 2012 Bonds maturing on December 1, 2022, shall be subject to redemption prior to maturity, in whole or in part, at the option of the District on any interest payment date at the redemption prices plus accrued interest to the redemption dates set forth below:

Redemption Date	Price as a percent of Par
Through and including June 1, 2013	103.0%
June 2, 2013 through and including June 1, 2014	102.0%
June 2, 2014 through and including June 1, 2015	101.0%
From June 2, 2015 and thereafter	100.0%

Note 5: Debt Authorization:

At elections held May 4, 2004 and November 1, 2005, a majority of the qualified electors of the District who voted in the elections authorized the issuance of general obligation indebtedness in an amount not to exceed $15,000,000 for the purposes of the extension and improvements of the existing sanitary sewer system and $20,000,000 for the extension and improvement of the existing potable and non-potable water supply, storage transmission and distribution system of the District, respectfully. After the issuance of the Series 2008 Bonds, the District has the authority to issue additional obligation for sanitary sewer purposes in the amount of $3,154,400 from the May 2004 election and $4,561,110 from the November 2005 election and will have the authority to issue additional obligations for water improvements in the amount of $13,210,000 from the November 2005 election.

Note 6: Related Party Transactions:

All members of the Board of Directors of the District also serve on the Board of the Inverness Metropolitan Improvement District. On September 21, 2004, the District entered into an Office Lease Agreement with Building 19 Inverness Way East, LLC. The term of the lease is from January 1, 2005, through December 31, 2009. In 2010 and 2011, it was extended. Two members of the Board of Directors have an ownership interest in Building 19 Inverness Way East, LLC. The base rent is $1,689 per month. In 2011 and 2010, the District paid Building 19 Inverness Way East, LLC, $20,267 and $22,202 respectively for rent.

One member of the District's Board of Directors has an ownership interest in Inverness Properties LLC. During 2011 and 2010, the District paid $ 98,938 and $111,956 and respectively, to Inverness Properties, LLC for administration and maintenance services.

Note 7: Agreements:

Wastewater Treatment Plant Relocation and Expansion

On April 19, 2005, the District entered into an agreement with Arapahoe County Water and Wastewater Authority ("ACWWA") and Arapahoe County Water and Wastewater Public Improvement District ("PID") to expand the existing Lone Tree Creek Wastewater Treatment Plant ("WWTP"). Included in the project are the Inverness Pipeline Improvements, which are comprised of the Inverness Lift Station, a collection system to WWTP, and an effluent return pipeline to Inverness. ACWWA as manager of the PID will contract the design and construction of the WWTP Expansion including the effluent pump station. The District will contract the design and construction of the Inverness Pipeline Improvements. Capital costs to construct to WWTP will be based on each party's share of capacity of the new facility, and capital costs to construct the Inverness Pipeline Improvements will be funded entirely by the District. The estimated cost of the WWTP Expansion is $24.8 million, and the estimated cost of the Inverness Pipeline Improvements is $6.4 million, for a total cost of $31.2 million. The WWTP Expansion is to provide a total treatment capacity of 3.6 million gallons per day with the District's capacity at 1.1 million gallons per day. The District's total costs for the project were $14.55 million. Final costs and cost sharing was determined based on the District's pro rata share of the total capacity. The WWTP was completed in early 2009 and the District began sending flows in July 2009.

Note 7: Agreements (continued):

Inverness North Metropolitan District
On July 8, 2005, the District approved a petition for exclusion of approximately 40 acres ("Property") in Filing No. 44 from Inverness Associates, LLC ("IA"). In order to provide services and facilitate funding for services within the excluded area, IA formed the Inverness North Metropolitan District ("INMD"). The District will continue to provide facilities, services and programs to the Property in the same manner and to the extent as the Property had received prior to the exclusion. INMD has the authority to collect, through property taxes, funds to make payments to the District for the ongoing services and for capital improvements. Property owners within INMD are obligated for debt service property taxes for debt existing prior to the exclusion.

Starting in 2006, the District began collecting water and sewer tap fees from the property owners within INMD, of $7,440 per residential unit. These tap fees include the District's water tap fee, sewer tap fee, development fee, storm water detention fee, water quality fee and impact fee.

Fairfield Dry Creek Village, LP – On November 28, 2006, the District approved a petition for exclusion of approximately 7.63 acres ("Property") in Filing No. 39 located within the District's boundaries. The District will continue to provide facilities, services and programs to the Property and to the same extent as the Property had received prior to the exclusion. The District has the authority to assess fees, charges or tolls, in the form of an External Services Surcharge as an item on the water and sewer bills for the property for the ongoing operations and maintenance services and for capital improvements. This fee may be Property owners within the District are obligated for debt service property taxes for debt existing prior to the exclusion.

Avalon at Inverness – On August 23, 2006, the District approved a petition for exclusion of approximately 4.89 acres ("Property") in Filing No. 6 located within the District's boundaries. The District will continue to provide facilities, services and programs to the Property and to the same extent as the Property had received prior to the exclusion. The District has the authority to assess fees, charges or tolls, in the form of an External Services Surcharge as an item on the water and sewer bills for the property for the ongoing operations and maintenance services and for capital improvements. Property owners within the District are obligated for debt service property taxes for debt existing prior to the exclusion.

Note 7: Agreements (continued):

Arapahoe County Water and Wastewater Authority ("ACWWA")
The District has an agreement with ACWWA to provide wastewater treatment for Inverness at it Lone Tree Creek Water Reclamation Facility ("LTCWRF"). The District purchased capacity in the LTCWRF with the intent to accommodate all future wastewater treatment for Inverness, including disposal of the District's sewage. The LTCWRF is intended to replace the District's Wastewater Treatment Plant and its Advanced Wastewater Treatment Plant. The District's Wastewater Treatment Plant and its Advanced Wastewater Treatment Plant are currently idle (see Note 3).

On September 30, 2011, the District and ACWWA reached an agreement on the rates to be charged to the District. Prior to the agreement, the District was charged $5.37 per 1,000 gallons for treatment of wastewater. The agreement calls for $4.24 per 1,000 gallons for treatment of wastewater. Pursuant to the Agreement, a reserve for the purpose of capital assets replacement of the treatment plant to be established containing the annual payment by the District in the amount of $132,384 as well as an annual contribution of $300,949 each year by ACWWA until a maximum reserve amount of $7,500,000 is attained. The reserve will be controlled by ACWWA. The District's part of the reserve is recorded on the Statement of Net Assets. As of December 31, 2011 the District had $360,863 of funds in the reserve.

Note 8: Investments in Authorities:

South Metro Water Supply Authority – Barr Lake Pipeline Enlargement
On March 25, 2005, the South Metro Water Supply Authority ("South Metro Authority"), of which the District is a member, entered into an agreement with East Cherry Creek Valley Water and Sanitation District ("ECCV") to participate in the over sizing of the ECCV Barr Lake Pipeline, the South Metro Authority members agreed to contribute a total amount of $6,927,600 to ECCV. The District's share of this amount is $732,200 which was based upon a future use of 0.7 million gallons per day capacity of 6.0 millions gallons per day. However, the District will receive no water from this pipeline until future connecting lines have been built and the South Metro Authority is able to obtain water rights necessary to place water in the line. Since December 31, 2005, the District has paid $732,200 to the South Metro Authority. There were no additional capital contributions during 2011.

Note 8: Investments in Authorities (continued):

Cherry Creek Project Water Authority
On October 14, 2005, the District entered into a Water Project Agreement and created the Cherry Creek Project Water Authority ("Cherry Creek Authority") with Arapahoe County Water and Wastewater Authority ("ACWWA"), Denver Southeast Suburban Water and Sanitation District ("Pinery"), and Cottonwood Water and Sanitation District ("Cottonwood"). On November 17, 2005, the Cherry Creek Authority purchased certain water rights, well rights, facilities and storage rights at a bankruptcy action for $14,000,000 plus closing costs. These assets were previously owned by Western Water Company. Of this amount, the District paid $6,011,489 representing an interest of 40% in the Cherry Creek Authority. The District contributed $655,286 during 2006 for the Cherry Creek Authority's purchase of additional water rights and operating costs. The District is also responsible for contributing to the operating costs of the Cherry Creek Authority. In 2011 and 2010, the District contributed $161,814, and $237,275, respectively in capital assessments and operating costs. As of December 31, 2011, the District held a 31.118% interest in the Cherry Creek Authority due to ownership purchases by ACWWA totaling $2,010,002. For a copy of the Cherry Creek Authority's financial statements, contact Cherry Creek Authority at (303) 799-9595.

Note 9: Deferred Compensation Plan:

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Great West Life Assurance Co. Participation in the plan is mandatory for all employees. The plan allows the employees to defer a portion of their salary until future years. The plan assets are owned by the District employees and are not reflected in these financial statements.

Note 10: Operating Lease:

In 2011, the District entered into an Operating Lease ("lease") with Zion's Credit Corporation for a solar panel system installed within the District's boundaries. The amount of the equipment installed is not to exceed $885,000. The monthly payment is $1,554. Upon commission of the equipment, the rate will adjust based on the 10 year interest rate swap plus 3.50%. This is an annual lease and will renew automatically unless certain events occur. The District has an option to purchase the equipment at fair market value. The District is responsible for all operations and maintenance and repair costs. In 2011, the District paid $20,553 for the total lease payments.

Note 11: <u>Tax Spending and Debt Limitations:</u>

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights ("TABOR"), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Note 12: Risk Management:

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 13: Subsequent Events

Subsequent to year-end, the District issued $10,000,000 in General Obligation Refunding Bonds, Series 2012, (the "Bonds"), dated April 3, 2012. The proceeds were used to advance refund the Series 2008 Bonds. The Bonds bear interest at a rate of 2.39% maturing December 1, 2022. The interest will be paid semi-annually on June 1st and December 1st commencing on December 1, 2012. The Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2013. The Bonds are secured by pledged revenues derived by the required mill levy on the property taxes allocated per the mill levy. The District realized a Net Present Value savings of $1,732,135.

SUPPLEMENTAL INFORMATION

Inverness Water and Sanitation District

Schedule of Revenues, Expenditures and Changes in Funds Availabl
Budget and Actual (Non GAAP Budgetary Basis)
For the Year Ended December 31, 2011

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Service fees	$ 2,115,000	$ 2,178,733	$ 63,733
Property taxes	2,059,168	1,929,967	(129,201)
Specific ownership taxes and other tax equivalent revenue	188,076	218,866	30,790
Tap and development fees	180,048	140,616	(39,432)
Interest income and other income	77,626	271,055	193,429
Total revenues	4,619,918	4,739,237	119,319
Expenditures:			
Operating expenses:			
Utilities	285,000	299,122	(14,122)
Salaries and wages	190,000	183,400	6,600
Professional fees	156,000	48,741	107,259
Administrative and management fees	268,000	252,996	15,004
Repairs and maintenance	110,000	45,314	64,686
Insurance	50,000	48,207	1,793
Employee benefits and payroll taxes	45,000	43,386	1,614
Rent	20,000	20,267	(267)
Landscape maintenance	22,000	21,115	885
Supplies and materials	60,000	44,055	15,945
Denver Water purchase	275,000	280,395	(5,395)
CCPWA operating costs	120,000	161,814	(41,814)
Solar lease	20,000	20,553	(553)
ACWWA treatment costs	800,000	594,101	205,899
Office and communications	15,500	14,201	1,299
County treasurers' fees	30,888	28,960	1,928
Water conservation rebates	50,000	7,923	42,077
Other	8,000	31,801	(23,801)
Capital outlay:			
Water system	2,395,000	707,952	1,687,048
Sewer system	650,000	130,532	519,468
Storm drainage	70,000	174,984	(104,984)
Equipment and vehicles	-	20,460	(20,460)
CCPWA capital assessments	1,750,000	-	1,750,000
Debt service:			
Principal	1,165,000	1,165,000	-
Interest	1,022,218	1,018,266	3,952
Paying agent fees	3,500	3,650	(150)
Contingency	50,000	-	50,000
Total expenditures	9,631,106	5,367,195	4,263,911
Excess (deficiency) of revenues over expenditures	(5,011,188)	(627,958)	4,383,230
Funds available - beginning of year	7,680,673	7,344,570	(336,103)
Funds available - end of year	$ 2,669,485	$ 6,716,612	$ 4,047,127

Funds available at December 31, 2011 is computed as follows:

Current assets	$ 9,103,245
Current liabilities	(3,721,633)
Add - current portion of bonds payable	1,335,000
	$ 6,716,612

The accompanying notes are an integral part of the financial statements.

Inverness Water and Sanitation District

Expenses and Changes in Net Assets
For the Year Ended December 31, 2011

The following is a reconciliation of the budgetary basis, as presented, to generally accepted accounting principals (GAAP). The basis on which the financial statements were prepared.

Revenue (budgetary basis)	$	4,739,237
Total revenue per statement of revenues, expenses and changes in funds available:		4,739,237
Expenditures - (budgetary basis)		5,367,195
Capital improvements		(1,033,928)
Bond principal payment		(1,165,000)
Amortization		59,163
Depreciation		1,239,636
Impairment loss of assets		476,934
Change in investment in authorities		(108,068)
Total expenses per statement of revenues, expenses and changes in fund balance:		4,835,932
Changes in net assets per statement of revenue, expenses and changes in net assets:	$	(96,695)

The accompanying notes are an integral part of the financial statements.

Inverness Water and Sanitation District

Schedule of Operating, General and Administrative Expenses
For the Years Ended December 31, 2011 and 2010

	2011	2010
Water Operating Expenses		
Utilities	$ 212,751	$ 211,098
Repairs and maintenance	24,726	52,737
Solar panel lease	20,553	-
Supplies and materials	36,773	31,818
Denver water purchases	280,395	320,647
	$ 575,198	$ 616,300
Effluent Operating Expenses		
Utilities	$ 71,969	$ 67,367
Repairs and maintenance	2,904	74,422
Supplies and materials	7,123	8,891
	$ 81,996	$ 150,680
Sewer Operating Expenses		
Utilities	$ 14,402	$ 15,455
Repairs and maintenance	17,684	18,924
Supplies and materials	159	1,349
Treatment - ACWWA	594,101	763,528
	$ 626,346	$ 799,256
General and Administrative Expenses		
Salaries and wages	$ 183,400	$ 139,712
Employee benefits and payroll taxes	43,386	36,175
Professional fees	48,741	87,806
Administrative and management fees	252,996	250,592
Insurance	48,207	46,717
Rent	20,267	22,202
Landscape maintenance	21,115	17,028
Office and communications	14,201	16,253
Other	39,722	27,067
	$ 672,035	$ 643,552

The acompanying notes are an integral part of the financial statements.

Inverness Water and Sanitation District
Seven Year Summary of Assessed Valuation, Mill Levy
And Property Taxes Collected
December 31, 2011

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied Debt Service Fund	Total Property Taxes Levied	Total Property Taxes Collected (2)	Percent Collected to Levied
2005					
Arapahoe County	$ 153,101,680	6.25	$ 956,886		
Arapahoe County Sewer Only (1)	14,459,300	3.23	46,704		
Douglas County	67,759,920	6.25	423,500		
	$ 235,320,900		$ 1,427,089	$ 1,388,356	97.29%
2006					
Arapahoe County	$ 138,918,040	6.25	$ 868,238		
Arapahoe County Sewer Only (1)	9,478,690	4.15	39,337		
Douglas County	69,479,750	6.25	434,248		
	$ 217,876,480		$ 1,341,823	$ 1,302,686	97.08%
2007					
Arapahoe County	$ 142,062,950	6.25	$ 887,893		
Arapahoe County Sewer Only (1)	9,498,490	4.09	38,849		
Arapahoe County Excluded Property (4)	3,194,390	1.21	3,865		
Douglas County	69,367,390	6.25	433,546		
	$ 224,123,220		$ 1,364,153	$ 1,324,744	97.11%
2008					
Arapahoe County	$ 169,156,590	8.00	$ 1,353,253		
Arapahoe County Sewer Only (1)	11,698,150	5.54	64,808		
Arapahoe County Excluded Property (4)	4,358,160	1.48	6,450		
Douglas County	76,364,730	8.00	610,918		
	$ 261,577,630		$ 2,035,428	$ 1,999,406	98.23%
2009					
Arapahoe County	$ 172,362,400	7.80	$ 1,344,427		
Arapahoe County Sewer Only (1)	10,732,040	5.41	58,060		
Arapahoe County Excluded Property (4)	11,699,050	1.45	16,964		
Douglas County	79,435,130	7.80	619,594		
	$ 274,228,620		$ 2,039,045	$ 1,980,070	97.11%
2010					
Arapahoe County	$ 193,270,310	7.10	$ 1,372,219		
Arapahoe County Sewer Only (1)	15,505,400	4.74	73,463		
Arapahoe County Excluded Property (4)	13,746,960	1.23	16,871		
Arapahoe County Excluded Property (4)	2,060,520	4.28	8,815		
Douglas County Excluded Property (4)	178,480	6.41	1,144		
Douglas County	85,878,380	7.10	609,736		
	$ 310,640,050		$ 2,082,249	$ 1,921,924	92.30% (5)
2011					
Arapahoe County	$ 181,863,600	7.30	$ 1,327,604		
Arapahoe County Sewer Only (1)	15,113,730	4.80	72,546		
Arapahoe County Excluded Property (4)	14,883,110	1.22	18,151		
Arapahoe County Excluded Property (4)	2,056,890	4.31	8,865		
Douglas County Excluded Property (4)	696,880	6.56	4,572		
Douglas County	85,949,210	7.30	627,429		
	$ 300,563,420		$ 2,059,168	$ 1,929,967	93.73% (5)
2012					
Arapahoe County	$ 162,174,420	7.90	$ 1,281,178		
Arapahoe County Sewer Only (1)	10,381,800	5.11	53,051		
Arapahoe County Excluded Property (4)	14,149,240	1.26	17,828		
Arapahoe County Excluded Property (4)	1,837,320	4.56	8,378		
Douglas County Excluded Property (4)	713,230	7.05	5,027		
Douglas County	78,032,820	7.90	616,459		
	$ 267,288,830		$ 1,981,922		

NOTES:
(1) A portion of Arapahoe County is excluded from water services.
(2) Property taxes collected in any one year include collection of delinquent property taxes levied in prior years
(3) Property taxes collected from Arapahoe County include abatements related to prior years.
(4) Residential property excluded from water and sewer services is subject to the debt service mill levy for debt issued prior to its exclusion.
(5) Includes abatements from prior year.

The accompanying notes are an integral part of the financial statements.

INVERNESS WATER
AND SANITATION DISTRICT

Financial Statements

December 31, 2012 and 2011

with

Independent Auditors' Report

C O N T E N T S

SIMMONS & WHEELER, P.C. Certified Public Accountants
8005 South Chester Street, Suite 150, Centennial, CO 80112 (303) 689-0833, Fax (303) 689-0834

Board of Directors
Inverness Water and Sanitation District
Arapahoe and Douglas Counties, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Inverness Water and Sanitation District, as of and for the years ended December 31, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 the business-type activities of the Inverness Water and Sanitation District as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Inverness Water and Sanitation District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information 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.

Simmons & Wheeler P.C.

Centennial, CO
September 12, 2013

INVERNESS WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 7,464,603	$ 6,518,954
Accounts receivable - customer	172,325	211,356
Property taxes - current	8,150	4,239
Property taxes - deferred	2,215,719	1,981,922
Interest receivable	1,336	14,671
Accounts receivable - other	22,236	11,240
Reserve with ACWWA	450,389	360,863
Total Current Assets	10,334,758	9,103,245
OTHER ASSETS		
Prepaid debt insurance, net of accumulated amortization	48,372	61,370
Investments in authorities	6,269,406	6,154,176
Total Other Assets	6,317,778	6,215,546
CAPITAL ASSETS		
Non-depreciable	5,096,269	5,002,852
Depreciable, net of accumulated depreciation	26,581,947	27,705,357
Total Capital Assets	31,678,216	32,708,209
Total Assets	48,330,752	48,027,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	84,775	94,185
Total Deferred Outflows of Resources	84,775	94,185
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable - trade	179,663	235,485
Accounts payable - capital	32,529	86,771
Other accrued liabilities	11,106	1,221
Accrued interest payable	10,959	81,234
Bonds payable within one year	1,700,000	1,335,000
Total Current Liabilities	1,934,257	1,739,711
LONG-TERM LIABILITIES		
Bonds payable in more than one year	18,401,219	19,975,203
Total Liabilities	20,335,476	21,714,914
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	2,215,719	1,981,922
Total Deferred Inflows of Resources	2,215,719	1,981,922
NET POSITION		
Net investment in capital assets	11,576,997	11,398,006
Restricted for:		
Emergencies	21,707	-
Unrestricted	14,265,628	13,026,343
Total Net Position	$ 25,864,332	$ 24,424,349

The notes to the financial statements are an integral part of these statements.

INVERNESS WATER AND SANITATION DISTRICT

Statement of Revenue, Expenses and Changes in Net Position
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating revenues and expenses:		
Water service fee	$ 1,047,311	$ 898,120
Water expense		
Operating expenses	636,989	575,198
Depreciation	367,707	342,063
	1,004,696	917,261
Water gross profit (loss)	42,615	(19,141)
Effluent irrigation fees	438,863	358,712
Effluent irrigation expenses		
Operating expenses	99,613	81,996
Depreciation	108,074	105,404
	207,687	187,400
Effluent gross profit (loss)	231,176	171,312
Sewer service fees	881,382	804,251
Sewer expenses		
Operating expenses	726,355	626,346
Depreciation	723,765	722,818
	1,450,120	1,349,164
Sewer gross profit (loss)	(568,738)	(544,913)
Storm drainage fees	-	-
Storm drainage expenses		
Operating expenses	-	-
Depreciation	69,498	69,351
	69,498	69,351
Storm drainage gross profit (loss)	(69,498)	(69,351)
Other operating revenue	134,367	117,650
Total gross profit from services	(230,078)	(344,443)
General and administrative expenses	725,556	672,035
Income (Loss) From Operations	(955,634)	(1,016,478)
Non-operating Revenue (expenses)		
Property taxes	1,913,338	1,929,967
Specific ownership taxes and other tax equivalent revenue	229,301	218,866
Net investment income and other income	28,862	271,055
Interest expense	(823,711)	(1,018,266)
Amortization	(23,424)	(59,163)
County treasurers' fees	(28,780)	(28,960)
Paying agent fees	(4,163)	(3,650)
Refunding costs of issuance	(57,225)	-
Change in investment in authorities	(49,694)	(53,748)
Total non-operating revenue	1,184,504	1,256,101
Income Before Capital Contributions	228,870	239,623
Capital Contributions		
Tap and development fees	1,211,113	140,616
Special Item		
Impairment loss of capital assets	-	(476,934)
Net Income (loss) - Change in Net Position	1,439,983	(96,695)
Net Position, beginning of year, as restated for 2011	24,424,349	24,521,044
Net Position, end of year	$ 25,864,332	$ 24,424,349

The acompanying notes are an integral part of the financial statements.

INVERNESS WATER AND SANITATION DISTRICT

Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts from customers	$ 2,540,954	$ 2,297,372
Payments to suppliers	(1,991,014)	(1,835,260)
Payments to employees and related expenses	(253,321)	(226,786)
Net cash provided by operating activities	296,619	235,326
Cash flows from non-capital and related financing activities:		
Property taxes	1,909,427	1,934,591
Specific ownership taxes and other tax equivalent revenue	229,301	218,866
County treasurer's fees	(28,780)	(28,960)
Cash flows from non-capital and related financing activities	2,109,948	2,124,497
Cash flows from capital and related financing activities:		
Capital contributions - tap and development fees	1,200,117	140,616
Capital improvements	(283,408)	(1,046,045)
Investment in authorities	(164,924)	(161,814)
Bond proceeds	10,000,000	-
Payment to refunding agent	(10,000,000)	-
Interest paid on bonds	(893,986)	(1,022,017)
Principal paid on bonds	(1,210,000)	(1,165,000)
Cost of issuance on bond refunding	(57,225)	-
Paying agent fees	(4,163)	(3,650)
Net cash used by capital and related financing activities	(1,413,589)	(3,257,910)
Cash flows from investing activities:		
Net investment income and other income	(47,329)	(86,375)
Net cash provided by investing activities	(47,329)	(86,375)
Net decrease in cash and cash equivalents	945,649	(984,462)
Cash and cash equivalents at beginning of year	6,518,954	7,503,416
Cash and cash equivalents at end of year	$ 7,464,603	$ 6,518,954
Reconciliation of operating income to net cash provided (used) by operating activities		
Net income (loss) from operations	$ (955,634)	$ (1,016,478)
Depreciation	1,269,044	1,239,636
Adjustments to reconcile net loss to net cash used by operating activities		
(Increase) / decrease in service fees receivable	39,031	118,639
Increase / (decrease) in trade accounts payable	(55,822)	(106,471)
Net cash provided by operating activities	$ 296,619	$ 235,326

The accompanying notes are an integral part of the financial statements.

Note 1: Summary of Significant Accounting Policies:

The accounting policies of the Inverness Water and Sanitation District, (the "District"), located in Arapahoe and Douglas Counties, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units accounted for as a proprietary fund. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District is a quasi-municipal corporation and political subdivision of the State of Colorado established in 1973, under the State of Colorado Special District Act. The District was established to develop and provide water, sewer and storm drainage facilities and services. The District's primary revenues are property taxes and water usage and sewage charges. The District is governed by an elected Board of Directors.

The District follows the Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting 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, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization to provide specific financial benefits or burdens and fiscal dependency.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District has no component units as defined by the Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.*

The District is not financially accountable for any other entity, including the Inverness Metropolitan Improvement District, which is financially autonomous with a separately elected Board, nor is the District a component unit of any other primary governmental entity.

Note 1: Summary of Significant Accounting Policies (Continued):

Recently Issued and Adopted Accounting Pronouncements
In May 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* GASB 54 required the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB 54 in fiscal year 2011.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants ("AICPA") Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components, which are, assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District adopted GASB Statement 63 in fiscal year 2012.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities.* 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 and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement also limits the use of the term deferred to items reported as deferred outflows of resources or deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 although the District elected to early implement GASB Statement 65 in fiscal year 2012.

Note 1: Summary of Significant Accounting Policies (Continued):

Recently Issued Accounting Pronouncements

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.* GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. The District has not adopted Statement 61.

Basis of Presentation

The accompanying financial statements are presented per GASB No. 34.

The government-wide financial statements (i.e. the statement of net position) report information on all of the nonfiduciary activities of the District. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position.

Major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are collected.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

Note 1: Summary of Significant Accounting Policies (Continued):

The District reports the following major proprietary fund:

> *Proprietary Fund* - The Proprietary Fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item without notification. The appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of six months or less to be cash equivalents. During 2012, the District incurred no noncash activities.

Assets, liabilities, and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2012 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Note 1: Summary of Significant Accounting Policies (Continued):

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of items that qualify for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 1: Summary of Significant Accounting Policies (Continued):

Long-Term Obligations
In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of any bond premium or discount where applicable.

Original Issue Discount and Prepaid Debt Insurance
Original issue discount and prepaid debt insurance from the Series 2006A Bonds are being amortized over the respective terms of the bonds using the interest/straight-line method. Accumulated amortization of original issue discount and prepaid debt insurance amounted to $6,000 and $76,770 respectively at December 31, 2012.

Deferred Cost on Bond Refunding
The deferred cost on bond refunding is being amortized using the straight-line method over the life of the defeased bonds.

Property Tax
Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessors generally as of January 1 of each year. The levy is normally set during December by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of each year. The County Treasurers collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July and tax sales are in November. The County Treasurers remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Property owners within the boundaries of the District have been assessed $ 2,215,719 and $2,059,168 for 2012 and 2011, respectively. Since these taxes are not normally available to the District until the following year, they are classified as deferred income.

Note 1: Summary of Significant Accounting Policies (Continued):

Water Rights

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.

Capital Contributions

Tap fees are recorded as capital contributions when received by the District. Inclusion fees are recorded as capital contributions when inclusion is accepted by the District. Acreage fees represent system development charges assessed on a pre-acre basis. They are recorded as capital contribution when received by the District (normally when property development begins).

Capital Assets

Capital assets, which include water and supply contract rights, land and easements, construction in progress, water system, effluent irrigation system, sewer system, storm drainage system, and equipment and vehicles, are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Improvements that are not completed and/or may be conveyed to other governmental entities are classified as construction in progress and are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated economic useful lives:

Water system	10-50 years
Effluent irrigation system	25-50 years
Sewer system	10-50 years
Storm drainage system	45-50 years
Equipment and vehicles	5 years

Note 1: Summary of Significant Accounting Policies (Continued):

Compensated Absences
The District accrues vacation pay when earned. These amounts are included in other accrued liabilities on the statements of net assets.

Fund Equity
Beginning with fiscal year ending December 31, 2011, the District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

Restricted Fund Balance
The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the Proprietary Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of $21,707 of the Proprietary Fund balance has been restricted in compliance with this requirement.

Net Position
Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

Note 1: Summary of Significant Accounting Policies (Continued):

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Due to the implementation of GASB 65, the following discloses the restatement of net position as of the beginning of the fiscal year:

Net Assets (Position), beginning of year, as previously stated:	$ 24,557,373
Decrease due to the change in accounting for bond issuance costs	(133,024)
Net Position, beginning of year, as restated	$ 24,424,349

For comparison benefits, the 2011 financials were restated to reflect the GASB 65 changes.

Note 2: Cash and Investments:

As of December 31, 2012 and 2011, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	2012	2011
Cash and cash equivalents - unrestricted	$ 7,464,603	$ 6,518,954

Cash and investments as of December 31, 2012 and 2011, consist of the following:

	2012	2011
Deposits with financial institutions	$ 6,532,659	$ 1,115,391
Investments - Colotrust	931,943	5,401,812
Investments - UMB Bank	1	1,751
	$ 7,464,603	$ 6,518,954

Note 2: Cash and Investments (continued):

Deposits:

Custodial credit risk
The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured depositories and assets maintained in the collateral pools.

As of the December 31, 2012 and 2011, the District's cash deposits had the following balances:

Deposit	Maturity	2012	2011
Checking account	N/A	$ 29,642	$ 115,391
Money Market - CoBiz Bank	N/A	6,503,017	-
CD - First Citizen Bank	1 Year	-	1,000,000
		$ 6,532,659	$ 1,115,391

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments:

Credit Risk
The District's investment policy allows for the District to invest in local government investment pools following state statutes. Colorado statutes specify types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. government agency entities, certain money markets funds, guaranteed investment contracts, and local government pools.

Note 2: Cash and Investments (continued):

Custodial Credit Risk
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District adopted a policy to comply with State statutes governing deposits.

Interest rate risk
Colorado Revised Statutes and the District's investment policy limit investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values declines arising from increasing interest rates.

Concentration Risk
The District's investments are concentrated in local investment pools and other money market funds. As of December 31, 2012 and 2011, the District had the following investments:

Investments	Maturity	2012	2011
Colotrust	Less than one year	$ 931,943	$ 5,401,812
US Treasury Money Market Fund	Weighted Average - Under 90 days	1	1,751
		$ 931,944	$ 5,403,563

Colotrust
The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAm by Standard & Poor's. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund with each share maintaining a value of $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2012 and 2011, the District had $931,943 and $5,401,812 invested in COLOTRUST respectively.

Note 2: Cash and Investments (continued):

U.S. Treasury Money Market Fund

During 2011, the debt service money and a portion of the bond proceeds to be used for construction that was included in the trust accounts at UMB Bank was invested in the SEI Daily Income Treasury Portfolio. The portfolio is a money market fund that is managed by SEI Investments and each share is equal to $1.00. The fund is AAA rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 90 days or less. As of December 31, 2012 and 2011, the District had $1and $1,751, respectively invested in the SEI Fund held by UMB Bank.

Note 3: Capital Assets:

The following is an analysis of changes in capital assets for the years ended December 31, 2012 and 2011 respectively:

	Balance as of 12/31/11	Additions	Reclassifications	Balance as of 12/31/12
Capital Assets, not being depreciated:				
Water and Supply contract rights	$ 4,766,304	$ -	$ -	$ 4,766,304
Land and easements	67,417	-	-	67,417
Construction in progress	169,130	227,363	133,945	262,548
Total Capital Assets not being depreciated:	**5,002,851**	**227,363**	**133,945**	**5,096,269**
Capital Assets Being Depreciated:				
Water system	10,954,789	67,184	-	11,021,973
Effluent irrigation system	3,223,554	66,761	-	3,290,315
Sewer system	23,322,382	-	-	23,322,382
Storm drainage system	3,474,804	-	-	3,474,804
Equipment and vehicles	104,977	11,688	-	116,665
Total Capital assets being depreciated:	**41,080,506**	**145,633**	**-**	**41,226,139**
Less accumulated depreciation for:				
Water system	5,348,239	362,251	-	5,710,490
Effluent irrigation system	1,286,059	108,074	-	1,394,133
Sewer system	5,574,257	723,765	-	6,298,022
Storm drainage system	1,077,984	69,498	-	1,147,482
Equipment and vehicles	88,609	5,456	-	94,065
Total accumulated depreciation:	**13,375,148**	**1,269,044**	**-**	**14,644,192**
Total capital assets, being depreciated, net	**27,705,358**	**(1,123,411)**	**-**	**26,581,947**
Capital Assets, Net	**$ 32,708,209**	**$ (896,048)**	**$ 133,945**	**$ 31,678,216**

INVERNESS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2012 and 2011

Note 3: Capital Assets (continued):

	Balance as of 12/31/10	Additions	Reclassifications	Balance as of 12/31/11
Capital Assets, not being depreciated:				
Water and Supply contract rights	$ 4,766,304	$ -	$ -	$ 4,766,304
Land and easements	67,417	-	-	67,417
Construction in progress	85,625	1,013,468	929,963	169,130
Total Capital Assets not being depreciated:	**4,919,346**	**1,013,468**	**929,963**	**5,002,851**
Capital Assets Being Depreciated:				
Water system	10,119,599	835,190	-	10,954,789
Effluent irrigation system	3,223,554	-	-	3,223,554
Sewer system	24,572,683	86,771	1,337,072	23,322,382
Storm drainage system	3,466,802	8,002	-	3,474,804
Equipment and vehicles	84,517	20,460	-	104,977
Total Capital assets being depreciated:	**41,467,155**	**950,423**	**1,337,072**	**41,080,506**
Less accumulated depreciation for:				
Water system	5,010,268	337,971	-	5,348,239
Effluent irrigation system	1,180,655	105,404	-	1,286,059
Sewer system	5,711,577	722,818	860,138	5,574,257
Storm drainage system	1,008,634	69,350	-	1,077,984
Equipment and vehicles	84,517	4,092	-	88,609
Total accumulated depreciation:	**12,995,651**	**1,239,635**	**860,138**	**13,375,148**
Total capital assets, being depreciated, net	**28,471,504**	**(289,212)**	**476,934**	**27,705,358**
Capital Assets, Net	**$ 33,390,850**	**$ 724,256**	**$ 1,406,897**	**$ 32,708,209**

In 2011, the District recognized an impairment in the advanced wastewater treatment plant as the majority of the plant is no longer utilized due to the contract with Arapahoe County Water and Wastewater Authority ("ACWWA"). (See note 7.) Total impairment loss was $476,934 and is recorded as a special item on the financial statements under the guidelines of GASB Statement No. 42, *Capital Asset Impairment and Insurance Recoveries.*

Depreciation expense was charged to functions/programs of the primary government as follows:

	2012	2011
Business-type activities:		
Water and sewer fund:	$ 1,269,044	$ 1,239,635
Total depreciation expense - water and sewer fund:	$ 1,269,044	$ 1,239,635

INVERNESS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2012 and 2011

Note 4: Long-Term Debt:

The following is an analysis of changes in long-term debt for the year ended 2012:

	Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012	Current Portion
General Obligation Bonds - 2006A	$ 11,315,000	$ -	$ 1,210,000	$ 10,105,000	$ 1,270,000
General Obligation Bonds - 2008	10,000,000	-	10,000,000	-	-
General Obligation Bonds - 2012	-	10,000,000	-	10,000,000	430,000
	21,315,000	10,000,000	11,210,000	20,105,000	1,700,000
Original issue discount	(4,797)	-	1,016	(3,781)	-
	$ 21,310,203	$ 10,000,000	$ 11,211,016	$ 20,101,219	$ 1,700,000

The following is an analysis of changes in long-term debt for the year ended 2011:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011	Current Portion
General Obligation Bonds - 2006A	$ 12,480,000	$ -	$ 1,165,000	$ 11,315,000	$ 1,210,000
General Obligation Bonds - 2008	10,000,000	-	-	10,000,000	125,000
	22,480,000	-	1,165,000	21,315,000	1,335,000
Original issue discount	(5,909)	-	1,112	(4,797)	-
Total Long-term Debt	$ 22,474,091	$ -	$ 1,166,112	$ 21,310,203	$ 1,335,000

Due to the implementation of GASB 65, the deferred gain(loss) on refunding was removed from the long-term obligations balance at January 1, 2012 in the amount of $(94,185) will now be displayed on the Statement of Net Position as a deferred inflow of resources.

Note 4: Long-Term Debt (continued):

General Obligation Bonds, Series 2006A:
On June 2, 2006, the District authorized the issuance of General Obligation Bonds, Series 2006A at $17,000,000 consisting of $14,000,000 of serial bonds due annually in varying amounts through December 1, 2019 with interest rates 4.0% through 5.0% payable June 1st and December 1st commencing on December 1, 2006 and $3,000,000 in term bonds due December 1, 2019 with interest at 4.6%. The term bonds are subject to mandatory sinking fund redemption beginning December 1, 2010. The term bonds are subject to redemption prior to maturity on December 1, 2009 and on any date thereafter at par. Serial bonds maturing on and after December 1, 2017 are subject to redemption prior to maturity on December 1, 2016 and in any date thereafter at par. Repayment of principal and interest are insured by Radian Asset Assurance, Inc. ("Radian"). In 2009, Standard & Poor's downgraded its rating of Radian to BB-.

A portion of the net proceeds of the Series 2006A Bonds were used to advance refund $5,035,000 of the District's General Obligation Bonds, Series 1996. The defeased bonds were not considered a liability of the District since sufficient funds ($5,052,952) were deposited with a trustee and invested for the purpose of paying the principal and interest of the defeased bonds when due on December 1, 2007. The District reduced its aggregate debt service payments by $179,143 over the next 10 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $151,901. The District incurred a cost on refunding in the amount of $55,505, which has been deferred and is being amortized over the life of the old debt.

General Obligation Refunding and Improvement Bonds, Series 2008:
On October 21, 2008, the District authorized the issuance of the General Obligation Refunding and Improvement Bonds, Series 2008 for $10,000,000. The Bonds mature on December 1, 2025 and bear interest at the initial rate of 4.76% per annum for 7 years from the date of delivery payable in June 1st and December 1st of each year commencing December 1, 2008. On December 1, 2015 until December 1, 2025, the interest rate will be adjusted to the Adjusted Interest Rate. The Adjusted Interest Rate will be calculated using the prevailing 7 year LIBOR swap rate, plus 275 basis points, multiplied by 70%. The maximum effective interest rate shall not exceed 10% per annum. The Series 2008 Bonds are subject to mandatory sinking fund redemption beginning December 1, 2012. These bonds were used for the current refunding of the Series 2006B Bonds. The bonds are secured by pledged revenues derived by the required mill levy and specific ownership taxes received in conjunction with the property tax mill levy. In 2012, the bonds were refunded.

Note 4: <u>Long-Term Debt (continued):</u>

In 2012, the District issued $10,000,000 in General Obligation Refunding Bonds, Series 2012, (the "Bonds"), dated April 3, 2012. The proceeds were used to current refund the Series 2008 Bonds. The Bonds bear interest at a rate of 2.39% maturing December 1, 2022. The interest will be paid semi-annually on June 1st and December 1st commencing on December 1, 2012. The Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2013. The Bonds are secured by pledged revenues derived by the required mill levy on the property taxes allocated per the mill levy. The District realized a Net Present Value savings of $1,732,135.

The Series 2012 Bonds maturing on December 1, 2025 shall be subject to redemption prior to maturity, in whole or in part, at the option of the District on any interest payment date at the redemption prices plus accrued interest to the redemption dates set forth below:

Redemption Date	Price as a percent of Par
Through and including June 1, 2013	103.0%
June 2, 2013 through and including June 1, 2014	102.0%
June 2, 2014 through and including June 1, 2015	101.0%
From June 2, 2015 and thereafter	100.0%

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2006A Bonds:

	Principal	Interest	Total
2013	$ 1,270,000	$ 439,068	$ 1,709,068
2014	1,320,000	386,828	1,706,828
2015	1,380,000	331,283	1,711,283
2016	1,435,000	271,843	1,706,843
2017	1,500,000	209,490	1,709,490
2018- 2019	3,200,000	217,830	3,417,830
	$ 10,105,000	$ 1,856,342	$ 11,961,342

Note 4: Long-Term Debt (continued):

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2012 Bonds:

	Principal	Interest	Total
2013	$ 430,000	$ 239,000	$ 669,000
2014	440,000	228,723	668,723
2015	445,000	218,207	663,207
2016	460,000	207,572	667,572
2017	470,000	196,577	666,577
2018- 2022	7,755,000	686,050	8,441,050
	$ 10,000,000	$ 1,776,129	$ 11,776,129

Note 5: Debt Authorization:

At elections held May 4, 2004 and November 1, 2005, a majority of the qualified electors of the District who voted in the elections authorized the issuance of general obligation indebtedness in an amount not to exceed $15,000,000 for the purposes of the extension and improvements of the existing sanitary sewer system and $20,000,000 for the extension and improvement of the existing potable and non-potable water supply, storage transmission and distribution system of the District, respectfully. After the issuance of the Series 2008 Bonds, the District has the authority to issue additional obligation for sanitary sewer purposes in the amount of $3,154,400 from the May 2004 election and $4,561,110 from the November 2005 election and will have the authority to issue additional obligations for water improvements in the amount of $13,210,000 from the November 2005 election.

Note 6: Related Party Transactions:

All members of the Board of Directors of the District also serve on the Board of the Inverness Metropolitan Improvement District. On September 21, 2004, the District entered into an Office Lease Agreement with Building 19 Inverness Way East, LLC. The term of the lease is from January 1, 2005, through December 31, 2009. In 2011 and 2012, it was extended. One member of the Board of Directors has an ownership interest in Building 19 Inverness Way East, LLC. The base rent is $1,689 per month. In 2012 and 2011, the District paid Building 19 Inverness Way East, LLC, $19,708 and $20,267 respectively for rent.

One member of the District's Board of Directors has an ownership interest in Inverness Properties LLC. During 2012 and 2011, the District paid $ 104,354 and $98,938 respectively, to Inverness Properties, LLC for administration and maintenance services.

Note 7: Agreements:

Wastewater Treatment Plant Relocation and Expansion

On April 19, 2005, the District entered into an agreement with Arapahoe County Water and Wastewater Authority ("ACWWA") and Arapahoe County Water and Wastewater Public Improvement District ("PID") to expand the existing Lone Tree Creek Wastewater Treatment Plant ("WWTP"). Included in the project are the Inverness Pipeline Improvements, which are comprised of the Inverness Lift Station, a collection system to WWTP, and an effluent return pipeline to Inverness. ACWWA as manager of the PID will contract the design and construction of the WWTP Expansion including the effluent pump station. The District will contract the design and construction of the Inverness Pipeline Improvements. Capital costs to construct to WWTP will be based on each party's share of capacity of the new facility, and capital costs to construct the Inverness Pipeline Improvements will be funded entirely by the District. The estimated cost of the WWTP Expansion is $24.8 million, and the estimated cost of the Inverness Pipeline Improvements is $6.4 million, for a total cost of $31.2 million. The WWTP Expansion is to provide a total treatment capacity of 3.6 million gallons per day with the District's capacity at 1.1 million gallons per day. The District's total costs for the project were $14.55 million. Final costs and cost sharing was determined based on the District's pro rata share of the total capacity. The WWTP was completed in early 2009 and the District began sending flows in July 2009.

Inverness North Metropolitan District

On July 8, 2005, the District approved a petition for exclusion of approximately 40 acres ("Property") in Filing No. 44 from Inverness Associates, LLC ("IA"). In order to provide services and facilitate funding for services within the excluded area, IA formed the Inverness North Metropolitan District ("INMD"). The District will continue to provide facilities, services and programs to the Property in the same manner and to the extent as the Property had received prior to the exclusion. INMD has the authority to collect, through property taxes, funds to make payments to the District for the ongoing services and for capital improvements. Property owners within INMD are obligated for debt service property taxes for debt existing prior to the exclusion.

Starting in 2006, the District began collecting water and sewer tap fees from the property owners within INMD, of $7,440 per residential unit. These tap fees include the District's water tap fee, sewer tap fee, development fee, storm water detention fee, water quality fee and impact fee.

Note 7: Agreements (continued):

Fairfield Dry Creek Village, LP – On November 28, 2006, the District approved a petition for exclusion of approximately 7.63 acres ("Property") in Filing No. 39 located within the District's boundaries. The District will continue to provide facilities, services and programs to the Property and to the same extent as the Property had received prior to the exclusion. The District has the authority to assess fees, charges or tolls, in the form of an External Services Surcharge as an item on the water and sewer bills for the property for the ongoing operations and maintenance services and for capital improvements. This fee may be Property owners within the District are obligated for debt service property taxes for debt existing prior to the exclusion.

Avalon at Inverness – On August 23, 2006, the District approved a petition for exclusion of approximately 4.89 acres ("Property") in Filing No. 6 located within the District's boundaries. The District will continue to provide facilities, services and programs to the Property and to the same extent as the Property had received prior to the exclusion. The District has the authority to assess fees, charges or tolls, in the form of an External Services Surcharge as an item on the water and sewer bills for the property for the ongoing operations and maintenance services and for capital improvements. Property owners within the District are obligated for debt service property taxes for debt existing prior to the exclusion.

Arapahoe County Water and Wastewater Authority ("ACWWA")
The District has an agreement with ACWWA to provide wastewater treatment for Inverness at it Lone Tree Creek Water Reclamation Facility ("LTCWRF"). The District purchased capacity in the LTCWRF with the intent to accommodate all future wastewater treatment for Inverness, including disposal of the District's sewage. The LTCWRF is intended to replace the District's Wastewater Treatment Plant and its Advanced Wastewater Treatment Plant. The District's Wastewater Treatment Plant and its Advanced Wastewater Treatment Plant are currently idle (see Note 3).

On September 30, 2011, the District and ACWWA reached an agreement on the rates to be charged to the District. Prior to the agreement, the District was charged $5.37 per 1,000 gallons for treatment of wastewater. The agreement calls for $4.24 per 1,000 gallons for treatment of wastewater. Pursuant to the Agreement, a reserve for the purpose of capital assets replacement of the treatment plant to be established containing the annual payment by the District in the amount of $132,384 as well as an annual contribution of $300,949 each year by ACWWA until a maximum reserve amount of $7,500,000 is attained. The reserve will be controlled by ACWWA. The District's part of the reserve is recorded on the Statement of Net Assets. As of December 31, 2012 the District had $450,390 of funds in the reserve.

Note 8: Investments in Authorities:

South Metro Water Supply Authority – Barr Lake Pipeline Enlargement
On March 25, 2005, the South Metro Water Supply Authority ("South Metro Authority"), of which the District is a member, entered into an agreement with East Cherry Creek Valley Water and Sanitation District ("ECCV") to participate in the over sizing of the ECCV Barr Lake Pipeline, the South Metro Authority members agreed to contribute a total amount of $6,927,600 to ECCV. The District's share of this amount is $732,200 which was based upon a future use of 0.7 million gallons per day capacity of 6.0 millions gallons per day. However, the District will receive no water from this pipeline until future connecting lines have been built and the South Metro Authority is able to obtain water rights necessary to place water in the line. Since December 31, 2005, the District has paid $732,200 to the South Metro Authority. There were no additional capital contributions during 2011 and 2012.

Cherry Creek Project Water Authority
On October 14, 2005, the District entered into a Water Project Agreement and created the Cherry Creek Project Water Authority ("Cherry Creek Authority") with Arapahoe County Water and Wastewater Authority ("ACWWA"), Denver Southeast Suburban Water and Sanitation District ("Pinery"), and Cottonwood Water and Sanitation District ("Cottonwood"). On November 17, 2005, the Cherry Creek Authority purchased certain water rights, well rights, facilities and storage rights at a bankruptcy action for $14,000,000 plus closing costs. These assets were previously owned by Western Water Company. Of this amount, the District paid $6,011,489 representing an interest of 40% in the Cherry Creek Authority. The District contributed $655,286 during 2006 for the Cherry Creek Authority's purchase of additional water rights and operating costs. The District is also responsible for contributing to the operating costs of the Cherry Creek Authority. In 2012 and 2011, the District contributed $164,924, and $161,814, respectively in capital assessments and operating costs. As of December 31, 2012, the District held a 31.118% interest in the Cherry Creek Authority due to ownership purchases by ACWWA totaling $2,010,002. For a copy of the Cherry Creek Authority's financial statements, contact Cherry Creek Authority at (303) 799-9595. As of December 31, 2012 and 2011, the District's interest totaled $5,537,206 and $5,421,976 respectively.

Note 9: Deferred Compensation Plan:

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Great West Life Assurance Co. Participation in the plan is mandatory for all employees. The plan allows the employees to defer a portion of their salary until future years. The plan assets are owned by the District employees and are not reflected in these financial statements.

Note 10: Operating Lease:

In 2011, the District entered into an Operating Lease ("lease") with Zion's Credit Corporation for a solar panel system installed within the District's boundaries. The amount of the equipment installed is not to exceed $885,000. The monthly payment is $1,554. Upon commission of the equipment, the rate will adjust based on the 10 year interest rate swap plus 3.50%. This is an annual lease and will renew automatically unless certain events occur. The District has an option to purchase the equipment at fair market value. The District is responsible for all operations and maintenance and repair costs. In 2012, the District paid $24,827 for the total lease payments. The District received $30,686 in solar revenue from the electric provider.

Note 11: Tax Spending and Debt Limitations:

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights ("TABOR"), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Note 12: Risk Management:

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

SUPPLEMENTAL INFORMATION

INVERNESS WATER AND SANITATION DISTRICT

Schedule of Revenues, Expenditures and Changes in Funds Available
Budget and Actual (Non GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Service fees	$ 2,404,000	$ 2,501,923	$ 97,923
Property taxes	1,981,923	1,913,338	(68,585)
Specific ownership taxes and other tax equivalent revenue	220,568	229,301	8,733
Tap and development fees	89,280	1,211,113	1,121,833
Interest income and other income	50,000	28,862	(21,138)
Bond proceeds	10,000,000	10,000,000	-
Total revenues	14,745,771	15,884,537	1,138,766
Expenditures:			
Operating expenses:			
Utilities	251,000	311,660	(60,660)
Salaries and wages	190,000	203,287	(13,287)
Professional fees	61,000	64,186	(3,186)
Administrative and management fees	278,000	252,996	25,004
Repairs and maintenance	155,000	192,545	(37,545)
Insurance	50,000	37,300	12,700
Employee benefits and payroll taxes	45,000	50,034	(5,034)
Rent	21,000	19,708	1,292
Landscape maintenance	22,000	15,566	6,434
Supplies and materials	43,000	31,182	11,818
Denver Water purchase	450,000	263,882	186,118
CCPWA operating costs	165,000	164,924	76
Solar lease	20,000	24,827	(4,827)
ACWWA treatment costs	625,000	638,861	(13,861)
Office and communications	22,000	14,861	7,139
County treasurers' fees	29,729	28,780	949
Water conservation rebates	20,000	14,968	5,032
Other	11,000	52,650	(41,650)
Capital outlay:			
Water system	1,230,000	126,116	1,103,884
Sewer system	765,000	112,935	652,065
Debt service:			
Principal	1,335,000	1,210,000	125,000
Interest	778,808	823,711	(44,903)
Paying agent fees	3,700	4,163	(463)
Bond issuance costs	120,000	57,225	62,775
Bond defeasement	10,180,000	10,000,000	180,000
Contingency	100,000	-	100,000
Total expenditures	16,971,237	14,716,367	2,254,870
Excess (deficiency) of revenues over expenditures	(2,225,466)	1,168,170	3,393,636
Funds available - beginning of year	6,884,242	6,716,612	(167,630)
Funds available - end of year	$ 4,658,776	$ 7,884,782	$ 3,226,006

Funds available at December 31, 2011 is computed as follows:

Current assets	$ 8,119,039
Current liabilities	(1,934,257)
Add - current portion of bonds payable	1,700,000
	$ 7,884,782

The accompanying notes are an integral part of the financial statements.

INVERNESS WATER AND SANITATION DISTRICT

Expenses and Changes in Net Position
For the Year Ended December 31, 2012

The following is a reconciliation of the budgetary basis, as presented, to generally accepted accounting principals (GAAP). The basis on which the financial statements were prepared.

Revenue (budgetary basis)	$	15,884,537
Total revenue per statement of revenues, expenses and changes in funds available:		15,884,537
Expenditures - (budgetary basis)		14,716,367
Capital improvements		(239,051)
Bond principal payment		(1,210,000)
Amortization		23,424
Depreciation		1,269,044
CCPWA Operating costs		(164,924)
Change in investment in authorities		49,694
Total expenses per statement of revenues, expenses and changes in fund balance:		14,444,554
Changes in net position per statement of revenue, expenses and changes in net position:	$	1,439,983

The accompanying notes are an integral part of the financial statements.

INVERNESS WATER AND SANITATION DISTRICT

Schedule of Operating, General and Administrative Expenses
For the Years Ended December 31, 2012 and 2011

	2012	2011
Water Operating Expenses		
Utilities	$ 224,035	$ 212,751
Repairs and maintenance	93,063	24,726
Solar panel lease	24,827	20,553
Supplies and materials	31,182	36,773
Denver water purchases	263,882	280,395
	$ 636,989	$ 575,198
Effluent Operating Expenses		
Utilities	$ 71,750	$ 71,969
Repairs and maintenance	27,863	2,904
Supplies and materials	-	7,123
	$ 99,613	$ 81,996
Sewer Operating Expenses		
Utilities	$ 15,875	$ 14,402
Repairs and maintenance	71,619	17,684
Supplies and materials	-	159
Treatment - ACWWA	638,861	594,101
	$ 726,355	$ 626,346
General and Administrative Expenses		
Salaries and wages	$ 203,287	$ 183,400
Employee benefits and payroll taxes	50,034	43,386
Professional fees	64,186	48,741
Administrative and management fees	252,996	252,996
Insurance	37,300	48,207
Rent	19,708	20,267
Landscape maintenance	15,566	21,115
Office and communications	14,861	14,201
Other	67,618	39,722
	$ 725,556	$ 672,035

The acompanying notes are an integral part of the financial statements.

INVERNESS WATER AND SANITATION DISTRICT
Seven Year Summary of Assessed Valuation, Mill Levy
And Property Taxes Collected
December 31, 2012

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied Debt Service Fund	Total Property Taxes Levied	Total Property Taxes Collected (2)	Percent Collected to Levied
2006					
Arapahoe County	$ 138,918,040	6.250	$ 868,238		
Arapahoe County Sewer Only (1)	9,478,690	4.150	39,337		
Douglas County	69,479,750	6.250	434,248		
	$ 217,876,480		$ 1,341,823	$ 1,302,686	97.08%
2007					
Arapahoe County	$ 142,062,950	6.250	$ 887,893		
Arapahoe County Sewer Only (1)	9,498,490	4.090	38,849		
Arapahoe County Excluded Property (4)	3,194,390	1.210	3,865		
Douglas County	69,367,390	6.250	433,546		
	$ 224,123,220		$ 1,364,153	$ 1,324,744	97.11%
2008					
Arapahoe County	$ 169,156,590	8.000	$ 1,353,253		
Arapahoe County Sewer Only (1)	11,698,150	5.540	64,808		
Arapahoe County Excluded Property (4)	4,358,160	1.480	6,450		
Douglas County	76,364,730	8.000	610,918		
	$ 261,577,630		$ 2,035,428	$ 1,999,406	98.23%
2009					
Arapahoe County	$ 172,362,400	7.800	$ 1,344,427		
Arapahoe County Sewer Only (1)	10,732,040	5.410	58,060		
Arapahoe County Excluded Property (4)	11,699,050	1.450	16,964		
Douglas County	79,435,130	7.800	619,594		
	$ 274,228,620		$ 2,039,045	$ 1,980,070	97.11%
2010					
Arapahoe County	$ 193,270,310	7.100	$ 1,372,219		
Arapahoe County Sewer Only (1)	15,505,400	4.740	73,463		
Arapahoe County Excluded Property (4)	13,746,960	1.230	16,871		
Arapahoe County Excluded Property (4)	2,060,520	4.280	8,815		
Douglas County Excluded Property (4)	178,480	6.410	1,144		
Douglas County	85,878,380	7.100	609,736		
	$ 310,640,050		$ 2,082,249	$ 1,921,924	92.30% (5)
2011					
Arapahoe County	$ 181,863,600	7.300	$ 1,327,604		
Arapahoe County Sewer Only (1)	15,113,730	4.800	72,546		
Arapahoe County Excluded Property (4)	14,883,110	1.220	18,151		
Arapahoe County Excluded Property (4)	2,056,890	4.310	8,865		
Douglas County Excluded Property (4)	696,880	6.560	4,572		
Douglas County	85,949,210	7.300	627,429		
	$ 300,563,420		$ 2,059,168	$ 1,929,967	93.73% (5)
2012					
Arapahoe County	$ 162,174,420	7.900	$ 1,281,178		
Arapahoe County Sewer Only (1)	10,381,800	5.110	53,051		
Arapahoe County Excluded Property (4)	14,149,240	1.260	17,828		
Arapahoe County Excluded Property (4)	1,837,320	4.560	8,378		
Douglas County Excluded Property (4)	713,230	7.050	5,027		
Douglas County	78,032,820	7.900	616,459		
	$ 267,288,830		$ 1,981,922	1,913,338.00	96.54%
2013					
Arapahoe County	$ 159,427,310	8.350	$ 1,331,218		
Arapahoe County Sewer Only (1)	10,033,880	5.401	54,193		
Arapahoe County Excluded Property (4)	14,411,330	1.330	19,167		
Arapahoe County Excluded Property (4)	1,827,380	4.820	8,808		
Douglas County Excluded Property (4)	749,590	7.450	5,584		
Douglas County	95,418,960	8.350	796,748		
	$ 281,868,450		$ 2,215,719		

NOTES:
(1) A portion of Arapahoe County is excluded from water services.
(2) Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.
(3) Property taxes collected from Arapahoe County include abatements related to prior years.
(4) Residential property excluded from water and sewer services is subject to the debt service mill levy for debt issued prior to its exclusion.
(5) Includes abatements from prior year.

Appendix C

APPENDIX C

Inverness Water and Sanitation
Balance Sheet
July 31, 2013

Assets	
Current Assets	
Operating Cash	$ 101,991
Investments	8,553,292
WWTP R&R Reserve	527,614
A/R - Service Fees	556,836
A/R - Property Taxes	20,671
A/R - Other	24,650
Total Current Assets	$ 9,785,054
Other Assets	
Unamortized Bond Issue Costs	$ 194,393
	$ 194,393
Capital Assets	
General Equipment/Vehicles	$ 129,665
Water Systems	10,954,789
Sewer Systems	23,330,384
Storm Drainage Systems	3,466,802
Effluent Irrigation Assets	3,223,553
	$ 41,105,193
Accumulated Depreciation	$ (13,375,149)
	$ 27,730,044
Water & Supply Contract Rights	$ 10,920,479
Land & Easements	67,417
Construction in Process	667,365
Total Capital Assets	$ 39,385,305
Total Assets	$ 49,364,752
Liabilities and Equity	
Current Liabilities	
Other Accrued Liabilities	$ 5,037
Accounts Payable	240,018
Accrued Vacation Payable	9,577
Accrued Interest Payable	81,234
Total Current Liabilities	$ 335,866
Long Term Liabilities	
Unamortized Bond Discount	$ (98,981)
Long term portion of bonds payable	20,105,000
Total Long Term Liabilities	$ 20,006,019
Total Liabilities	$ 20,341,885
Equity	
Contributed Capital	$ 1,845,140
Contributed Tap Fees	4,400,790
Contributed Inclusion Fees	176,098
State of Colorado Grant	110,683
Accumulated Earnings (Deficit)	20,564,147
Net Income	1,926,011
Total Equity	$ 29,022,869
Total Liabilities & Equity	$ 49,364,754

INVERNESS WATER & SANITATION DISTRICT
OPERATING STATEMENT-BUDGETARY BASIS
PERIOD ENDING July 31, 2013

	CURRENT ACTIVITY	YTD ACTIVITY	ANNUAL BUDGET	REMAINING BUDGET
OPERATING REVENUE				
Water Service Fees	134,436	529,810	1,000,000	470,190
Sewer Service Fees	74,279	512,235	900,000	387,765
Effluent Irrigation	102,340	199,408	400,000	200,592
Sewer Capacity Lease	-	-	2,000	2,000
Solar Credits	6,772	19,165	30,000	10,835
Cottonwood Operations	8,320	58,240	100,000	41,760
TOTAL OPERATING REVENUE	$ 326,147	$ 1,318,858	$ 2,432,000	$ 1,113,142
OPERATING EXPENDITURES				
GENERAL & ADMINISTRATIVE				
Office Utilites/Janitorial	165	1,657	3,000	1,343
Rent	1,707	12,065	21,000	8,935
Office Expenses	913	7,042	11,000	3,958
Telephone	679	4,165	9,000	4,835
Salaries and Wages	14,186	105,876	190,000	84,124
Employee Benefits & P/R Taxes	4,562	31,188	48,000	16,812
Publications, Dues & Permits	-	15,329	17,000	1,671
Legal-Water Rights	115	5,200	20,000	14,800
Legal-Administrative	2,649	17,144	50,000	32,856
Admin Reimbursement - MMRE	13,733	96,131	164,800	68,669
Admin Reimbursement - IPLLC	7,042	49,292	84,500	35,208
Director Fees	800	1,500	3,000	1,500
District Mgmt - IPLLC	833	5,833	10,000	4,167
Audit	-	-	10,000	10,000
Consulting/Engineering	107	4,307	20,000	15,693
Insurance	474	39,052	40,000	948
Landscape Maintenance	1,298	8,440	20,000	11,560
Water Conservation Plan	2,002	5,539	20,000	14,461
CCPWA Operations	-	51,863	170,000	118,137
Auto and Truck Expense	2,862	9,458	12,000	2,542
TOTAL GENERAL & ADMINISTRATIVE	$ 54,127	$ 471,081	$ 923,300	$ 452,219
WATER OPERATING EXPENSES				
Repairs and Maintenance	7,065	28,780	60,000	31,220
Utilities	18,978	106,096	160,000	53,904
Water - Denver Water	103,213	295,224	450,000	154,776
Chemicals/Labwork	4,588	18,001	35,000	16,999
Solar Panel Lease	1,553	10,874	19,000	8,126
Solar Panel Repair & Maintenance	-	5,300	-	(5,300)
TOTAL WATER EXPENSES	$ 135,397	$ 464,275	$ 724,000	$ 259,725
SEWER OPERATING EXPENSES				
Repairs and Maintenance	6,643	12,098	45,000	32,902
Utilities	1,054	10,559	17,000	6,441
Chemicals/Labwork	445	3,313	-	(3,313)
ACWWA Sewer Treatment	62,813	389,660	660,000	270,340
TOTAL SEWER EXPENSES	$ 70,955	$ 415,630	$ 722,000	$ 306,370
EFFLUENT IRRIGATION OPERATING EXPENSES				
Repairs and Maintenance	(1,731)	1,670	10,000	8,330
Utilities	9,341	32,608	75,000	42,392
Tree Replacements	-	13,000	15,000	2,000
Chemicals/Labwork	-	-	2,000	2,000
TOTAL EFFLUENT EXPENSES	$ 7,610	$ 47,278	$ 102,000	$ 54,722
Contingency	-	-	50,000	50,000
TOTAL OPERATING EXPENDITURES	$ 268,089	$ 1,398,264	$ 2,521,300	$ 1,123,036
NET OPERATING INCOME (LOSS)	$ 58,058	$ (79,406)	$ (89,300)	$ (9,894)

INVERNESS WATER & SANITATION DISTRICT
OPERATING STATEMENT-BUDGETARY BASIS
PERIOD ENDING July 31, 2013

	CURRENT ACTIVITY	YTD ACTIVITY	ANNUAL BUDGET	REMAINING BUDGET
NON-OPERATING REVENUE				
Property Taxes	13,555	2,156,450	2,215,709	59,259
Tax Equivalent Revenue	-	-	108,293	108,293
Specific Ownership Tax	14,211	94,594	125,000	30,406
Interest Income	1,425	7,327	30,000	22,673
Miscellaneous Income	-	500	3,000	2,500
Tap Fees Residential	119,973	119,973	1,200,000	1,080,027
TOTAL NON-OPERATING REVENUE	$ 149,164	$ 2,378,844	$ 3,682,002	$ 1,303,158
OTHER COSTS				
Principal - bonds	-	-	1,700,000	1,700,000
Interest - bonds	-	339,034	678,068	339,034
Paying Agent Fees	-	1,950	37,000	35,050
Treasurer's Fees	213	32,360	33,236	876
Contingency - Debt Service	-	-	50,000	50,000
Capital Projects	34,371	316,400	3,130,000	2,813,600
TOTAL OTHER COSTS	$ 34,584	$ 689,744	$ 5,628,304	$ 4,938,560
NET INCOME (LOSS)	$ 172,638	$ 1,609,694	$ (2,035,602)	$ (3,645,296)

WATER INFRASTRUCTURE AND SUPPLY EFFICIENCY PROJECT

Loan Feasibility Study

Supplemental Information

B&V PROJECT NO. 176888

PREPARED FOR

Colorado Water Conservation Board on Behalf of the WISE Authority

14 MARCH 2014

Expected Project Yield

The Water Delivery Agreement (WDA) with Denver Water and Aurora Water allows for variable deliveries every year based on hydrology conditions. However, the WDA also guarantees that each participant will receive a minimum amount of water over any 10-year period. This guaranteed delivery amount is listed in Supplement Table 1, along with the corresponding average annual average yield (1/10th of the 10-year guaranteed delivery).

Supplement Table 1. Expected WISE Project Yield

WISE Authority Member	10-Year Guaranteed Delivery (AF)	Average Annual Delivery (AFY)
Castle Rock	10,000	1,000
Centennial	10,000	1,000
Cottonwood	4,000	400
Dominion	13,250	1,325
Inverness	5,000	500
Meridian	3,000	300
Parker	12,000	1,200
Pinery	5,000	500
Rangeview	5,000	500
Stonegate	5,000	500
Total	**72,250**	**7,225**

Detailed Project Cost Breakdown by Participant

The estimated amount that each WISE Authority member is required to pay for each project component is shown in Supplement Table 2 and is based on:

- The amount of water each WISE Authority member has committed to taking.
- The amount of local infrastructure that must be constructed to deliver each member's WISE water.

Supplemental Table 2 – WISE Project Capital Cost Opinion by Participant ($Millions)

Component ID	Castle Rock	Centennial	Cottonwood	Dominion	Inverness	Meridian	Parker	Pinery	Rangeview	Stonegate
E22	0.05	0.05	0.02	0.06	0.02	0.01	0.06	0.02	0.02	0.02
E3	0.32	0.32	0.13	0.43	0.16	0.10	0.39	0.16	0.16	0.16
E5	0.00	0.00	0.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E7	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.00	0.00	0.00
E8	0.00	0.00	0.00	0.00	0.73	0.00	0.00	0.00	0.00	0.00
E9	0.00	0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E13P	1.11	0.00	0.00	1.47	0.00	0.00	0.00	0.55	0.00	0.55
E15	1.77	0.00	0.00	2.35	0.00	0.00	0.00	0.00	0.00	0.00
E16P	8.16	0.00	0.00	2.06	0.00	0.00	0.00	0.00	0.00	0.00
E16, E19, E20	8.56	0.00	0.00	2.16	0.00	0.00	0.00	0.00	0.00	0.00
E12	0.66	0.00	0.00	0.87	0.00	0.00	0.79	0.33	0.00	0.33
E13	1.05	0.00	0.00	1.39	0.00	0.00	1.26	0.52	0.00	0.52
E17	0.55	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E2P	1.04	1.04	0.41	1.37	0.52	0.31	1.24	0.52	0.52	0.52
E2	1.16	1.16	0.46	1.53	0.58	0.35	1.39	0.58	0.58	0.58
E1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.28	0.00
E14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.33	0.00	0.33
E21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.86	0.00	0.00
E11	0.00	0.00	0.00	12.19	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	24.43	2.83	1.55	25.88	2.01	0.89	5.13	5.87	2.56	3.01
Engineering/Design (8%)	1.95	0.23	0.12	2.07	0.16	0.07	0.41	0.47	0.20	0.24
Permitting/Easements (2%)	0.49	0.06	0.03	0.52	0.04	0.02	0.10	0.12	0.05	0.06
Subtotal	26.87	3.11	1.71	28.47	2.21	0.98	5.64	6.46	2.82	3.31
Contingency (30%)	8.06	0.93	0.51	8.54	0.66	0.29	1.69	1.94	0.84	0.99
Total Construction Cost	34.93	4.05	2.22	37.01	2.87	1.27	7.34	8.39	3.66	4.30
ECCV pipeline acquisition (WISE Authority portion)	4.06	4.06	1.62	5.37	2.03	1.22	4.87	2.03	2.03	2.03
DIA Connection Fee	1.00	1.00	0.40	1.33	0.50	0.30	1.21	0.50	0.50	0.50
Total Capital Cost Opinion	**40.0**	**9.1**	**4.2**	**43.7**	**5.4**	**2.8**	**13.4**	**10.9**	**6.2**	**6.8**