



CENTENNIAL
WATER AND SANITATION DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2019 and 2020



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

CENTENNIAL
WATER and SANITATION DISTRICT
Serving Highlands Ranch, Colorado

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

**For the years ended
DECEMBER 31, 2020 and 2019**

**CENTENNIAL WATER and SANITATION DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Years Ended December 31, 2020 and 2019
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CENTENNIAL

WATER AND SANITATION DISTRICT

August 2, 2021

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

We are pleased to present the comprehensive annual financial report ("CAFR") of Centennial Water and Sanitation District ("District or Centennial") for the years ended December 31, 2020 and December 31, 2019.

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

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

The financial statements have been audited by BDO USA, LLP a firm of licensed certified public accountants. BDO has issued an unmodified opinion that the District's financial statements for the year ended December 31, 2020 are presented fairly. The independent auditor's report is located at the front of the financial section of the report. BDO is in the second year of doing the audit in the original five year engagement. The Board reviews proposals every five years although there is no mandatory rotation.

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

PROFILE, RESPONSIBILITIES AND STRUCTURE OF THE DISTRICT

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



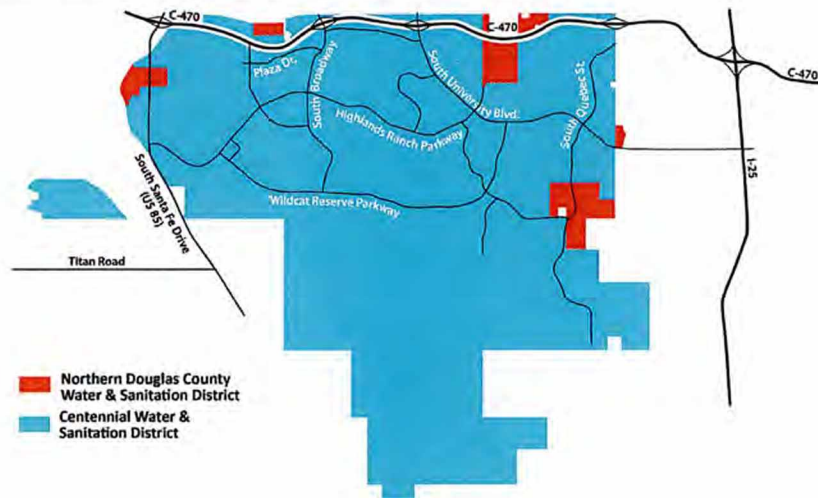
62 West Plaza Drive
Highlands Ranch, Colorado 80129
www.centennialwater.org

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

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

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

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



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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

Revenue Base

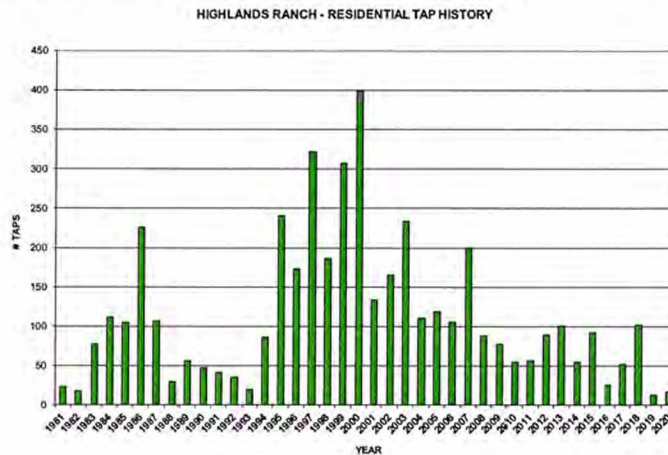
The District's primary revenue sources are rates assessed based on water usage and consumption and reserved capacity fees based on tap fees assessed against new property as it is connected. The rates are designed to fund general operation and maintenance expenses, debt service, major repair reserves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

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

Actual growth in 2020 for the two areas the District serves, the Highlands Ranch Metro District, Mirabelle Metropolitan District, and Northern Douglas County Water and Sanitation District, can be summarized on the following table:

	Highlands		Northern
	Ranch	Mirabelle	Douglas
In 2020			
Single Family Residential	89	64	4
Multi Family Residential	397	0	0
Nonresidential acres	0	0	0
Nonresidential 3/4" equivalents	17	0	4
1981 - 2020			
Single Family Residential	29,143	64	1,532
Multi Family Residential	8,045	0	216
Nonresidential 3/4" equivalents			
Indoor Use	3,352	0	292
Irrigation Uses	2,469	0	

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



With the 2020 development, Highlands Ranch has reached approximately 98% of the current anticipated ultimate development of single and multi-family residential dwelling units. The re-zoning request of the C-470 corridor described below will result in additional single and multi-family units which if approved will allow the overall residential development within Highlands Ranch to maintain a steady growth rate in relation to the Denver Metro area for the foreseeable future as it approaches maturity.

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

Fiscal Policy and Fund Balance

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

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

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

The District deposits directly to the Water Acquisition Fund an amount equal to \$.75 (increasing to \$.80 in 2021)/ 1,000 gallons of water billed.

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

- to the Reserve Fund
 - a transfer of \$2.9 million less any miscellaneous capital expenditures that occurred in the operations fund during the fiscal year
- to the Financial Assurance Fund
 - any remaining net current assets are transferred to a Financial Assurance Fund.
- each year during the adoption of the next year's budget the Board will review the forecasted fund balances and, if necessary, direct transfers from the Financial Assurance Fund to other funds to meet the financial needs of the District.

Long Range Capital Improvement Planning and Debt Management

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

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

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

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

The District achieved this level in part based on:

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

During 2013 the District applied for a Colorado Water Conservation Board Loan for up to 90% of the Chatfield Reallocation Project (described below) costs. In May 2014 the loan was approved by CWCB in 3 tranches with each at a rate of 3%. The proceeds will be distributed similar to a construction loan. Interest may be deferred until construction is complete but the District anticipates making semi-annual payments. Draws began in 2017. As of December 31, 2019 the total amount drawn was \$51,718,273.

Pension and other employee benefits

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

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

MAJOR INITIATIVES

Wastewater

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

Water

In 2018, the District engaged a consultant to complete a utility plan for the water treatment plant. Several improvements were identified to address aging infrastructure and improve efficiency. The capital plan anticipates addressing in phases. In 2020, the District engaged a consultant to begin design for Phase I. Construction is anticipated to begin in 2022.

Additional supplies of renewable surface water to supplement the existing water portfolio through a major regional project is anticipated to be complete in 2021.

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

AWARDS AND ACKNOWLEDGMENTS

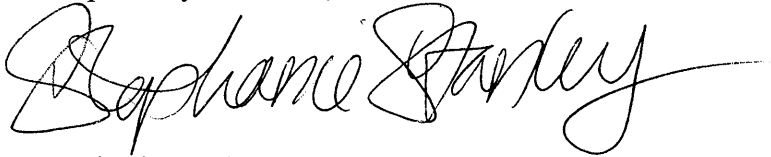
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Centennial Water and Sanitation District for its comprehensive annual financial report for the year ended December 31, 2019. The District received the Certificate of Achievement for the twenty-first consecutive year.

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

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

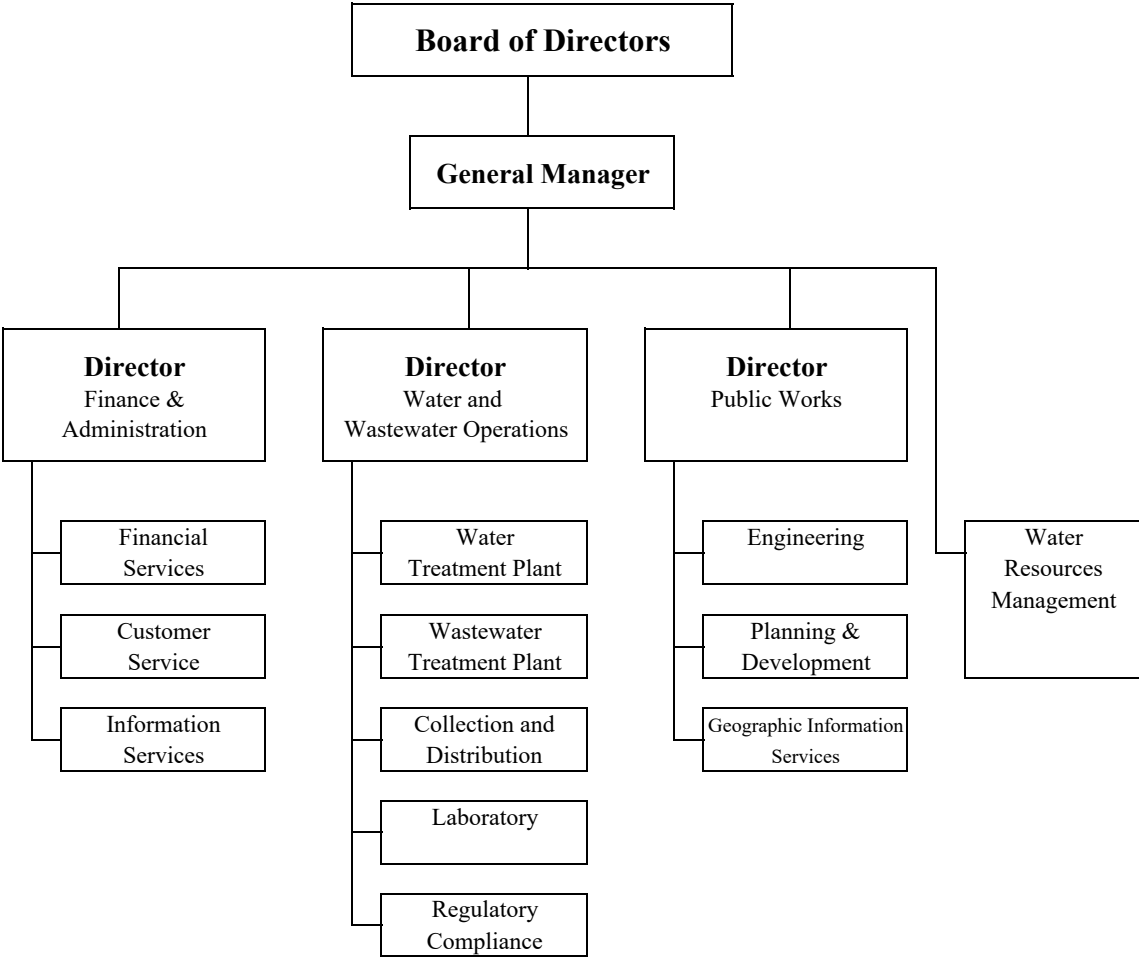
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Financial Services Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report.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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephanie Stanley", with a long horizontal flourish extending to the right.

Stephanie Stanley
Director, Finance and Administration

Centennial Water and Sanitation District



CENTENNIAL WATER and SANITATION DISTRICT
HIGHLANDS RANCH, COLORADO

BOARD OF DIRECTORS AND DISTRICT OFFICIALS

ELECTED BOARD OF DIRECTORS
AS OF DECEMBER 31, 2020

<u>OFFICE</u>		<u>TERM OF OFFICE</u>
CHAIR	Jeffrey Kappes	May 2020 - May 2023
VICE-CHAIR	John Kilrow	May 2020 - May 2023
TREASURER	Terri Kershnik	May 2020 - May 2023
ASST. SECRETARY	Jeff Donelson	May 2018 - May 2022
ASST. SECRETARY	Tim Roberts	May 2018 - May 2022

APPOINTED DISTRICT OFFICIALS

GENERAL MANAGER
John Kaufman

DIRECTOR, FINANCE AND ADMINISTRATION
Stephanie Stanley

DIRECTOR, WATER & WASTEWATER OPERATIONS
Sam Calkins

DIRECTOR, PUBLIC WORKS
Jeff Case



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Centennial Water and Sanitation District
Colorado**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morrill

Executive Director/CEO



Tel: 970-352-1700
Fax: 970-352-1708
www.bdo.com

2015 Clubhouse Drive, Suite 203
Greeley, CO 80634

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Centennial Water and Sanitation District (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District, as of December 31, 2020, and the 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the 2020 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 2020 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 2020 financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Emphasis of Matter

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

Other Matters

Prior Year Financial Statements

The 2019 financial statements of the District were audited by ACM LLP ("ACM"), whose partners and professional staff joined BDO USA, LLP as of August 1, 2020, and has subsequently ceased operations. ACM's report dated July 30, 2020 expressed an unmodified opinion¹ on those statements.



Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) on pages 22 to 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BDO USA, LLP

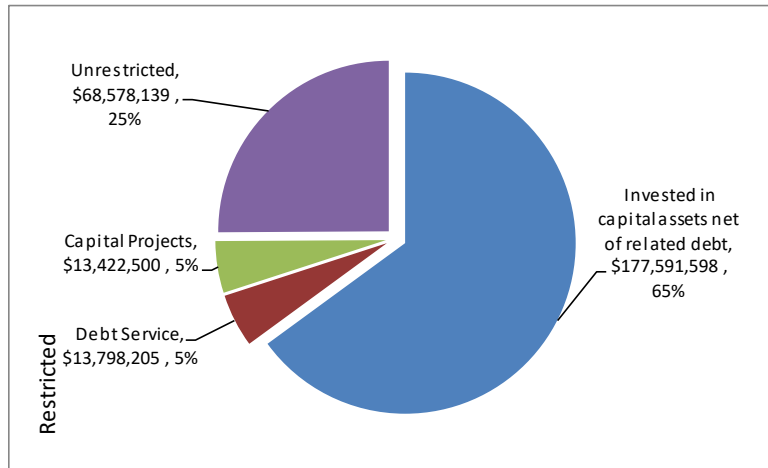
August 2, 2021

Management's Discussion and Analysis

As management of the Centennial Water and Sanitation District we are pleased to provide a discussion and analysis of the District's 2020 financial statements. This narrative overview provides a more detailed and insightful examination of the financial condition and operating results for the fiscal year ended December 31, 2020 as well as information on any financial issues and activities. We encourage readers to consider the information presented here in conjunction with additional information in our letter of transmittal, which can be found on pages i to vii of this report.

Financial Highlights

Net position represents the amount that assets and deferred outflow of resources exceed liabilities. At the close of the current fiscal year the District had a net position of \$273,390,442, an increase of \$14,032,860 or 5.4% over the fiscal 2019 net position. The components of the 2020 net position are categorized as follows:



- Liabilities decreased by \$4,233,533 during 2020 to a year-end balance of \$152,872,426.
 - The most significant portion of the liabilities is related to the District's long-term debt consisting of revenue bonds payable and to a lesser extent compensated absences.
 - Revenue bonds payable, increased by \$2,738,962 to a total outstanding balance of \$147,609,196. The District made scheduled principal payments on the outstanding issues and drew on the loan with Colorado Conservation Water Board for the Chatfield Reallocation Project.
- Prudent fiscal stewardship by the District continues.
 - The Board monitors its reserve policy to ensure that the District has financial stability during both changing economic times as well as annual revenue fluctuations due to changing water demands. The Board has created reserves for major equipment repair and replacement; funding of additional acquisition of sustainable water supplies and a financial assurance fund. This fund can be used for various Board determined purposes with its primary purpose being rate stability. However it can be used for debt payments and acquisition of water supplies.
 - Employee related costs remain manageable.
 - The District has a performance based pay plan that compares wages with comparable wages in the Denver metro area.
 - The cost of employee benefits remains manageable as the result of maintaining a defined contribution plan and annual review of employee benefits. The base health insurance plan was unchanged during 2020. Employees shared in any premium increases based on the existing premium sharing arrangement with the employees.

Overview of the Financial Statements

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

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

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

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

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

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

Financial Analysis

Net position

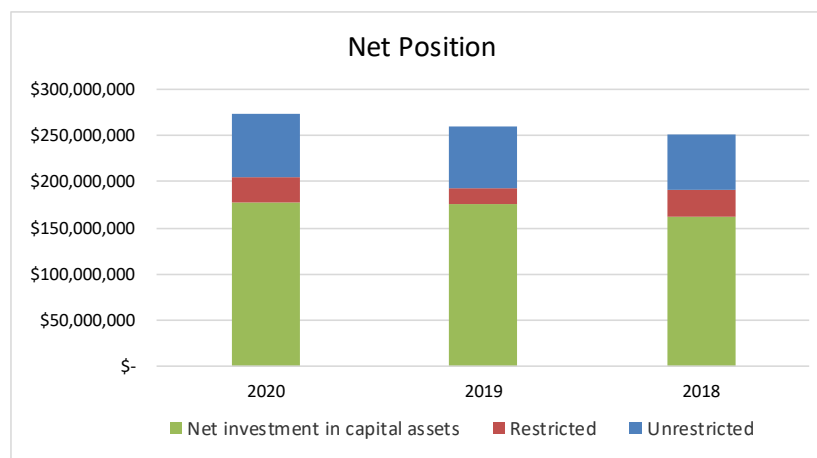
As discussed above, net position serves over time as a useful indicator of a government's financial position.

- Net position continued to improve in 2020 as at December 31, 2020 the District assets exceeded liabilities by \$273,390,442 an increase of \$14,032,860 or 5.4% from December 31, 2019.
- Net position was \$259,357,582 at December 31, 2019, an increase of \$7,295,407 or 3.2% from December 31, 2018.

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

	As of December 31,			2020-2019		2019-2018	
	2020	2019	2018	Increase (Decrease)	% Change	Increase (Decrease)	% Change
Assets							
Current assets	\$ 69,442,029	\$ 68,659,427	\$ 62,999,482	\$ 782,602	1.14%	\$ 5,659,945	8.98%
Current restricted assets	66,757,938	90,888,420	28,228,552	(24,130,482)	-26.55%	62,659,868	221.97%
Capital assets net of accumulated	289,640,684	256,225,346	220,555,099	33,415,338	13.04%	35,670,247	16.17%
Total assets	425,840,650	415,773,193	311,783,133	10,067,457	2.42%	103,990,060	33.35%
Deferred outflow of resources	422,218	690,348	1,019,930	(268,130)	-38.84%	(329,582)	-32.31%
Liabilities							
Current liabilities payable from current assets	2,131,090	2,222,112	1,947,183	(91,022)	-4.10%	274,929	14.12%
Current liabilities payable from restricted assets	9,950,300	16,769,899	6,824,620	(6,819,599)	-40.67%	9,945,279	145.73%
Long-term debt	140,791,036	138,113,948	52,599,085	2,677,088	1.94%	85,514,863	162.58%
Total liabilities	152,872,426	157,105,959	61,370,888	(4,233,533)	-2.69%	95,735,071	155.99%
Net Position							
Net investment in capital assets	177,591,598	176,701,851	163,152,219	889,747	0.50%	13,549,632	8.30%
Restricted	27,220,705	16,771,647	27,566,565	10,449,058	62.30%	(10,794,918)	-39.16%
Unrestricted	68,578,139	65,884,084	60,713,391	2,694,055	4.09%	5,170,693	8.52%
Net position	\$ 273,390,442	\$ 259,357,582	\$ 251,432,175	\$ 14,032,860	5.41%	\$ 7,925,407	3.15%

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



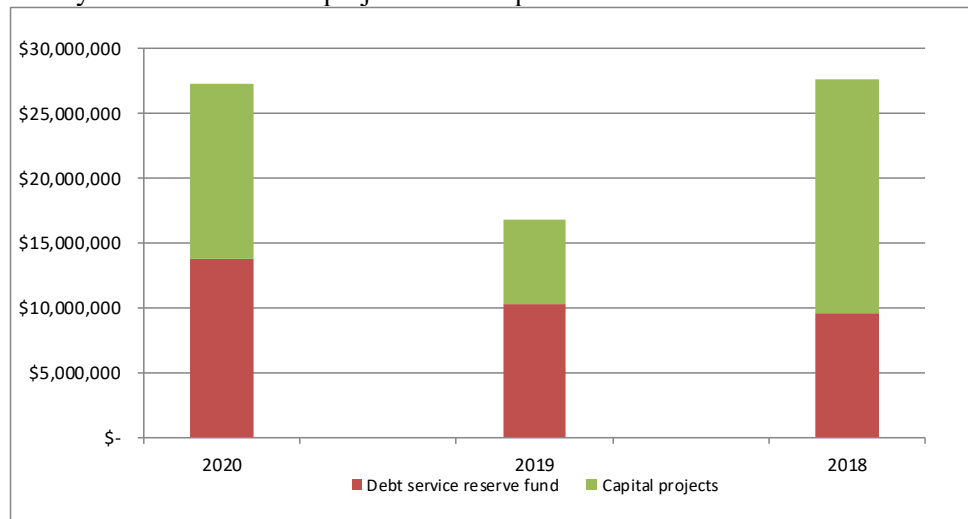
As would be expected for a utility, the largest portion of the District's net position is the net investment in capital assets (65 percent). This category reflects the District's total historic investment, at cost, in capital assets (e.g., infrastructure, plant, buildings, water rights, machinery, and equipment); less any related outstanding debt used to acquire those assets.

Capital assets are used to provide services to customers; consequently, these assets are *not* available for future spending. Although the Centennial Water and Sanitation District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The table above summarizes how the amount changed during 2020. The changes in each of the components from December 31, 2019 to December 31, 2020 are summarized in the following table.

	Net Investment			
	in Capital Assets	Debt Service	Capital Projects	Unrestricted
Balance December 31, 2019	\$ 176,701,851	\$ 10,247,285	\$ 6,524,362	\$ 65,884,084
Change in net position				14,032,860
Paid principal	7,024,772			(7,024,772)
Debt issuance	(10,304,455)			10,304,455
Use of Bond Proceeds	(28,559,716)			28,559,716
Capital outlay	38,837,594		6,898,138	(45,735,732)
Depreciation (net of retirements)	(6,381,039)			6,381,039
Amort of premiums/disc etc.	540,721			(540,721)
Adjust deferred amount of refunding	(268,130)			268,130
Adjust to next years P&I		3,550,920		(3,550,920)
Balance December 31, 2017	\$ 177,591,598	\$ 13,798,205	\$ 13,422,500	\$ 68,578,139

The District has restricted assets (25 percent) consistent with various legal and other outside restrictions. Restricted net position consists of a debt service reserve fund and the capital projects fund that is restricted due to contractual provision in the intergovernmental service agreement and bond proceeds.

- \$13,798,205 has been restricted for the payment of the 2021 debt service. The Board has determined that, in order to guarantee future compliance with various provisions of bond covenants, it would be appropriate to restrict an amount equal to the following years scheduled debt service payments. As a result the financial statements reflect these restricted assets.
- \$13,422,500 is related to reserved capacity payments received from the various governmental entities that the District serves. This amount is restricted on the books for the construction of future capital projects required to provide service pursuant to the terms of the agreements with the entities served by the District. The funds may be transferred at the discretion of the Board to be used for the payment of principal on debt service previously issued to construct projects built to provide the contract service as needed.



	2020-2019		2019-2018	
	Increase (Decrease)	% Change	Increase (Decrease)	% Change
Debt service reserve fund	\$ 3,550,920	34.65%	\$ 697,285	7.30%
Capital projects	6,898,137	105.73%	(11,492,203)	-63.79%

After considering the above restrictions, the District has unrestricted net position that may be used to meet the government’s ongoing obligations to citizens and creditors of \$ 68,578,139. The District has internally designated by resolution as part of the budget process three distinct reserves for funding future requirements in addition to the restricted funding identified above:

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

As of December 31, 2020 the amount designated for the first two reserves was approximately \$35 million from unrestricted net position accumulated for the fiscal year and in total as shown below:

	Major Repair		Water Acquisition		Combined
	Current Year	Cumulative	Current Year	Cumulative	
Funding sources					
Rates	\$ 2,900,000	\$ 23,695,816	\$ 4,220,367	\$ 22,411,098	\$ 46,106,914
Development fees	-	-	964,910	19,265,198	19,265,198
Misc. Income	-	92,533	41	14,954	107,487
Interfund Transfers	-	-	-	2,056,850	2,056,850
Expended	(2,118,691)	(2,109,354)	(16,036,838)	(30,276,547)	(32,385,901)
	<u>\$ 781,309</u>	<u>\$ 21,678,995</u>	<u>\$ (10,851,520)</u>	<u>\$ 13,471,553</u>	<u>\$ 35,150,548</u>

The financial assurance fund increased by \$4 million resulting in a total fund balance of \$18.7m as of December 31, 2020. This fund is not required based on the financial position of the District but has been created by the Board consistent with bond covenant provisions.

The remaining \$14.8 million of unrestricted assets is sufficient to meet the 6 months of working capital that has been targeted by District policy to be maintained.

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

- **RESTRICTED ASSETS** in 2020 *increased* \$10m from 2019, after *decreasing* \$10.8m between 2019 and 2018.
- **CAPITAL ASSETS, NET** are discussed more fully under capital related assets.
- **LONG TERM DEBT** in 2020 *increased* \$2.7m or 2% from 2019 after *increasing* \$74.9m or 142% between 2019 and 2018. In 2020 the outstanding debt was increased by draws on the Colorado Water Conservation Board loan for the Chatfield Reallocation Project.

Changes in net position

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

	2020	2019	2018	202-2019		2019-2018	
				Increase (Decrease)	% Change	Increase (Decrease)	% Change
Operating income							
Operating revenue:							
Water operations	\$ 33,131,183	\$ 27,988,167	\$ 28,512,675	\$ 5,143,016	18.4%	\$ (524,508)	-1.8%
Wastewater operations	12,033,862	11,542,746	10,442,472	491,116	4.3%	1,100,274	10.5%
Total operating revenues	\$ 45,165,045	\$ 39,530,913	\$ 38,955,147	5,634,132	14.3%	575,766	1.5%
Business operating expense:							
Water operations	14,549,027	13,881,475	13,986,440	667,552	4.8%	(104,965)	-0.8%
Wastewater operations	4,572,374	4,677,723	4,724,790	(105,349)	-2.3%	(47,067)	-1.0%
Administrative and general	7,567,867	7,043,588	7,158,519	524,279	7.4%	(114,931)	-1.6%
Noncapitalized major repair	881,405	514,101	480,482	367,304	nc	33,619	nc
Total business operating expenses	27,570,673	26,116,887	26,350,231	1,453,786	5.6%	(233,344)	-0.9%
Direct business related income	17,594,372	13,414,026	12,604,916	4,180,346	31.2%	809,110	6.4%
Non-cash operating expenses:							
Depreciation	6,461,405	6,378,444	6,404,333	82,961	1.3%	(25,889)	-0.4%
Total non-cash operating expenses	6,461,405	6,378,444	6,404,333	82,961	1.3%	(25,889)	-0.4%
Operating income	11,132,967	7,035,582	6,200,583	4,097,385	58.2%	834,999	13.5%
Non-operating income							
Non-operating revenue:							
Net investment income (loss)	3,542,514	4,785,312	1,504,109	(1,242,798)	-26.0%	3,281,203	218.1%
Gain on disposal of equipment	1,288	53,060	67,561	(51,772)	-97.6%	(14,501)	nc
Other Income	101,870	111,600	-	(9,730)	nc	111,600	nc
Total non-operating revenues	3,645,672	4,949,972	1,571,670	(1,304,300)	-26.3%	3,378,302	214.9%
Non-operating expense:							
Interest	3,762,647	5,691,726	1,539,890	(1,929,079)	-33.9%	4,151,836	269.6%
Other	268,130	767,772	249,540	(499,642)	nc	518,232	207.7%
Total non-operating expenses	4,030,777	6,459,498	1,789,430	(2,428,721)	-37.6%	4,670,068	261.0%
Income (loss) before contributions	10,747,862	5,526,056	5,982,823	5,221,806	94.5%	(456,767)	-7.6%
Capital Contributions	3,284,998	2,399,351	5,298,549	885,647	36.9%	(2,899,198)	-54.7%
Change in net position	14,032,860	7,925,407	11,281,372	\$ 6,107,453	77.1%	\$ (3,355,965)	-29.7%
Net position - beginning	259,357,582	251,432,175	240,150,803				
Net position - ending	\$ 273,390,442	\$ 259,357,582	\$ 251,432,175				

As shown on the above table, net position increased in 2020 by \$14m (5.4%) compared to \$7.9m (3.2%) in 2019 and \$11.3m (4.7%) in 2018. The day to day business related income from operations (operating revenues less operating expenses before the non-cash expenses for depreciation and amortization) increased the District's net position by \$17,594,372 in 2020. When the income from business operations is adjusted for depreciation, amortization and non-capitalized major repairs, operating income in 2020 was available to contribute \$11,132,967 towards the payment of interest on the District's outstanding debt and the transfer to the reserves discussed previously.

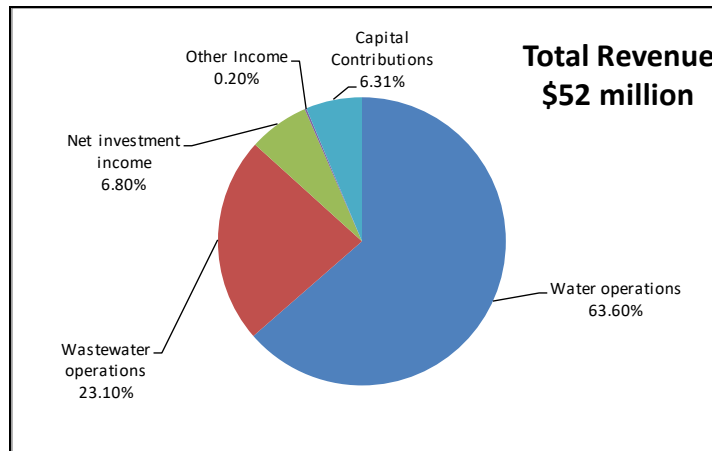
The more critical components of the change are related to the income and expenses directly related to business operations and capital contributions. These two areas generate the funding to make the annual debt service payments.

- Direct business related operating income in 2020, before considering depreciation and amortization, was \$17,594,372 an increase of \$4.2m from 2019 which was an increase of \$0.8m over 2018.
- Capital contributions continued as a significant revenue source, increasing both total net position and the restricted net position for capital projects. Capacity fees, which are in excess of the actual physical connection costs, are designed to recover the cost of building the entire system of infrastructure necessary to serve the customer base. These capital contributions are restricted by intergovernmental agreements for use either to construct capital assets or to repay the principal on debt used to fund prior capital assets.

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

Revenues and Capital Contributions

The pie chart below provides a perspective of 2020 relationship between revenues and capital contributions to the total funding by these sources.



Operating revenues

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

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

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

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

The operating revenues were influenced by the following:

- Water 2020 vs. 2019 – operating revenue from rates charged for water consumption increased 18% in 2020
 - the base water rates per 1,000 gallons increased from \$3.73 to \$3.90
 - overall consumption increased 15.8% from 2019
- Water 2019 vs. 2018 – operating revenue from rates charged for water consumption decreased 2% in 2018

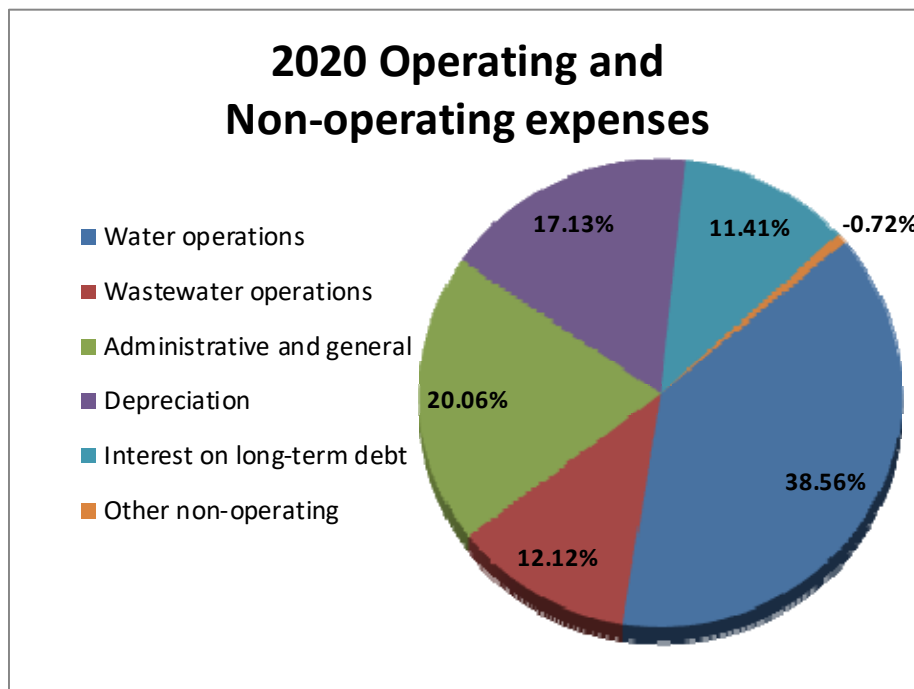
- the base water rates per 1,000 gallons increased from \$3.63 to \$3.73
- overall consumption decreased 7% from 2018
- surcharge revenue for all users increased slightly due to rate increase
- Wastewater 2020 vs. 2019 – operating revenue from rates charged for wastewater increased 4% in 2020
 - the base wastewater rates per 1,000 gallons increased from \$3.35 to \$3.68
 - wintertime consumption, the basis for the charge for residential customers has stabilized around 8,500 gallons bi-monthly.
- Wastewater 2019 vs. 2018 – operating revenue from rates charged for wastewater increased 10% in 2020
 - the base wastewater rates per 1,000 gallons increased from \$3.20 to \$3.35
 - wintertime consumption, the basis for the charge for residential customers has stabilized around 8,500 gallons bi-monthly.

Non-operating revenues

- Capital contributions are paid by Highlands Ranch Metropolitan District, Mirabelle Metropolitan District, and Northern Douglas County Water and Sanitation District. In 2020, generated by the contractual requirement for the acquisition of reserved capacity in the District’s system, the contributions amounted to \$3,284,998 primarily from Highlands Ranch Metropolitan District. This was an increase of \$0.9m from the total capital contributions received in 2019.

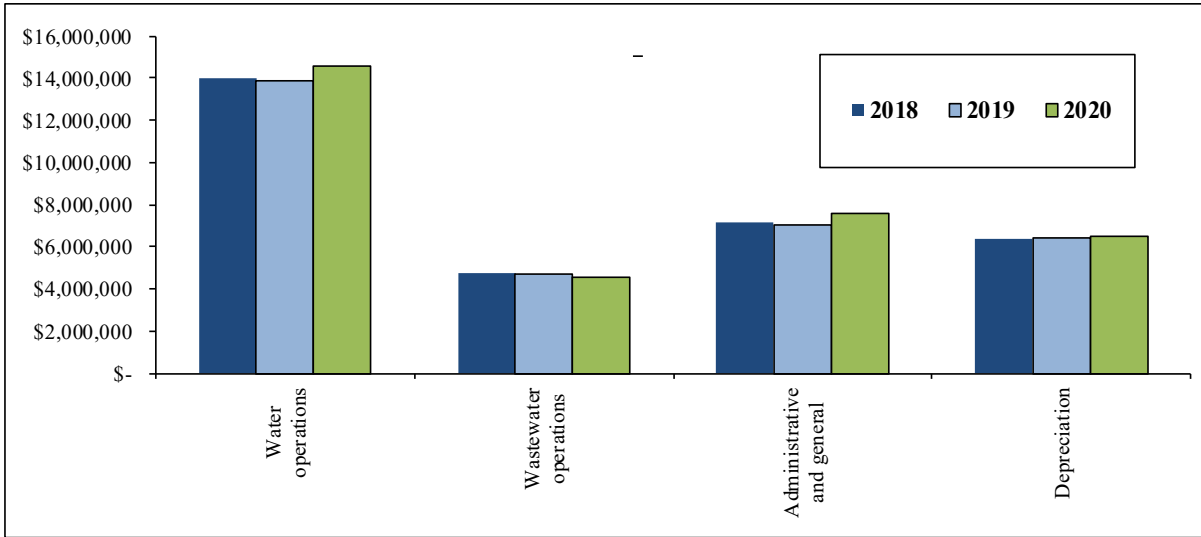
Operating and Non-operating Expenses

The pie chart below summarizes the 2020 operating and non-operating expenses by type.



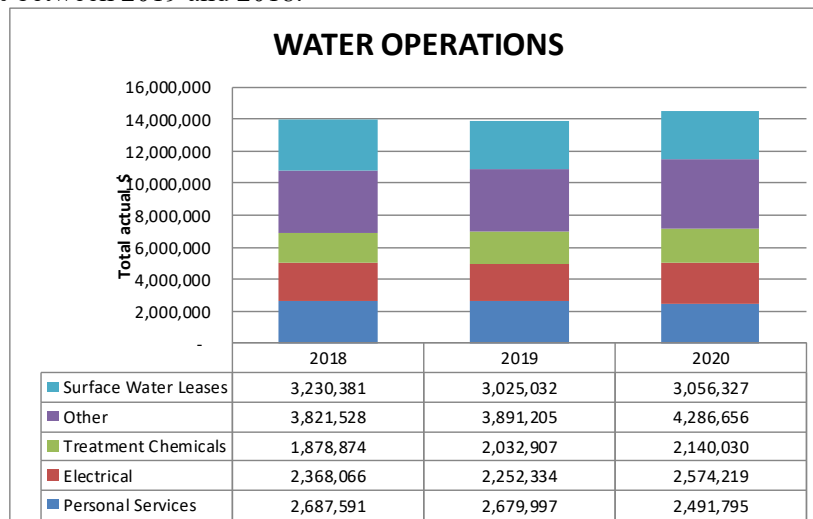
Operating expenses

The relationship between the major components for the 2020, 2019 and 2018 operating expenses can be further broken down:



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

WATER OPERATIONS expense in 2020 *increased* \$0.7m or 4.8% from 2019 after *decreasing* \$0.1m or 08% between 2019 and 2018.

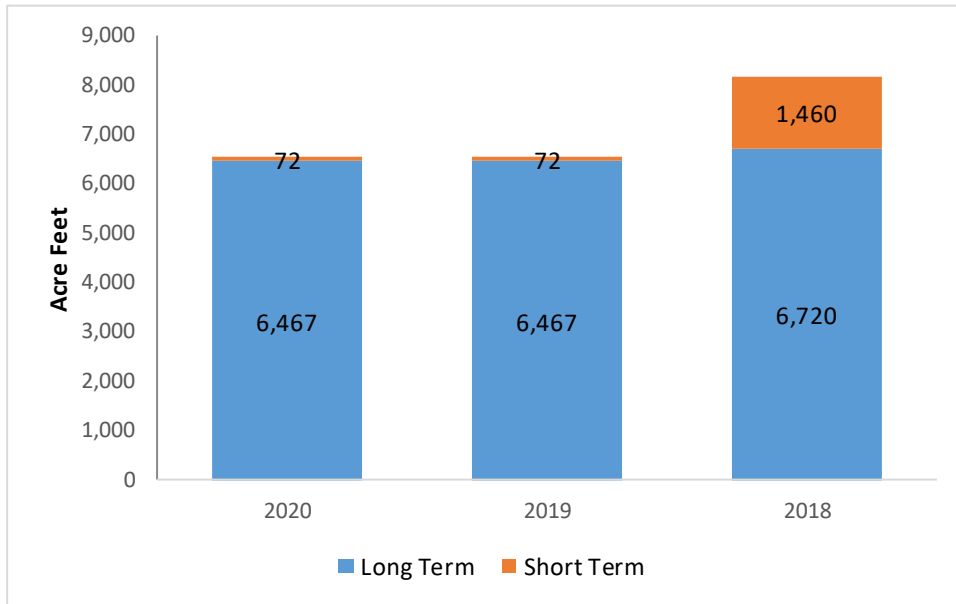


Personal services, which includes wages and benefits, usually increases each year due to market adjustments and promotions. However 2020 saw a slight decrease due to partial year vacant positions. Although budgeted FTE's remained unchanged during the period, actual annual costs are impacted by position vacancies that may occur during the year.

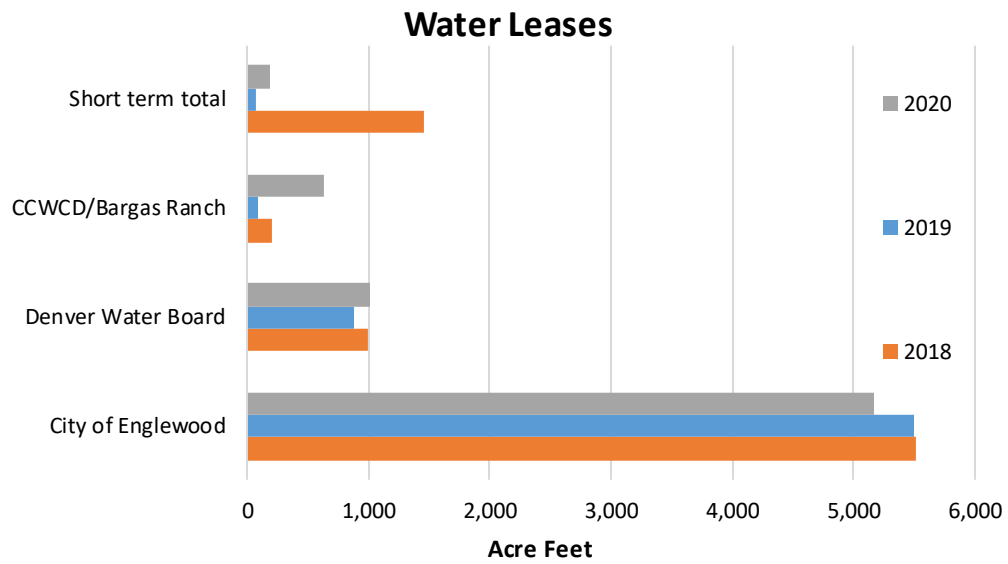
Electrical and treatment chemical costs are the most variable. In 2020 the District's primary supply was from surface water supplemented by groundwater. The well production in 2020 was slightly to 2019 due to increased demands.

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

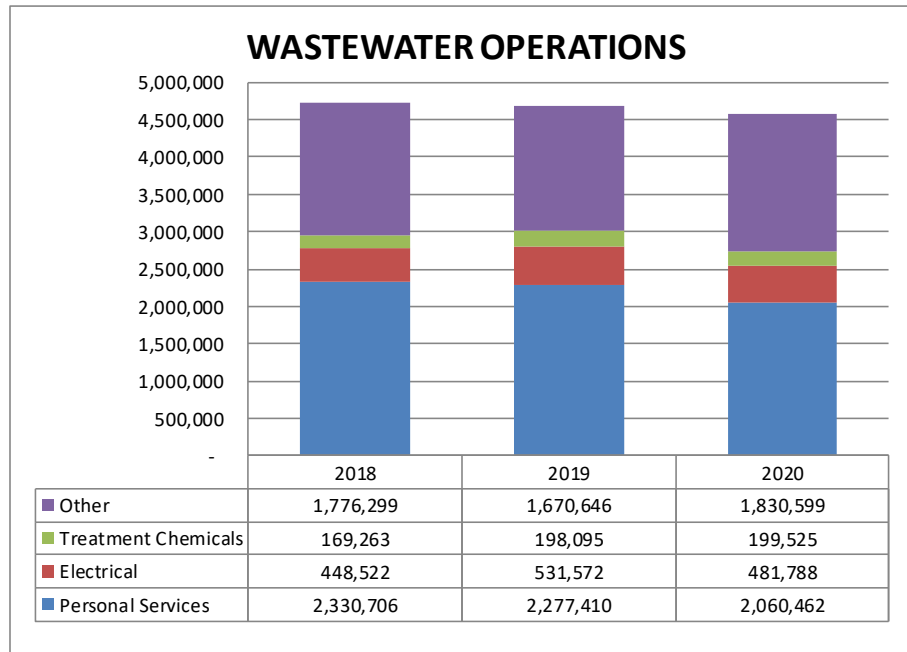
The District has several base long-term surface water leases, as more fully described in Note IV D3 which have an annual minimum commitment of approximately \$1.8m. However in any given year additional surface water may be available from either 1) additional water from the long-term leases beyond the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



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



WASTEWATER OPERATIONS expense in 2020 *decreased* \$105k or -2% from 2019 after *decreasing* \$47k or -1% between 2019 and 2018



Personnel services, which includes wages and benefits normally increases each year due to market adjustments, however there was a slight decrease in 2020 due to partial year vacancies. Normally wastewater expenses are consistent year over year unless there is a significant change in the plant processes. Phase II improvements to the wastewater treatment plant began in 2019.

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

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

Non-operating expenses

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

Interest Expense			
Bond Issue	2020	2019	2018
2012A Revenue Loan	372,034	448,514	523,232
2012B Revenue Loan	202,566	250,782	298,116
2019 Revenue Bond	3,214,588	2,741,329	
CWCB Loan	1,127,212	877,018	338,907
	4,916,399	4,317,643	1,160,255
Net amortization OID/premium	(885,622)	1,374,083	379,636
	\$ 4,030,777	\$ 5,691,726	\$ 1,539,891

Capital Related Assets and Debt Administration

Capital assets. The Centennial Water and Sanitation District's investment in capital assets, net of accumulated depreciation, as of December 31, 2020, amounts to \$289,640,684 an increase of \$14m. This investment in capital assets includes:

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

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

- Construction of Phase II improvements at the wastewater treatment plant to meet regulatory requirements and address aging infrastructure.
- Construction related to the Chatfield reallocation project.

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

Long-term debt. At the end of the current fiscal year, the District had total revenue bonded debt outstanding of \$147,609,196. The District's debt represents bonds and loans secured solely by specified revenue sources (i.e. revenue bonds). In 2020 the debt increased as the result of loan draws from the Colorado Water Conservation Board for the Chatfield Reallocation Project.

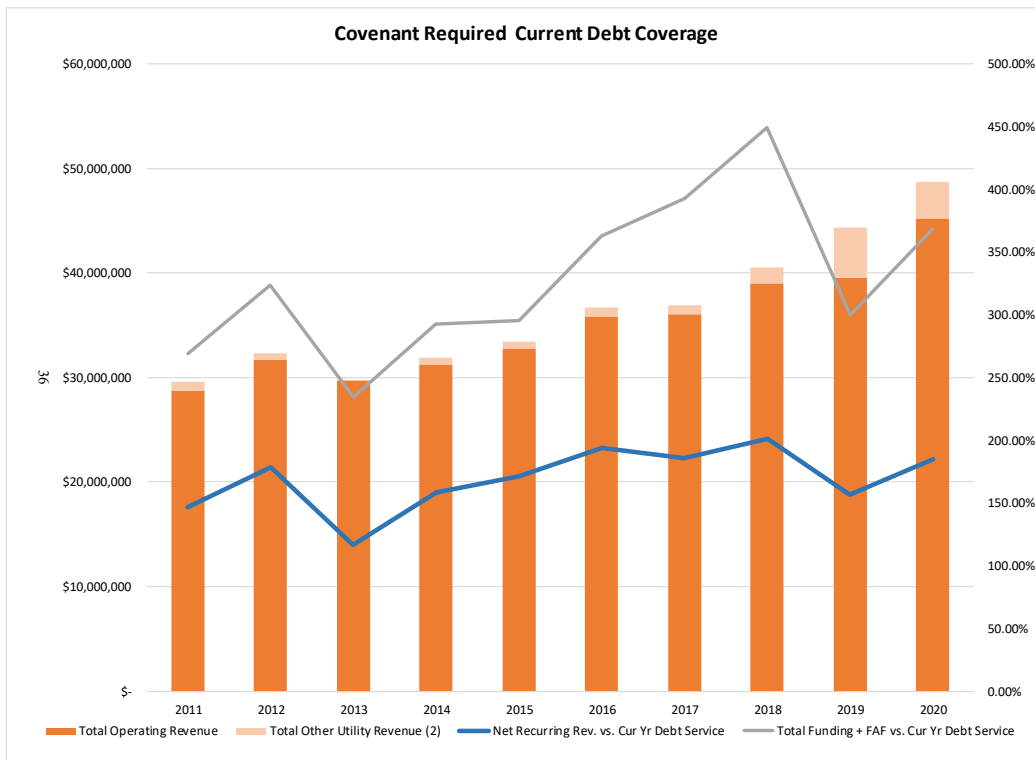
Traditionally the District's outstanding revenue debt issued with bond insurance that provided an "AAA" rating from Standard & Poors. However, due to the changes in the insurance market, the underlying District ratings are more important.

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

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

- The minimum bond covenants require a coverage ratio of over 100 percent based on the ratio of "Net Recurring Funding" (net recurring utility revenue vs. current year debt service). The ratio increased in 2020 to 184% after decreasing in 2018 to 157% from 201% in 2017. The annual swings relate to the annual changes in water rate revenue due to the amount of precipitation during the irrigation season.
- A minimum secondary coverage ratio of 125% is based on the ratio of "Net Recurring Funding plus capital contributions plus the financial assurance set-aside." The ratio increased in 2020 to 368% from 300% in 2019 directly related to increased water rate revenue.
 - However, the financial assurance set-aside, factored in as available for rate stabilization, increased the ratio from 190% prior to the establishment of the fund in 2010 to 295% in 2015, and 368% in 2020.

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



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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the District's budget for 2021:

- The unemployment rate for the county within which the District is located is currently 5.2 percent, which is higher than a year ago.
- The growth in water and wastewater customers within the District's service area continues to increase slowly but in a relatively stable pattern. This will continue to result in relatively flat annual increases in operating revenue before considering the periodic rate increases that will be necessary to accommodate regulatory and inflationary pressures.
- Effective January 1, 2021, the rates for water and wastewater service charged by the District were increased primarily to adjust for changing usage patterns, expected increase in electrical costs, anticipated issuance of debt to fund wastewater treatment plant improvements and to increase the set aside for the water acquisition fund. The combined impact of the changes will result in the average homeowner paying approximately 5% more in 2021.
- Inflationary trends in the region compare favorably to national indices with the exception of electrical costs. Electrical costs in the west are less than elsewhere but to date the anticipated increases have been applied inconsistently and are not increasing to match the nationwide costs at the rates anticipated over the last few years.

At year-end, the unrestricted net position was \$68,578,139. The unrestricted net position significantly exceeds the 2021 fiscal year budget appropriations of \$28,386,092 for operations spending and \$11,941,065 for debt service. In addition to the unrestricted net position more than covering the debt service requirements, the District has specifically restricted assets for debt service in the amount of \$13,798,205.

Requests for Information

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

CENTENNIAL WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2020 and 2019

ASSETS	2020	2019
CURRENT ASSETS		
<i>CURRENT OPERATING ASSETS</i>		
Cash deposits and investments	\$ 62,648,105	\$ 62,546,142
Accounts receivable	4,183,389	3,905,032
Due from other governments	2,330,045	1,884,215
Inventory	39,243	22,435
Net investment income receivable	241,247	301,603
	<u>69,442,029</u>	<u>68,659,427</u>
<i>CURRENT RESTRICTED ASSETS</i>		
Cash deposits and investments	66,699,323	90,813,205
Receivables	58,615	75,215
	<u>66,757,938</u>	<u>90,888,420</u>
Total Current Assets	<u>136,199,967</u>	<u>159,547,847</u>
NONCURRENT ASSETS		
Capital assets		
Buildings	2,353,338	2,353,338
Treatment system	265,569,726	265,381,893
Machinery and equipment	17,162,016	16,714,862
Water rights	40,532,735	40,532,735
Construction in progress	122,889,048	83,727,658
Less accumulated depreciation	(158,866,179)	(152,485,140)
Total Noncurrent Assets	<u>289,640,684</u>	<u>256,225,346</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	422,218	690,348
Total deferred outflows of resources	<u>422,218</u>	<u>690,348</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 426,262,868</u>	<u>\$ 416,463,541</u>

(Continued to next page)

The accompanying notes are an integral part of the financial statements

CENTENNIAL WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2020 and 2019

LIABILITIES AND NET ASSETS	2020	2019
CURRENT LIABILITIES		
<i>CURRENT LIABILITIES PAYABLE FROM CURRENT OPERATING ASSETS</i>		
Accounts payable	\$ 1,326,008	\$ 1,123,067
Accrued payroll liabilities	158,693	528,127
Retainages payable	19,406	75,969
Deposits	587,653	465,319
Current portion of compensated absences	39,330	29,630
	<u>2,131,090</u>	<u>2,222,112</u>
<i>CURRENT LIABILITIES PAYABLE FROM CURRENT RESTRICTED ASSETS</i>		
Accounts and contracts payable	187,832	7,166,438
Retainages payable	2,105,754	1,146,972
Accrued interest payable	483,249	1,431,717
Current portion of bonds payable	7,173,465	7,024,772
	<u>9,950,300</u>	<u>16,769,899</u>
Total Current Liabilities	<u>12,081,390</u>	<u>18,992,011</u>
NONCURRENT LIABILITIES		
Compensated absences	355,305	268,486
Revenue bonds payable (net of unamortized premiums and discounts)	140,435,731	137,845,462
Total Noncurrent Liabilities	<u>140,791,036</u>	<u>138,113,948</u>
Total Liabilities	<u>152,872,426</u>	<u>157,105,959</u>
NET POSITION		
Net investment in capital assets	177,591,598	176,701,851
Restricted		
Debt Service	13,798,205	10,247,285
Capital Projects	13,422,500	6,524,362
Unrestricted	68,578,139	65,884,084
Total Net Position	<u>273,390,442</u>	<u>259,357,582</u>
Total Liabilities and Net Position	<u>\$ 426,262,868</u>	<u>\$ 416,463,541</u>

(Continued from prior page)

The accompanying notes are an integral part of the financial statements

**CENTENNIAL WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED
December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
Water operations (pledged as security for revenue bonds)	\$ 33,131,183	\$ 27,988,167
Wastewater operations (pledged as security for revenue bonds)	12,033,862	11,542,746
Total Operating Revenue	<u>45,165,045</u>	<u>39,530,913</u>
OPERATING EXPENSES		
Water operations	14,549,027	13,881,475
Wastewater operations	4,572,374	4,677,723
Administrative and general	7,567,867	7,043,588
Noncapitalized major repair	881,405	514,101
Depreciation	6,461,405	6,378,444
Total Operating Expenses	<u>34,032,078</u>	<u>32,495,331</u>
Operating Income	<u>11,132,967</u>	<u>7,035,582</u>
NONOPERATING REVENUE		
Net investment income (loss)	3,542,514	4,785,312
Gain on disposal of equipment	1,288	53,060
Other income	101,870	111,600
Total Nonoperating Revenue	<u>3,645,672</u>	<u>4,949,972</u>
NONOPERATING EXPENSES		
Interest	3,762,647	5,691,726
Amortization / expense of bond issuance costs	268,130	628,501
Loss on disposal of equipment	-	139,271
Total Nonoperating Expenses	<u>4,030,777</u>	<u>6,459,498</u>
INCOME BEFORE CONTRIBUTIONS	10,747,862	5,526,056
CAPITAL CONTRIBUTIONS		
Reserved capacity fees	3,284,998	2,399,351
CHANGE IN NET POSITION	<u>14,032,860</u>	<u>7,925,407</u>
NET POSITION - BEGINNING OF YEAR	259,357,582	251,432,175
NET POSITION - END OF YEAR	<u>\$ 273,390,442</u>	<u>\$ 259,357,582</u>

The accompanying notes are an integral part of the financial statements

CENTENNIAL WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED
December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 44,440,858	\$ 38,954,973
Payments to suppliers	(20,665,232)	(19,393,634)
Payments to employees	(6,926,452)	(6,182,856)
Net cash flows from operating activities	16,849,174	13,378,483
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	3,386,868	2,510,951
Purchase of capital assets and investment in undivided interest	(46,156,810)	(34,816,711)
Proceeds from sale of assets	1,288	53,060
Proceeds from revenue bonds	10,304,455	92,253,510
Bond issuance expenditures	-	(760,023)
Principal paid on capital debt	(7,565,486)	(6,105,000)
Interest paid on capital debt	(4,711,115)	(4,317,642)
Net cash flows from by capital and related financing activities	(44,740,800)	48,818,145
CASH FLOW FROM INVESTING ACTIVITIES		
Interest and dividends received	3,662,635	4,857,921
Purchase of long-term investments	(37,870,326)	(62,881,815)
Maturity of long-term investments	47,645,369	40,504,451
Net cash flows from by investing activities	13,437,677	(17,519,443)
NET CHANGE IN CASH EQUIVALENTS	(14,453,949)	44,677,185
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	73,811,537	29,134,352
CASH AND CASH EQUIVALENTS END OF YEAR (NOTE IIIA)	59,357,588	73,811,537
LONG TERM INVESTMENTS	69,989,839	79,547,810
TOTAL CASH DEPOSITS AND INVESTMENTS	\$ 129,347,427	\$ 153,359,347
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 11,132,967	\$ 7,035,582
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	6,461,405	6,378,444
(Increase) / decrease in accounts receivables	(278,357)	(1,542,014)
(Increase) / decrease in due from other governments	(445,830)	966,074
(Increase) / decrease in prepaid expenses	-	274,794
(Increase) / decrease in inventory	(16,808)	3,463
Increase / (decrease) in accounts payable	202,941	130,967
Increase / (decrease) in accrued payroll liabilities	(369,434)	77,318
Increase / (decrease) in retainages payable	(56,563)	75,969
Increase / (decrease) in deposits	122,334	(11,235)
Increase / (decrease) in compensated absences payable	96,519	(10,879)
Total adjustments	5,716,207	6,342,901
Net cash provided by operating activities	\$ 16,849,174	\$ 13,378,483
Noncash investing, capital and financing activities		
Increase (decrease) in fair value of investments	\$ (922,510)	\$ (639,611)

The accompanying notes are an integral part of the financial statements

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) REPORTING ENTITY

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

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

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

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

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

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

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

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

C) ASSETS, LIABILITIES AND NET POSITION

1) Cash deposits and investments

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

Investments are reported at fair value.

2) Inventory

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

3) Restricted Assets / Designated Assets

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

In addition, the District designates a portion of its current operating assets for future major repair, replacement and renovation of its capital assets and the acquisition of surface water supplies. \$34,195,611 has been so designated as of December 31, 2020.

4) Capital Assets

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

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

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

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

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5) Amortization

Original Issue Premiums and Original Issue Discounts

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

Deferred Loss on Refunding

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

Prepaid Bond Insurance

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

6) Compensated Absences

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

7) Postemployment benefits

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

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

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

8) Capital Contributions

Reserved Capacity Fees

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

9) Cash Flow

The 2019 statement of cash flows contained an error in which total long-term investments were overstated by approximately \$14 million resulting from an overstatement of proceeds from the sale of investments, net of related purchases. This error has been corrected, and did not affect any other statements or disclosures.

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

Source of Supply / Water Transfer

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A) BUDGETS

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

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

B) TAX, SPENDING AND REVENUE LIMITATIONS

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

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

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

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

III. DETAILED NOTES

A) CASH DEPOSITS AND INVESTMENTS

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

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

	December 31,	
	2020	2019
Cash on hand	\$ 400	\$ 400
Cash deposits	927,394	481,479
Investments		
Held in safekeeping	\$ 69,989,839	\$ 79,547,810
Chatfield Reallocation Project Escrow	9,628	9,587
Local government investment pools	58,409,591	73,309,571
Money market mutual fund	10,576	10,500
Total Cash Deposits and Investments	<u>\$ 129,347,427</u>	<u>\$ 153,359,347</u>

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

	December 31,	
	2020	2019
Cash deposits and investments - unrestricted	\$ 62,648,105	\$ 62,546,142
Cash deposits and investments - restricted	66,699,323	90,813,205
Total Cash Deposits and Investments	<u>129,347,427</u>	<u>153,359,347</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. Deposits covered by PDPA are not subject to custodial credit risk. The State Regulatory Commission for banks is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2020, \$1,137,909 of the bank balance for the cash deposits were collateralized pursuant to PDPA.

Investments

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

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, and Treasury Bonds with a final maturity not exceeding five years from the date of purchase and U.S. Treasury Strips with maturities not exceeding five years from the date of purchase.
2. Federal Instrumentality Securities: Debentures, discount notes, and callable securities with a final maturity not exceeding five years from the date of purchase issued by the following: Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

(FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Student Loan Marketing Association (SLMA).

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

The District investments at December 31, 2020 and 2019 and the maturities were as follows:

		December 31, 2020			
		Investment Maturities (in Years)			
		One to five years			
Investments held in safekeeping	Moody Rating	Less than 1	Callable 2021	Noncallable	Total
US Treasury securities	Aaa	\$ 3,010,447	\$ -	\$ 14,325,317	\$ 17,335,764
US Agency securities	Aaa	2,622,908	-	22,300,278	24,923,185
Commercial paper	P-1	-	-	-	-
Supra-national notes	Aaa			5,379,352	5,379,352
Corporate debt	Aa3	623,181	770,577	2,951,732	4,345,490
Certificate of Deposit	P-1	3,505,547	-	2,674,702	6,180,249
Municipals	Aa2	459,618	-	11,366,179	11,825,798
		<u>\$ 10,221,701</u>	<u>\$ 770,577</u>	<u>\$ 58,997,561</u>	<u>\$ 69,989,839</u>

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

As of December 31, 2020, the District had invested \$58,409,591 in the Colorado Local Government Liquid Asset Trust ("CSIP"), an investment vehicle established for local government entities in Colorado to pool surplus funds and as of December 31, 2019 had invested \$73,309,571. The State Securities Commissioner

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

administers and enforces all state statutes governing the Trust. CSIP operates similarly to a money market fund and each share is equal in value to \$1.00. CSIP is rated AAAM by Standard and Poor's. Investments of CSIP are limited to those allowed by State statutes. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments.

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. All of the annuity's investments are measured at fair value using level 1 inputs.

Concentration of Credit Risk – State statutes do not limit the amount the District may invest in one issuer. At December 31, 2020 the District maintained investments in excess of 5% in the following issuers:

	<u>% of portfolio</u>
Local Government Investment Pool	44.93%
US Treasury securities	13.50%
Municipal bonds (aggregate-no issuer exceeds 5%)	9.21%
Fannie Mae	7.83%
Freddie Mac	7.57%

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

	December 31,	
	2020	2019
Cash deposits and investments - unrestricted	\$ 62,648,105	\$ 62,546,142
Cash deposits and investments - restricted	66,699,323	90,813,205
Total Cash Deposits and Investments	129,347,427	153,359,347
Less long-term investments	69,989,839	79,547,810
Cash and cash equivalents	\$ 59,357,588	\$ 73,811,537

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

B) CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2020 and 2019 was as follows:

CENTENNIAL WATER AND SANITATION DISTRICT CHANGE IN CAPITAL ASSETS				
	Balance at			Balance at
	January 1, 2020	Increases	Decreases	December 31, 2020
Capital assets not being depreciated:				
Water rights	\$ 40,532,735	\$ -	\$ -	\$ 40,532,735
Construction in progress	83,727,658	39,876,743	715,353	122,889,048
Total capital assets not being depreciated	<u>124,260,393</u>	<u>39,876,743</u>	<u>715,353</u>	<u>163,421,783</u>
Capital assets being depreciated:				
Buildings	2,353,338	-	-	2,353,338
Treatment system				
Water				
Source of supply	23,683,377	-	-	23,683,377
Storage reservoirs - treated water	14,808,733	-	-	14,808,733
Storage reservoirs - raw water	51,083,366	-	-	51,083,366
Treatment plant - water	32,141,378	-	-	32,141,378
Pump stations	17,014,196	-	-	17,014,196
Wastewater				
Treatment plant - wastewater	39,339,971	187,833	-	39,527,804
Lift stations	2,039,744	-	-	2,039,744
Infrastructure				
Transmission and distribution	67,490,044	-	-	67,490,044
Collection and transmission	17,781,084	-	-	17,781,084
Machinery and equipment	16,714,862	527,520	80,366	17,162,016
Total capital assets being depreciated	<u>284,450,093</u>	<u>715,353</u>	<u>80,366</u>	<u>285,085,080</u>
Less accumulated depreciation for:				
Buildings	2,075,001	47,765		2,122,765
Treatment system	100,790,200	5,708,148		106,498,348
Machinery and equipment	49,619,940	705,492	80,366	50,245,066
Total accumulated depreciation	<u>152,485,140</u>	<u>6,461,405</u>	<u>80,366</u>	<u>158,866,179</u>
Total capital assets being depreciated, net	<u>131,964,954</u>	<u>(5,746,052)</u>	<u>-</u>	<u>126,218,901</u>
Capital assets, net	<u>\$ 256,225,347</u>	<u>\$ 34,130,691</u>	715,353	<u>\$ 289,640,684</u>
		Less outstanding capital debt		(147,609,196)
		Plus deferred amount on refunding		422,218
		Net investment in capital assets		<u>142,453,705</u>

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

CENTENNIAL WATER AND SANITATION DISTRICT
CHANGE IN CAPITAL ASSETS

	Balance at January 1, 2019	Increases	Decreases	Balance at December 31, 2019
Capital assets not being depreciated:				
Water rights	\$ 40,532,735	\$ -	\$ -	\$ 40,532,735
Construction in progress	51,591,615	41,865,278	9,729,235	83,727,658
Total capital assets not being depreciated	<u>92,124,350</u>	<u>41,865,278</u>	<u>9,729,235</u>	<u>124,260,393</u>
Capital assets being depreciated:				
Buildings	2,353,338	-	-	2,353,338
Treatment system				
Water				
Source of supply	23,683,377	-	-	23,683,377
Storage reservoirs - treated water	14,808,733	-	-	14,808,733
Storage reservoirs - raw water	51,083,366	-	-	51,083,366
Treatment plant - water	32,141,378	-	-	32,141,378
Pump stations	7,607,360	9,406,836	-	17,014,196
Wastewater				
Treatment plant - wastewater	39,339,971	-	-	39,339,971
Lift stations	2,039,744	-	-	2,039,744
Infrastructure				
Transmission and distribution	67,415,334	74,710	-	67,490,044
Collection and transmission	17,781,084	-	-	17,781,084
Machinery and equipment	16,487,719	431,101	203,958	16,714,862
Total capital assets being depreciated	<u>274,741,404</u>	<u>9,912,647</u>	<u>203,958</u>	<u>284,450,093</u>
Less accumulated depreciation for:				
Buildings	2,027,236	47,765		2,075,001
Treatment system	100,016,193	774,007		100,790,200
Machinery and equipment	44,267,226	5,556,672	203,958	49,619,940
Total accumulated depreciation	<u>146,310,654</u>	<u>6,378,444</u>	<u>203,958</u>	<u>152,485,140</u>
Total capital assets being depreciated, net	<u>128,430,749</u>	<u>3,534,203</u>	<u>-</u>	<u>131,964,953</u>
Capital assets, net	<u>\$ 220,555,099</u>	<u>\$ 45,399,481</u>	<u>\$ 9,729,235</u>	<u>\$ 256,225,346</u>
			Less outstanding capital debt	(146,017,206)
			Plus deferred amount on refunding	690,348
			Net investment in capital assets	<u>\$ 110,898,488</u>

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

C) LONG-TERM DEBT

The District has issued long term debt for the purposes of financing the construction of infrastructure including treatment facilities necessary to provide for the operations. Following are summaries of the District's long-term debt as of December 31, 2020 and 2019 and its 2020 and 2019 transactions:

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Due in 2019
Revenue Bonds Payable	\$ 144,870,234	\$ 10,304,455	\$ 7,565,493	\$ 147,609,196	\$ 7,173,465
Compensated absences	298,116	96,519	-	394,635	39,330
Long-term Liabilities	<u>\$ 145,168,350</u>	<u>\$ 10,400,974</u>	<u>\$ 7,565,493</u>	<u>\$ 148,003,831</u>	<u>\$ 7,212,795</u>

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Due in 2020
Revenue Bonds Payable	\$ 58,422,810	\$ 93,013,533	\$ 6,566,109	\$ 144,870,234	\$ 7,024,772
Compensated absences	308,995	(10,879)	-	298,116	29,630
Long-term Liabilities	<u>\$ 58,731,805</u>	<u>\$ 93,002,654</u>	<u>\$ 6,566,109</u>	<u>\$ 145,168,350</u>	<u>\$ 7,054,402</u>

The District's bonds payable as of December 31, 2020 and 2019 its 2020 and 2019 debt transactions are shown in more detail below:

	Balance at January 1, 2020	New Issues/ Refundings	Payments/ Amortization	Balance at December 31, 2020	Current Portion Due 2021
REVENUE BONDS PAYABLE					
Series 2012 A and B	\$ 28,150,000	-	6,235,000	21,915,000	6,360,000
Series 2019	64,355,000	-	-	64,355,000	-
CWCB Loan (2055)	37,573,717	-	789,772	36,783,945	813,465
CWCB Loan (2056)	4,212,118	5,375,455	-	9,587,573	
CWCB Loan (2053)	-	4,929,000	-	4,929,000	
	134,290,835	10,304,455	7,024,772	137,570,518	<u>\$ 7,173,465</u>
Original issue premium	10,579,399	-	540,721	10,038,678	
Original issue discount	-	-	-	-	
	144,870,234	<u>\$ 10,304,455</u>	<u>\$ 7,565,493</u>	147,609,196	
Current portion	7,024,772			7,173,465	
Long term portion	<u>\$ 137,845,462</u>			<u>\$ 140,435,731</u>	

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

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

REVENUE BONDS PAYABLE

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

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

During the year ended December 31, 2020, \$15,272,113 of net operating revenues, as defined by the various bond covenants, was generated to make debt service principal and interest payments of \$12,276,601.

The outstanding bond issues are summarized as follows:

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

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

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

	Principal	Interest	Total
2021	\$ 7,173,465	\$ 4,765,950	\$ 11,939,415
2022	7,332,869	4,611,950	11,944,819
2023	7,483,005	4,454,462	11,937,467
2024	4,688,895	4,293,672	8,982,567
2025	2,345,562	4,148,009	6,493,571
2026-2030	13,296,668	19,165,186	32,461,854
2031-2035	16,384,100	16,077,504	32,461,604
2036-2040	20,098,542	12,365,161	32,463,704
2041-2045	24,725,225	7,744,016	32,469,241
2046-2049	19,525,615	1,866,368	21,391,983
	<u>\$ 123,053,945</u>	<u>\$ 79,492,278</u>	<u>\$ 202,546,223</u>

In 2015 the Board authorized additional debt in order to fund the Chatfield Reallocation Project. The Colorado Water Conservation Board (“CWCB”) approved three loan contracts with the District in the maximum amount of \$44,400,000. The loans are similar to construction loans and proceeds will be disbursed to match the phased funding of the project. The contracts require that the District contribute at least 10 percent of the project cost which for the purpose of the CWCB loan approval is estimated at \$48,888,000. All three loan contracts closed on October 15, 2015. The District’s 10 percent match was deposited into an escrow account at the time of closing. Draws began in 2017. In 2018, the Board authorized an increase in the loan amount of \$9,046,267 for a maximum amount of \$53,446,267 to cover the increased cost of construction based on bids received. The table above includes the first loan as that portion of the project reached completion in 2019. The second and third loans are not reflected in the table above, as draws on these loans are ongoing. The draws on the second and third loan as of December 31, 2020 were \$5,357,455 and \$4,929,000 respectively.

LEASES PAYABLE

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

OTHER DEBT INFORMATION

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

D) INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

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

	December 31,	
	2020	2019
Highlands Ranch Metropolitan District	\$ 2,330,045	\$ 1,884,253

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

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

IV OTHER INFORMATION

A) DEFINED CONTRIBUTION PENSION PLAN

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

At December 31, 2020 there were 190 active plan members comprised of 100 full and part-time members employed by the District and 90 full and part-time members employed by Highlands Ranch Metro District. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become Plan members upon employment as regular full time employees. Under the Plan, 6.2% of the Plan members pensionable compensation is withheld and remitted to the Plan Administrator. The members are immediately invested in their contribution plus earnings. The District contributes a matching payment of 6.2% of Plan members' pensionable compensation. The District's contributions plus earnings become fully vested to the Plan members upon the completion of three years of Plan membership.

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

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

	2020	2019
Employer	\$ 395,983	\$ 373,069
Employee	402,883	383,569

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

B) DEFERRED COMPENSATION PLAN

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

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

C) BOARD OF DIRECTORS

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

D) COMMITMENTS AND CONTINGENCIES

1) Intergovernmental Agreements

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

The District has also entered into a water and wastewater service agreement with Highlands Ranch Metropolitan District No. 5, which changed its name in 2016 to Mirabelle Metropolitan District and subsequently included land outside of the Highlands Ranch boundaries. Mirabelle began construction in 2019 with the first homes being completed in 2020. At buildout, the community will have 1,100 single family homes.

Northern Douglas County Water and Sanitation District (Northern) is provided service under an extended service area agreement providing wholesale water and wastewater service to the district directly, not to individual customers. Northern is only guaranteed service for the number of taps and at the specific locations for which it has acquired capacity. Northern may purchase options to acquire future capacity. As of December 31, 2020, Northern has options paid that have not been exercised yet.

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

Related to the agreement the District rents a portion of the District's office building to the Metro District. The income generated in 2020 from the lease was \$181,100. The building has an original cost of \$2,330,997 with a carrying value of \$201,503.

2) Water Transfer Agreement

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

Payment by the District to Shea for the water rights and associated water facilities and easements that were conveyed is entirely dependent upon the sale of water taps to customers located outside the Highlands Ranch development area ("Extended Service Area"), if any. No payment is required for taps sold to service the Highlands Ranch development area. The payment to Shea was last adjusted effective January 1, 2018 and is subject to additional increase adjustments in five-year increments. To date payment has been remitted to Shea

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

for 2,148 taps. The 2020 fee of \$13,950 per tap, subject to the 5 year adjustment, will be paid to the extent that the next 7,352 taps are sold. No payment for any taps provided beyond 9,500 taps is required.

The maximum total compensation if all remaining taps are sold is \$102,559,842 at the rates in effect as of December 31, 2020. The District is not required to sell such taps unless it determines that it is feasible to do so. Therefore, total compensation under the agreement based on the current approvals by the District will be less than \$112,758,587. Cumulative payments under the agreement are \$10,198,745 through December 31, 2020.

3) Water Supply Agreements

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

The long term agreements are subject to the following terms:

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

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

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

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

The supply and the costs associated with each of the long-term agreements for 2020 through 2022 can be summarized as follows:

	2020		2021		2022	
	Acre Fee	Consumption \$	Acre Feet	Minimum Obligation \$	Acre Feet	Minimum Obligation \$
Long Term*						
a) City of Englewood	5,167	\$ 2,605,908	5,520	\$ 2,668,007	5,520	\$ 2,668,007
b) Denver Water Board	1,006	394,012	1,000	\$ 391,020	1,000	\$ 391,020
c) CCWCD/Bargas Ranch	639	31,504	200	\$ 25,332	200	\$ 25,332

4) Construction commitments

As of December 31, 2020, unexpended appropriations for capital projects and water acquisition amounted to approximately \$45,790,851.

E) RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2020. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. The pool provides:

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

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

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

CENTENNIAL WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

F) CARES Act and COVID-19 Pandemic

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District’s financial condition, liquidity, and future results of operations. The District does not expect to realize a material effect on its operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

On March 27, 2020, the “Coronavirus Aid, Relief, and Economic Security (CARES) Act” was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. We continue to examine the impact that the CARES Act may have on our business. Currently, we are unable to determine the impact that the CARES Act will have on our financial condition, results of operations, or liquidity. The District did not receive any funding from the CARES Act.

CENTENNIAL WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE
BUDGETARY BASIS - BUDGET TO ACTUAL
FOR THE YEAR ENDED
December 31, 2020

	Original Budget	Revised Budget	2020 Actual	Variance from final budget - Favorable (Unfavorable)
REVENUES AND OTHER RECEIPTS				
<i>OPERATING</i>				
Water operations	\$ 28,512,880	\$ 28,512,880	\$ 31,913,421	\$ 3,400,541
Wastewater operations	12,840,000	12,840,000	12,033,862	(806,138)
Other operating	1,582,190	1,582,190	1,217,762	(364,428)
	<u>42,935,070</u>	<u>42,935,070</u>	<u>45,165,045</u>	<u>2,229,975</u>
<i>NONOPERATING and OTHER RECEIPTS</i>				
Net investment income	1,196,000	1,196,000	3,542,514	2,346,514
Proceeds from bond issuance	-	-	10,304,455	10,304,455
Capital contributions	2,522,714	2,522,714	3,284,998	762,284
Other income (including cash from sale of equipment)	15,000	15,000	103,158	88,158
	<u>3,733,714</u>	<u>3,733,714</u>	<u>17,235,125</u>	<u>13,501,411</u>
Total Revenue and Other Receipts	<u>46,668,784</u>	<u>46,668,784</u>	<u>62,400,170</u>	<u>15,731,386</u>
EXPENDITURES and OTHER OUTLAYS				
<i>OPERATING</i>				
Water operations	15,606,941	15,606,941	14,549,027	1,057,914
Wastewater operations	5,693,587	5,693,587	4,572,374	1,121,213
Administrative and general technical	8,101,839	8,101,839	7,567,867	533,972
Miscellaneous capital				
Capital outlay	780,000	780,000	1,197,220	(417,220)
	<u>30,182,367</u>	<u>30,182,367</u>	<u>27,886,488</u>	<u>2,295,879</u>
<i>NONOPERATING</i>				
Debt Service				
Interest paid on bonds	5,908,000	5,908,000	4,711,115	1,196,885
Principal paid on bonds	6,235,000	6,235,000	7,565,486	(1,330,486)
All other funds / capital related				
Capital improvement projects	45,349,000	62,458,059	23,931,390	38,526,669
Water acquisition	6,100,000	19,515,030	14,289,985	5,225,045
Major repair projects	3,655,000	3,378,688	1,339,552	2,039,136
Bond issuance expenditures	-	-	-	-
	<u>67,247,000</u>	<u>97,494,778</u>	<u>51,837,528</u>	<u>45,657,250</u>
Total Expenses	<u>97,429,367</u>	<u>127,677,145</u>	<u>79,724,016</u>	<u>47,953,129</u>
EXCESS REVENUE OVER (UNDER)				
EXPENSES (BUDGETARY BASIS)	(50,760,583)	(81,008,361)	(17,323,852)	63,684,510
FUNDS AVAILABLE - BEGINNING OF YEAR	1,444,899,350	148,743,836	148,743,836	-
FUNDS AVAILABLE - END OF PERIOD	<u>\$ 1,394,138,767</u>	<u>\$ 67,735,475</u>	<u>\$ 131,419,985</u>	<u>\$ 63,684,510</u>

See accompanying Independent Auditors' Report

**CENTENNIAL WATER AND SANITATION DISTRICT
BUDGET RECONCILIATION
FOR THE YEAR ENDED**

BUDGETARY FUNDS AVAILABLE AT DECEMBER 31, 2020 IS COMPUTED AS FOLLOWS

	Restricted		Operating	Combined
	Debt Service	Capital Projects		
Current assets	\$ 13,798,205	\$ 52,959,733	\$ 69,442,029	\$ 136,199,966
Liabilities payable from current assets	(7,656,714)	(2,293,586)	(2,131,091)	(12,081,391)
Net current assets per financial statements	6,141,491	50,666,147	67,310,938	124,118,575
Budget adjustments:				
Accrued interest payable	483,249	-	-	483,249
Long term compensated absences	-	-	(355,305)	(355,305)
Current portion of bonds payable	7,173,465	-	-	7,173,465
Funds available at December 31, 2020	\$ 13,798,205	\$ 50,666,147	\$ 66,955,633	\$ 131,419,984

RECONCILIATION FROM BUDGETARY BASIS TO GAAP BASIS OF ACCOUNTING

REVENUE (Budgetary basis)	\$ 62,400,170
Less:	
Capital contributions	(3,284,998)
Bond proceeds for improvements	(10,304,455)
REVENUE (GAAP basis)	48,810,717
EXPENDITURES (Budgetary basis)	79,724,016
Plus:	
Depreciation	6,461,405
Amortization	268,130
Net decrease in accrued interest payable	(948,468)
Loss on disposal of assets	-
Noncapital major repair	881,405
Less:	
Operating miscellaneous capital	(1,197,218)
Water acquisition	(14,289,985)
Capital improvement projects	(23,931,390)
Major repair projects	(1,339,552)
Principal payments	(7,565,486)
EXPENSES (GAAP basis)	38,062,855
INCOME (LOSS) BEFORE CONTRIBUTIONS	\$ 10,747,862

See accompanying Independent Auditors' Report

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

	2011 Restated	2012	2013	2014	2015	2016	2017	2018	2019	2020
ASSETS										
Current Assets										
Current Operating - cash	\$ 41,924,036	\$ 45,725,030	\$ 44,453,163	\$ 42,498,661	\$ 45,572,506	\$ 48,564,732	\$ 51,998,405	\$ 57,171,036	\$ 62,546,142	\$ 62,648,105
Current Operating - noncash	3,959,175	4,564,426	4,100,834	4,297,496	4,716,852	4,685,807	4,561,274	5,828,444	6,113,285	6,793,924
Current Restricted -cash	30,655,860	38,360,802	35,810,389	35,842,910	36,582,394	38,503,191	36,181,686	28,228,552	90,813,205	66,699,323
Current Restricted -noncash	50,120	86,312	49,048	24,781	11,129	3,792	-	-	75,215	58,615
Total Current Assets	<u>76,589,191</u>	<u>88,736,570</u>	<u>84,413,434</u>	<u>82,663,848</u>	<u>86,882,881</u>	<u>91,757,522</u>	<u>92,741,365</u>	<u>91,228,032</u>	<u>159,547,847</u>	<u>136,199,967</u>
Noncurrent Assets										
Capital assets (less accumulated depreciation)	191,862,231	187,809,077	190,258,675	191,014,878	186,834,091	184,539,071	191,916,339	220,555,101	256,225,346	289,640,684
Total Noncurrent Assets	<u>191,862,231</u>	<u>187,809,077</u>	<u>190,258,675</u>	<u>191,014,878</u>	<u>186,834,091</u>	<u>184,539,071</u>	<u>191,916,339</u>	<u>220,555,101</u>	<u>256,225,346</u>	<u>289,640,684</u>
Deferred outflows of resources										
Cost of bond refunding (restated 2010 on)	298,703	4,114,816	3,438,920	2,827,115	2,322,221	1,844,346	1,409,738	1,019,930	690,348	422,218
Total assets & deferred outflow of resources	<u>268,750,125</u>	<u>280,660,463</u>	<u>278,111,029</u>	<u>276,505,841</u>	<u>276,039,193</u>	<u>278,140,939</u>	<u>286,067,442</u>	<u>312,803,063</u>	<u>416,463,541</u>	<u>426,262,868</u>
LIABILITIES										
Current Liabilities										
from Current Operating Assets	1,709,988	1,755,309	1,775,491	1,591,523	1,557,140	1,564,762	1,840,086	1,947,183	2,222,112	2,131,090
from Restricted Assets	4,101,823	4,993,484	5,861,490	5,861,606	5,727,539	5,874,600	8,008,623	6,824,621	16,769,899	9,950,300
Total Current Liabilities	<u>5,811,811</u>	<u>6,748,793</u>	<u>7,636,981</u>	<u>7,453,129</u>	<u>7,284,679</u>	<u>7,439,362</u>	<u>9,848,709</u>	<u>8,771,804</u>	<u>18,992,011</u>	<u>12,081,390</u>
Noncurrent Liabilities										
Compensated absences	245,052	249,233	241,644	264,556	274,977	281,384	243,871	281,275	268,486	355,305
Revenue bonds payable	56,689,049	62,197,130	57,041,204	51,581,482	45,985,066	40,260,352	35,824,059	52,317,810	137,845,462	140,435,731
Total Noncurrent Liabilities	<u>56,934,101</u>	<u>62,446,363</u>	<u>57,282,848</u>	<u>51,846,038</u>	<u>46,260,043</u>	<u>40,541,736</u>	<u>36,067,930</u>	<u>52,599,085</u>	<u>138,113,948</u>	<u>140,791,036</u>
Total Liabilities	<u>62,745,912</u>	<u>69,195,156</u>	<u>64,919,829</u>	<u>59,299,167</u>	<u>53,544,722</u>	<u>47,981,098</u>	<u>45,916,639</u>	<u>61,370,889</u>	<u>157,105,959</u>	<u>152,872,426</u>
NET POSITION										
Net investment in capital assets	131,299,789	120,776,947	128,187,471	134,058,396	135,304,025	140,428,065	151,512,018	163,152,221	176,701,851	177,591,598
Restricted										
Debt Service	6,653,592	6,642,000	6,664,495	6,659,000	6,688,000	6,813,000	7,257,405	9,550,000	10,247,285	13,798,205
Capital Projects	24,008,795	31,700,983	28,449,161	28,803,211	29,805,357	31,604,606	26,973,351	18,016,565	6,524,362	13,422,500
Unrestricted	44,042,037	52,345,377	49,890,073	47,686,067	50,697,089	51,314,170	54,408,029	60,713,389	65,884,084	68,578,139
Total Net Position	<u>206,004,213</u>	<u>211,465,307</u>	<u>213,191,200</u>	<u>217,206,674</u>	<u>222,494,471</u>	<u>230,159,841</u>	<u>240,150,803</u>	<u>251,432,175</u>	<u>259,357,582</u>	<u>273,390,442</u>
Total Liabilities and Net Position	<u>\$ 268,750,125</u>	<u>\$ 280,660,463</u>	<u>\$ 278,111,029</u>	<u>\$ 276,505,841</u>	<u>\$ 276,039,193</u>	<u>\$ 278,140,939</u>	<u>\$ 286,067,442</u>	<u>\$ 312,803,063</u>	<u>\$ 416,463,541</u>	<u>\$ 426,262,868</u>

Centennial Water and Sanitation District

TABLE A-2
CHANGE IN NET POSITION
Last Ten Years

	2009	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OPERATING REVENUES											
Water Operations*	\$ 18,032,909	\$ 20,634,689	\$ 23,356,395	\$ 20,977,591	\$ 22,311,044	\$ 23,520,709	\$ 26,124,365	\$ 25,958,136	\$ 28,512,675	\$ 27,988,167	\$ 33,131,183
Wastewater Operations*	8,065,852	8,100,431	8,362,615	8,671,531	8,888,171	9,272,790	9,712,521	10,036,591	10,442,472	11,542,746	12,033,862
Total Operating Revenue	26,098,761	28,735,120	31,719,010	29,649,122	31,199,215	32,793,499	35,836,886	35,994,727	38,955,147	39,530,913	45,165,045
OPERATING EXPENSES											
Water operations	10,155,726	10,103,223	10,266,691	11,661,137	10,882,238	10,824,304	12,293,103	12,972,389	13,986,440	13,881,475	14,549,027
Wastewater operations	3,491,811	4,095,745	4,670,118	4,473,980	4,863,717	4,983,185	4,693,610	4,296,289	4,724,790	4,677,723	4,572,374
Administrative and general	5,679,667	5,451,604	5,571,191	5,644,674	5,885,419	6,108,415	6,438,264	7,015,519	7,158,519	7,043,588	7,567,867
Non capitalized expenses paid from major repair reserve	128,654	246,404	11	21,020	886,419	511,951	860,597	581,383	480,482	514,101	881,405
Depreciation	6,107,030	6,284,734	6,338,976	6,469,771	6,670,642	6,665,027	6,638,711	6,629,523	6,404,333	6,378,444	6,461,405
Total Operating Expense	25,562,888	26,181,710	26,846,987	28,270,582	29,188,435	29,092,882	30,924,285	31,495,103	32,754,564	32,495,331	34,032,078
Operating Income (Loss)	535,873	2,553,410	4,872,023	1,378,540	2,010,780	3,700,617	4,912,601	4,499,624	6,200,583	7,035,582	11,132,967
NONOPERATING REVENUES											
Net investment income (loss)	1,017,116	879,186	605,546	(54,156)	693,307	594,850	810,284	924,377	1,504,109	4,785,312	3,542,514
Gain on disposal of equipment	42,835	236	-	3,010	58,655	6,070	38,290	15,940	67,561	53,060	1,288
Other income	-	8,248	-	-	420,913	406,059	8,385	1,167,517	-	111,600	101,870
Total Nonoperating Revenue	1,059,951	887,670	605,546	(51,146)	1,172,875	1,006,979	856,959	2,107,834	1,571,670	4,949,972	3,645,672
NONOPERATING EXPENSES											
Interest	3,188,992	2,939,724	2,711,616	2,324,562	1,940,912	1,270,018	1,141,234	958,537	1,150,082	5,691,726	3,762,647
Amortization of bond issuance cost	182,502	75,516	425,646	37,265	49,767	467,130	455,498	423,042	389,808	628,501	268,130
Loss on disposal of equipment	5,024	42,200	12,688	-	239,063	-	85,519	379,180	249,540	139,271	-
Capital grants to other governments	281,598	-	-	-	-	-	-	-	-	-	-
Water Transfer	64,140	42,760	-	61,800	-	-	-	-	-	-	-
Total Nonoperating Expense	3,722,256	3,100,200	3,149,950	2,423,627	2,229,742	1,737,148	1,682,251	1,760,759	1,789,430	6,459,498	4,030,777
INCOME (LOSS) BEFORE CONTRIBUTIONS	(2,126,432)	340,880	2,327,619	(1,096,233)	953,913	2,970,448	4,087,309	4,846,699	5,982,823	5,526,056	10,747,862
CAPITAL CONTRIBUTIONS IN/(OUT)											
Reserved Capacity Fees	3,372,265	2,312,417	3,133,475	2,822,126	3,061,561	2,317,349	3,578,061	5,144,263	5,298,549	2,399,351	3,284,998
CHANGE IN NET POSITION	1,245,833	2,653,297	5,461,094	1,725,893	4,015,474	5,287,797	7,665,370	9,990,962	11,281,372	7,925,407	14,032,860
NET POSITION - BEGINNING OF YEAR	200,146,600	203,350,916	206,004,213	211,465,307	213,191,200	217,206,674	222,494,471	230,159,841	240,150,803	251,432,175	259,357,582
NET POSITION - END OF YEAR	\$ 201,392,433	\$ 206,004,213	\$ 211,465,307	\$ 213,191,200	\$ 217,206,674	\$ 222,494,471	\$ 230,159,841	\$ 240,150,803	\$ 251,432,175	\$ 259,357,582	\$ 273,390,442

*pledged as security - revenue bonds

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

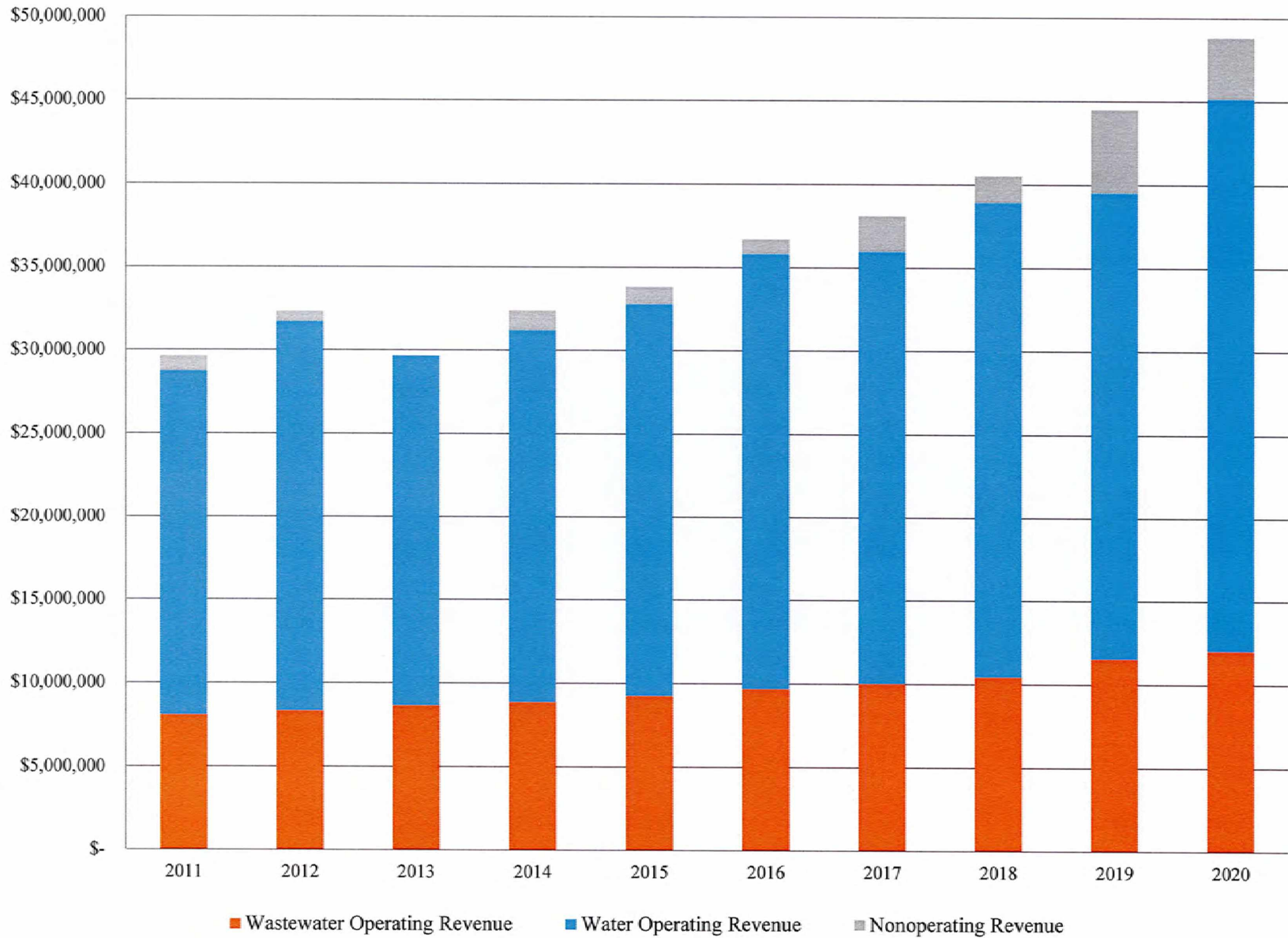
Year	UTILITY REVENUES (1)				RESERVED CAPACITY FEES (2)			
	Water Operating Revenue	Wastewater Operating Revenue	Nonoperating Revenue	Total	Highlands Ranch Metro District	Mirabelle Metro District	No. Douglas County Water & Sanitation	Total
2011	20,634,689	8,100,431	887,670	29,622,790	2,188,557		123,860	2,312,417
2012	23,356,395	8,362,615	605,546	32,324,556	3,108,063		25,412	3,133,475
2013	20,977,591	8,671,531	(51,146)	29,597,976	2,673,681		148,445	2,822,126
2014	22,311,044	8,888,171	1,172,875	32,372,090	3,061,561		-	3,061,561
2015	23,520,709	9,272,790	1,006,979	33,800,478	2,317,349		-	2,317,349
2016	26,124,365	9,712,521	856,959	36,693,845	3,578,061		-	3,578,061
2017	25,958,136	10,036,591	2,107,834	38,102,561	5,144,263		-	5,144,263
2018	28,512,675	10,442,472	1,571,670	40,526,817	5,298,549		-	5,298,549
2019	27,988,167	11,542,746	4,949,972	44,480,885	1,008,272		1,391,079	2,399,351
2020	33,131,183	12,033,862	3,645,672	48,810,717	942,814	1,138,520	1,203,664	3,284,998

NOTES

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

UTILITY REVENUES

Chart A-3



Centennial Water and Sanitation District

TABLE B-1

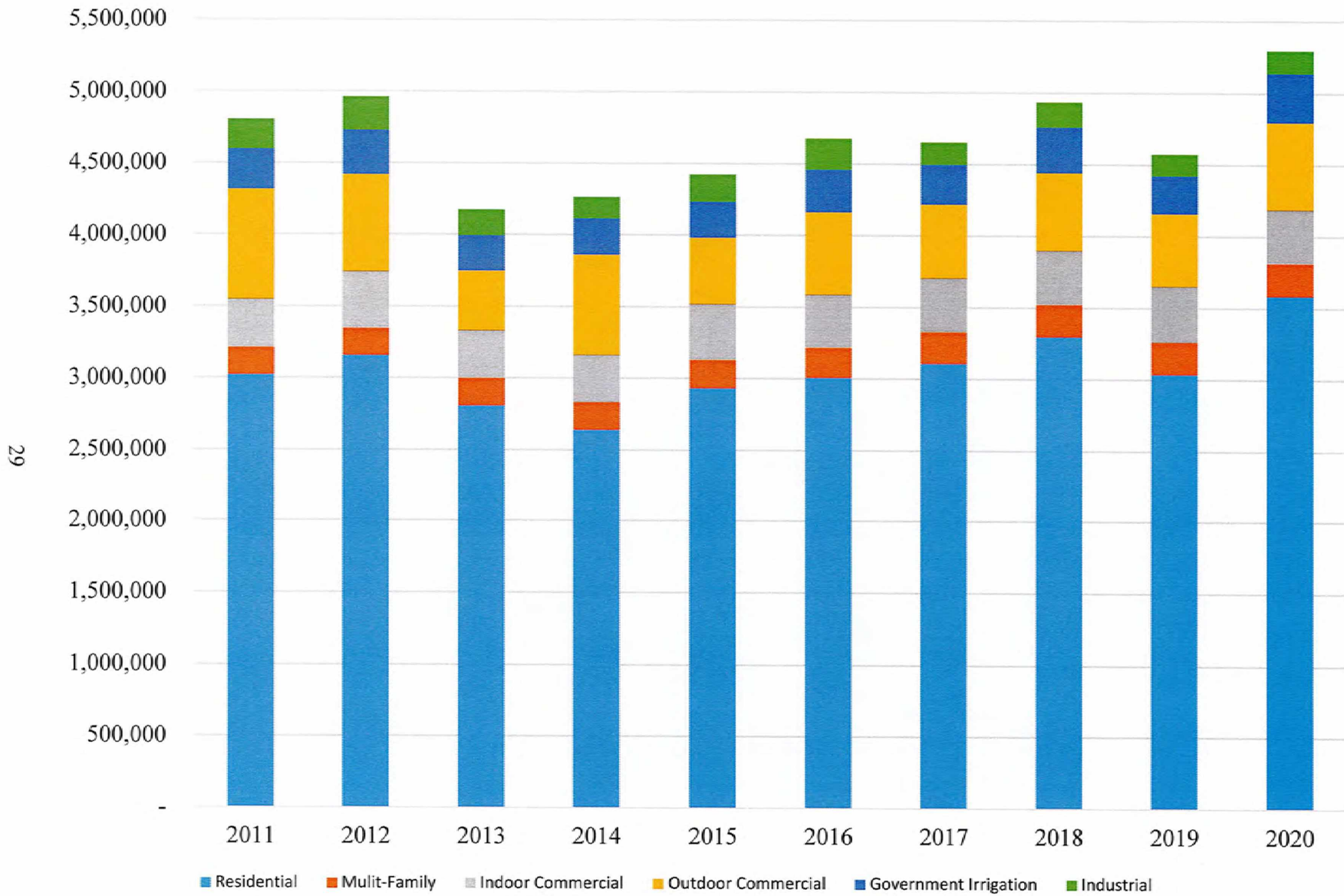
WATER SOLD BY CUSTOMER TYPE (in 1,000 gallons) - Highlands Ranch only

Last Ten Years

Year	Residential	Mult-Family	Indoor Commercial	Outdoor Commercial	Government Irrigation	Industrial	Total	Change - year over year	Change - 10 year cumulative
2011	3,024,741	192,313	334,857	765,218	281,417	205,065	4,803,611	5.67%	22.43%
2012	3,159,771	190,945	394,599	677,054	308,791	230,725	4,961,885	3.29%	26.46%
2013	2,810,481	192,788	330,726	415,692	249,393	177,057	4,176,137	-15.84%	6.44%
2014	2,641,481	195,510	327,490	699,840	254,916	148,336	4,267,573	2.19%	8.77%
2015	2,935,723	198,224	387,930	463,073	250,867	191,580	4,427,397	3.75%	12.84%
2016	3,011,130	211,179	367,893	574,410	298,553	215,720	4,678,885	5.68%	19.25%
2017	3,111,501	222,705	372,899	514,706	276,640	155,520	4,653,971	-0.53%	18.61%
2018	3,299,539	227,012	376,806	539,929	317,742	175,694	4,936,722	6.08%	25.82%
2019	3,039,070	228,879	386,492	505,453	264,454	151,735	4,576,083	-7.31%	16.63%
2020	3,587,538	232,061	370,045	608,419	342,795	157,526	5,298,384	15.78%	35.04%

Source: District's Utility Billing Division

**Water Sold by Customer Type - Highlands Ranch Customers only
(in thousands)**



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

Year	Water Rates			Wastewater Rates	
	Service Availability Charge Monthly per equivalent	Base Rate per 1,000 gallons	Top Tier Rate per 1,000 gallons	Monthly Fixed Fee per equivalent	Rate per 1,000 gallons
2011	12.50	2.60	8.05	6.25	2.52
2012	12.50	2.65	8.21	6.50	2.55
2013	12.50	2.75	8.52	6.50	2.65
2014	13.50	2.95	9.14	6.75	2.75
2015	13.50	3.05	9.46	6.75	2.93
2016	13.50	3.21	9.94	6.95	3.03
2017	13.50	3.41	10.56	6.95	3.08
2018	13.65	3.63	11.25	7.20	3.20
2019	14.70	3.73	11.55	9.30	3.35
2020	15.86	3.90	12.07	9.85	3.68

NOTES:

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

Centennial Water and Sanitation District
TABLE B-3
TAPS SOLD IN 3/4" Equivalent
Last Ten Years

Year	Highlands Ranch Metro District					Northern Douglas County				Mirabelle Metropolitan District				TOTAL
	Residential		Commercial	Government		Residential		Commercial	Total	Residential		Government		
	Single Family	Multi-Family		Irrigation	Total	Single Family	Multi-Family			Single Family	Multi-Family	Irrigation	Total	
Prior to 2011	27,300	6,013	3,848	1,317	38,478	1,527	104	249	1,880	0	0	0	0	40,358
2011	212	32	57	8	309	0	0	4	4	0	0	0	0	313
2012	322	22	89	26	459	1	0	0	1	0	0	0	0	460
2013	262	278	101	0	641	0	0	5	5	0	0	0	0	646
2014	184	202	55	0	441	0	0	0	0	0	0	0	0	441
2015	150	196	92	0	438	0	0	0	0	0	0	0	0	438
2016	105	68	26	0	199	0	0	0	0	0	0	0	0	199
2017	118	384	52	18	572	0	0	0	0	0	0	0	0	572
2018	165	237	102	0	504	0	56	2	58	0	0	0	0	562
2019	236	216	13	0	465	0	56	28	84	0	0	0	0	549
2020	89	397	17	0	503	4	0	4	8	64	0	84	148	659
Total	29,143	8,045	4,452	1,369	43,009	1,532	216	292	2,040	64	0	84	148	45,049

Notes:

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

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

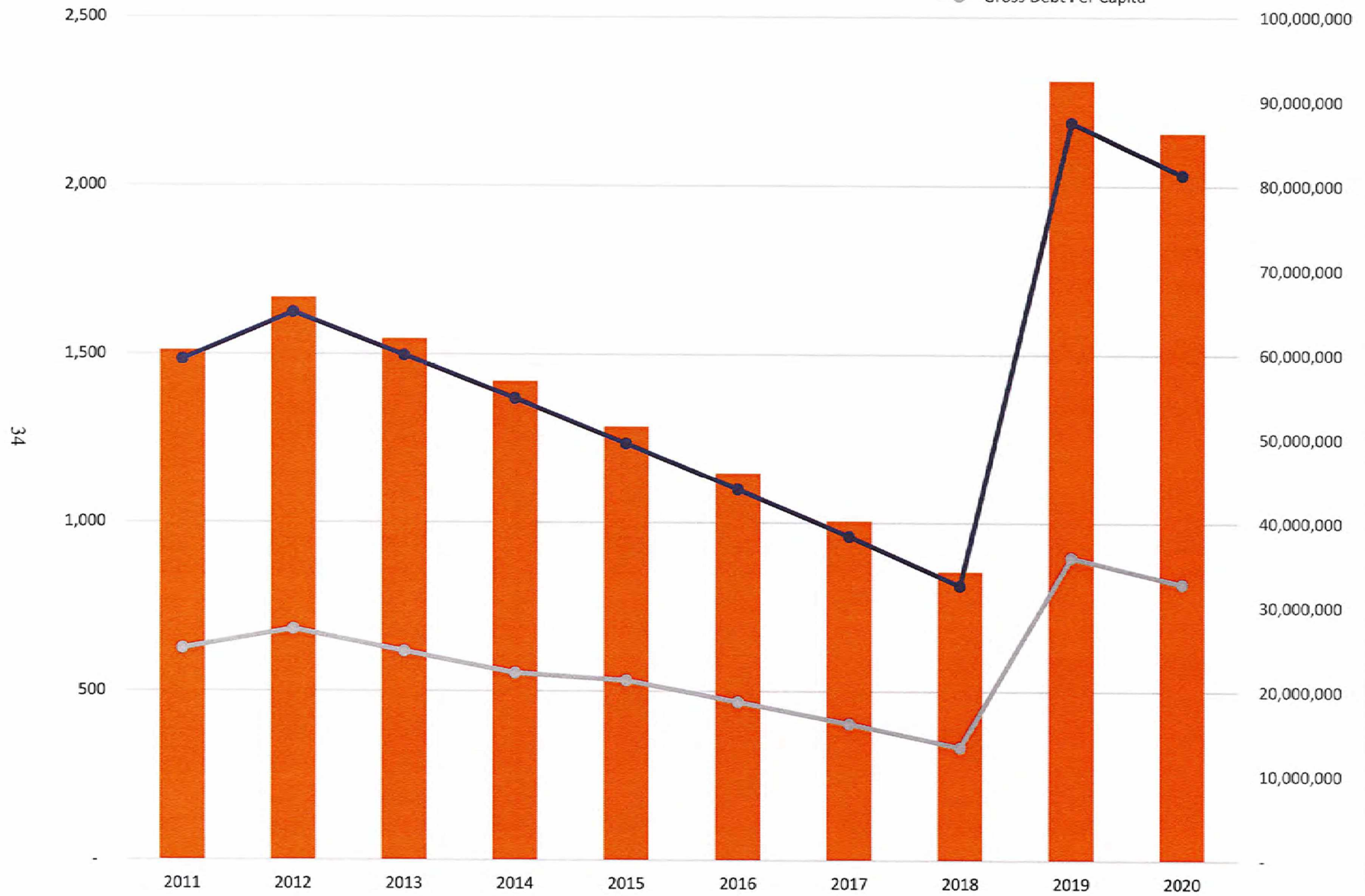
Year	Customers Served (1)	Population Served	Capital Leases	Gross Bonded Debt			Ratio of Gross Debt			Ratio of Net Debt		
				Outstanding	Less Net Debt Service Funds	Net Indebtedness	Per Customer (1)	Per	Capita	Per Customer (1)	Per	Capita
2011	40,740	96,674	79,996	60,520,000	6,653,592	53,946,404	1,486	626	1,324	558		
2012	41,062	97,656	33,393	66,725,000	6,642,000	60,116,393	1,625	683	1,464	616		
2013	41,324	100,186	-	61,890,000	6,664,495	55,225,505	1,498	618	1,336	551		
2014	41,508	102,671	-	56,860,000	6,835,357	50,024,643	1,370	554	1,205	487		
2015	41,658	96,851	-	51,485,000	6,688,000	44,797,000	1,236	532	1,075	463		
2016	41,763	98,023	-	45,950,000	6,813,000	39,137,000	1,100	469	937	399		
2017	41,881	99,620	-	40,245,000	7,257,406	32,987,594	961	404	788	331		
2018	42,046	102,326	-	34,255,000	9,550,000	24,705,000	815	335	588	241		
2019	42,282	102,968	-	92,505,000	10,247,285	82,257,715	2,188	898	1,945	799		
2020	42,435	105,202	-	86,270,000	13,038,185	73,231,815	2,033	820	1,726	696		

NOTES:

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

Gross Debt
Chart C-1

Gross Debt
Gross Debt Per Customer
Gross Debt Per Capita



34

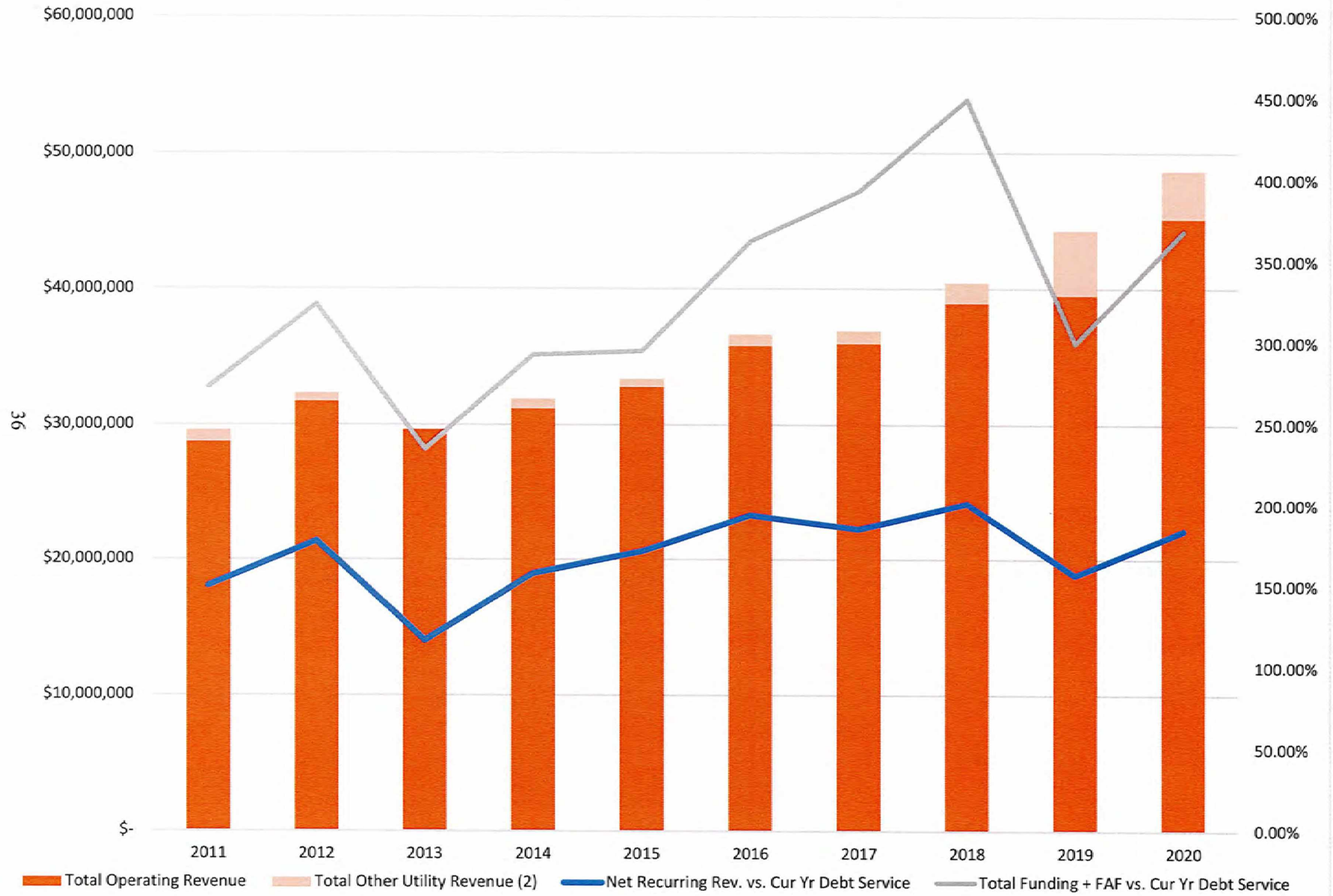
Centennial Water and Sanitation District
TABLE C-2
COVENANT REQUIRED BOND COVERAGE (1)
Last Ten Years

Audit Year	Total Operating Revenue	Total Other Utility Revenue (2)	Total Recurring Revenue (2)	Operating Expenses before Depreciation (3)	Net Recurring (Operating) Revenue available for Debt Service	Total Net Capital Contributions	Total Funding available for Debt Service and Capital Outlay (5)	Financial Assurance Balance Required or Established (10)	Current Year Annual Debt Service	Maximum Annual Debt Service (6)	Current Debt Compliance		Future Debt Compliance	
											Net Recurring Revenue vs. Current Year Debt Service (6)	Total Funding + Financial Assurance vs. Current Annual Debt Service (7)	Maximum Annual Debt Service(8)	Total Funding + Financial Assurance vs. Maximum Annual Debt Service (9)
2011	28,735,120	879,186	29,614,306	19,650,572	9,963,734	2,312,417	12,276,151	5,827,259	6,635,308	6,843,000	150.16%	272.83%	6,843,000	264.55%
2012	31,719,010	605,546	32,324,556	20,508,000	11,816,556	3,133,475	14,950,031	6,552,892	6,639,841	6,813,000	177.96%	323.85%	6,843,000	315.62%
2013	29,649,122	(54,156)	29,594,966	21,779,791	7,815,175	2,822,126	10,637,301	5,114,373	6,703,000	6,813,000	116.59%	234.99%	6,813,000	231.20%
2014	31,199,215	693,307	31,892,522	21,631,374	10,261,148	3,061,561	13,322,709	5,694,663	6,498,108	6,813,000	157.91%	292.66%	6,813,000	279.13%
2015	32,793,499	594,850	33,388,349	21,915,904	11,472,445	2,317,349	13,789,794	5,936,686	6,688,000	6,813,000	171.54%	294.95%	6,813,000	289.54%
2016	35,836,886	810,284	36,647,170	23,424,977	13,222,193	3,578,061	16,800,254	7,898,634	6,813,000	6,813,000	194.07%	362.53%	6,813,000	362.53%
2017	35,994,727	924,377	36,919,104	24,284,197	12,634,907	5,144,263	17,779,170	8,994,664	6,813,000	6,813,000	185.45%	392.98%	7,250,500	392.98%
2018	38,955,147	1,504,109	40,459,256	25,869,749	14,589,507	5,298,549	19,888,056	12,694,664	7,250,500	7,250,500	201.22%	449.39%	7,680,000	449.39%
2019	39,530,913	4,785,312	44,316,225	25,602,786	18,713,439	2,399,351	21,112,790	14,694,664	11,942,000	11,945,000	156.70%	299.84%	11,945,000	299.77%
2020	45,165,045	3,542,514	48,707,559	26,689,268	22,018,291	3,284,998	25,303,289	18,694,664	11,942,000	11,945,000	184.38%	368.43%	11,945,000	368.34%

NOTES:

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

Covenant Required Current Debt Coverage



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

Year	DOUGLAS COUNTY, COLORADO									
	Total Population Served (1)	Estimated Population (3)	Personal Income (\$1,000) (5)	Personal Income Per Capita (5)	Median Age (3)	Average Household Size (3)	Occupancy % (3)	Public School Enrollment (4)	School Enrollment to Population	Unemployment Rate (3)
2011	96,674	292,548	16,587,329	56,700	37.4	2.80	96.20%	57,666	19.2%	6.4%
2012	97,656	298,708	18,105,971	60,614	37.5	2.83	96.30%	59,932	19.9%	6.0%
2013	100,186	306,234	19,140,066	62,501	37.2	2.86	96.00%	61,465	20.8%	5.3%
2014	102,671	314,545	20,781,101	66,067	37.8	2.90	95.00%	63,114	21.1%	4.0%
2015	96,851	322,025	21,793,881	67,678	38.4	2.71	97.60%	64,657	21.3%	2.7%
2016	98,023	328,219	22,589,045	68,823	38.9	2.73	96.30%	66,230	21.4%	3.1%
2017	99,620	335,816	23,635,776	70,383	38.9	2.81	95.70%	66,899	19.9%	2.7%
2018	102,326	342,989	25,811,488	75,255	39.1	2.73	97.10%	67,740	19.7%	2.4%
2019	102,968	351,154	27,549,902	78,455	39.3	2.75	96.40%	67,591	19.2%	2.4%
2020	105,202	379,000	30,923,747	81,593	38.5	2.52	96.40%	67,305	17.8%	6.3%

NOTES:

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

SOURCES:

- 3 Douglas County, Colorado 2021 Comprehensive Annual Financial Report

Highlands Ranch Metropolitan District

TABLE D-2
Douglas County, Colorado
Principal Employers

Employer	2020			2011		
	Rank	Employee Count	% of Total	Rank	Employee Count	% of Total
Douglas County School District	1	6,477	3.38%	1	6,245	4.28%
Charles Schwab	2	4,300	2.24%			
Echostar Communications	3	2,700	1.41%	2	1,840	1.26%
Centura Health	4	1,510	0.79%			
Sky Ridge Medical Center	5	1,370	0.72%	7	1,030	0.71%
Douglas County Government	6	1,332	0.70%	6	1,061	0.73%
VISA Debit Processing Services	7	990	0.52%			
Specialized Loan Servicing, LLC	8	920	0.48%			
Jacob's Engineering (formerly CH2M Hill)	9	880	0.46%	3	1,600	1.10%
HIS Markit	10	750	0.39%			
TW Telecom				4	1,100	0.75%
Western Union				5	1,090	0.75%
Liberty Media				9	730	0.50%
Parker Adventist Hospital				8	840	0.58%
Information Handling Systems				10	700	0.48%
Total for Principal Employers		21,229	11.08%		16,236	11.12%
Total Employment in Douglas County		191,586			145,954	

Source: Douglas County, Colorado 2021 Comprehensive Annual Financial Report

CENTENNIAL WATER and SANITATION DISTRICT

TABLE E-1
OPERATING INFORMATION
12/31/2020

	FULL TIME EQUIVALENT EMPLOYEES AS OF DECEMBER 31, 2020									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
O&M Management	5.00	5.00	5.00	5.50	7.00	7.00	8.00	8.00	8.00	9.00
Plant Operations	18.00	21.00	21.00	21.00	24.00	24.00	24.00	27.00	27.00	21.25
Plant Maintenance	15.00	10.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	15.00
Collection and Distribution	18.00	23.00	23.00	23.00	20.00	20.00	21.00	21.00	21.00	21.00
Lab	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Engineering	7.50	7.50	7.50	7.50	8.50	8.50	8.48	9.95	8.25	5.00
General Management	4.50	4.25	4.25	4.25	4.25	4.25	4.15	4.15	2.00	2.00
Financial Services	7.30	7.30	7.30	7.30	7.30	7.30	7.11	6.25	9.00	9.50
Customer Service	7.50	7.25	7.25	7.25	7.25	7.25	6.50	6.50	6.50	6.50
Temporaries	3.00	3.00	3.00	3.00	3.00	3.00	2.96	2.96	1.51	1.51
TOTAL	90.80	93.30	94.30	94.80	97.30	97.30	98.20	101.81	99.26	95.76
	OPERATING INDICATORS									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Customers Served - Total	40,849	41,309	41,955	42,388	42,826	41,763	41,881	42,046	42,282	42,435
Gallons Billed in Millions	4,804	4,962	4,176	4,268	4,427	4,679	4,654	4,936	4,577	5,298
	CAPITAL ASSETS									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
WATER										
Water Filtration Treatment Plant Gross Capacity MGD	40	40	40	40	40	40	40	40	40	40
Wells available for service	52	52	55	55	55	55	55	55	55	55
Pump Stations	12	12	12	12	12	12	12	12	13	13
Raw Water Storage Reservoirs - number	2	2	2	2	2	2	2	2	2	3
Raw Water Storage Reservoirs - capacity	6605 AF	6605 AF	6605 AF	6605 AF	6605 AF	6605 AF	6605 AF	6605 AF	6605 AF	13527 AF
Treated Storage Reservoirs - number	8	8	8	8	8	8	8	8	8	8
Treated Storage Reservoirs - capacity	38MG	38MG	38MG	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG
Ground Water Pressure Filtration Plants	2	2	2	2	2	2	2	2	2	2
Miles of water pipelines	434	437	438	442	443	446	452	452	457	461
Valves	9,999	10,169	10,196	10,344	10,378	10,541	10,679	10,755	11,058	11,274
Fire Hydrants	3004	3036	3043	3090	3099	3,129	3164	3,180	3,228	3,278
WASTEWATER										
8.5 MGD Wastewater Treatment Plant	1	1	1	1	1	1	1	1	1	1
Lift Station	4	4	4	4	4	4	4	4	4	6
Miles of sewer pipeline	319	321	322	325	325	327	328	333	336	339
Manholes	8,504	8,569	8,596	8,725	8,753	8,794	8,845	8,887	9,005	9103