

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT

Arapahoe, Jefferson, and Douglas Counties, Colorado

FINANCIAL STATEMENTS
December 31, 2016 and 2015



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Independent Auditor's Report

Board of Directors
Southwest Metropolitan
Water and Sanitation District
Arapahoe, Jefferson and Douglas Counties, Colorado

We have audited the accompanying financial statements of Southwest Metropolitan Water and Sanitation District (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Metropolitan Water and Sanitation District, as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
March 24, 2017

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2016 and 2015**

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

Financial Highlights

- Net Position decreased \$1,672,503 (or 2.5%) from 2015 to 2016.
- In 2016, net investment income amounted to \$96,389 representing 5.5% of the District's total revenue.
- Total capital contributions during 2016 amounted to \$1,362,394.
- Net Position decreased \$2,375,334 (or 3.4%) from 2014 to 2015.
- In 2015, net investment income amounted to \$301,035 representing 34.2% of the District's total revenue.
- Total capital contributions during 2015 amounted to \$310,362.

Overview of the Financial Statements

The financial statements of the District are presented as a special purpose government engaged in business type activities – providing water and sewer services.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in the Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information which reflects how the District's Net Position changed during the past 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* reports the District's cash flows from operating, noncapital financing, capital and investing activities.

These financial statements distinguish functions of the District that will be principally supported by investment income, service fees and tap fees. The functions of the District include effective and economical operation of water distribution and wastewater collection systems within the jurisdictional boundaries of the District. The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

NET POSITION

December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Current assets	\$ 9,513,304	\$ 12,646,950	\$ 14,425,310
Noncurrent assets:			
Long-term cash deposits and investments	15,690,035	14,036,820	15,528,667
Capital assets, net	<u>40,367,962</u>	<u>40,474,176</u>	<u>40,092,016</u>
Total noncurrent assets	<u>56,057,997</u>	<u>54,510,996</u>	<u>55,620,683</u>
Total assets	<u>65,571,301</u>	<u>67,157,946</u>	<u>70,045,993</u>
LIABILITIES			
Current liabilities	<u>310,482</u>	<u>224,624</u>	<u>737,337</u>
Total liabilities	<u>310,482</u>	<u>224,624</u>	<u>737,337</u>
NET POSITION			
Net investment in capital assets	40,367,962	40,474,176	40,092,016
Restricted - Emergency reserve	34,800	25,300	60,200
Unrestricted	<u>24,858,057</u>	<u>26,433,846</u>	<u>29,156,440</u>
Total net position	<u>\$65,260,819</u>	<u>\$66,933,322</u>	<u>\$69,308,656</u>

As noted earlier, Net Position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$65,260,819, \$66,933,322, and \$69,308,656 at December 31, 2016, 2015, and 2014 respectively. The largest portion of the District's Net Position reflects its net investment in capital assets. The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Unrestricted Net Position may be used to meet the District's ongoing obligations to maintain the water and sewer systems within the jurisdictional boundaries.

Comparing 2015 to 2016, Current assets decreased \$3,133,646 while long-term cash deposits and investments increased \$1,653,215. Significant planned sewer capital projects continued during 2016 resulting in the decrease of net position. Amounts due contractors for work in progress on these sewer capital projects substantiates the increase in current liabilities of \$85,858 from 2015 to 2016.

Comparing 2014 to 2015, Current assets decreased \$1,778,360 while long-term cash deposits and investments decreased \$1,491,847. As the District does not levy property taxes, the District relies heavily on its cash and investment reserves to fund operations as well as its investment in capital. This funding explains the overall decrease in assets. The District has incurred significant capital costs over the last few years rehabilitating major sewer interceptors. The decrease in current liabilities of \$512,713 is due to the significant completion of construction projects under contract during 2015 as opposed to 2014.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ending December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>
REVENUE			
OPERATING REVENUE			
Charges for services	\$ 291,487	\$ 268,580	\$ 176,255
Total operating revenue	<u>291,487</u>	<u>268,580</u>	<u>176,255</u>
NONOPERATING REVENUE			
Net investment income	96,389	301,035	656,913
Total nonoperating revenue	<u>96,389</u>	<u>301,035</u>	<u>656,913</u>
CAPITAL CONTRIBUTIONS			
Tap fees	769,321	178,377	741,089
Capital projects contributions	-	94,597	429,644
Contributed assets from developers	593,073	37,388	1,068,603
Total capital contributions	<u>1,362,394</u>	<u>310,362</u>	<u>2,239,336</u>
Total revenue	<u>1,750,270</u>	<u>879,977</u>	<u>3,072,504</u>
EXPENSES			
OPERATING EXPENSES			
Water operations	1,537,625	1,528,357	1,534,090
Sewer operations	1,130,495	1,029,348	1,060,992
General and administrative	740,531	694,258	742,019
Total operating expenses	<u>3,408,651</u>	<u>3,251,963</u>	<u>3,337,101</u>
NONOPERATING EXPENSES			
Loss on disposal of property and equipment	14,122	3,348	130,801
Total nonoperating expenses	<u>14,122</u>	<u>3,348</u>	<u>130,801</u>
Total expenses	<u>3,422,773</u>	<u>3,255,311</u>	<u>3,467,902</u>
CHANGE IN NET POSITION	(1,672,503)	(2,375,334)	(395,398)
NET POSITION - BEGINNING OF YEAR	<u>66,933,322</u>	<u>69,308,656</u>	<u>69,704,054</u>
NET POSITION - END OF YEAR	<u>\$65,260,819</u>	<u>\$66,933,322</u>	<u>\$69,308,656</u>

Total revenue increased \$870,293 or 98.9% from 2015 to 2016. The District's net investment income decreased \$204,646. This change is attributed to a negative fair market value adjustment of \$327,200 at December 31, 2016 compared to a negative fair market value adjustment of \$78,537 at December 31, 2015. Total capital contributions increased \$1,052,032 due to the completion of significant developments within the District during 2016.

Total revenue decreased \$2,192,527 or 71.4% from 2014 to 2015. The District's net investment income decreased \$355,878. This decrease is due to the decrease in the Districts investment portfolio due to funding District operations and investment in capital. Capital contributions

decreased \$1,928,974. Significant developments were completed during 2014 compared to a small project being completed during 2015.

The increase in total expenses from 2015 to 2016 amounted to \$167,462 or 5.1%. Sewer operations expense increased by \$101,147. This increase is due to a payment of \$73,699 made under a sewer service agreement with Ken Caryl Water and Sanitation District that requires the District to share in the operation, maintenance and rehabilitation costs of a sewer interceptor.

Total expenses decreased \$212,591 or 6.1% from 2014 to 2015. This change is due primarily to the write off of rehabilitated mains during 2014 which resulted in a loss on disposal of \$130,801. Operating expenses were fairly consistent from 2014 to 2015 decreasing \$85,138 or 2.6%.

Budgetary Highlights

The District prepares its budget on a non-GAAP budgetary basis of accounting to recognize the fiscal impact of sale of assets, capital outlay, in addition to operations and nonoperating revenues and contributions. Capital contributions of facilities and depreciation are not reflected on the budget as they do not affect “funds available”. This budgetary accounting is required by State statutes.

Actual revenue for the District was more than budgeted revenues by \$191,707. Due to the significant development in the District, the timing of the collection of tap fees was difficult to anticipate. Actual water and sewer tap fees collected during 2016 was more than the budget amounts by \$294,000 and \$110,821, respectively. Actual net investment income amounted to a positive \$96,389 resulting in a negative budget variance of \$168,961. A fair value mark down of investments at December 31, 2016 amounted to \$327,200. It is the District policy to hold all investments to maturity, therefore, any fair value adjustment is considered unrealized.

Budgeted expenditures exceeded actual expenditures by \$211,386. In addition to budgeting for emergency reserve, the District budgets an additional 15% of the projected water and sewer capital expenses to cover unanticipated increases in construction costs. Use of this contingency amount of \$156,703 offset higher actual construction costs related to the rehabilitation of a sewer interceptor. The District attempts to budget for the cost to repair unforeseen water main breaks. The positive variance in water repair and maintenance of \$90,037 is attributed to fewer instances of water main breaks requiring repair than projected as well as a decrease in labor hours devoted to water operations.

Capital Assets

The District’s net investment in capital assets at December 31, 2016, 2015, and 2014 amounted to \$40,367,962, \$40,474,176, and \$40,092,016 (net of accumulated depreciation/amortization), respectively.

Analysis of changes in capital assets from 2015 to 2016 is as follows:

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Land and easements	64,819	64,819	0.0%
Construction in progress	989,718	342,845	188.7%
Water distribution systems	19,032,172	19,670,618	-3.2%
Sewage collection system	19,088,751	19,212,978	-0.6%
Office building	1,181,055	1,165,366	1.3%
Other	11,447	17,550	-34.8%
Total net capital assets	<u>\$ 40,367,962</u>	<u>\$ 40,474,176</u>	

Construction in progress for a major sewer interceptor amounted to \$921,948 which entailed the rehabilitation of 7,978 feet of concrete sewer pipe. This project is substantially complete, but will be carried over to 2017. Additionally, \$67,770 is included in construction in progress and relates to the planned remodel of the District's office building. The remodel will be completed during 2017.

Analysis of changes in capital assets from 2014 to 2015 is as follows:

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Land and easements	64,819	64,819	0.0%
Construction in progress	342,845	1,246,292	-72.5%
Water distribution systems	19,670,618	20,467,992	-3.9%
Sewage collection system	19,212,978	17,077,328	12.5%
Office building	1,165,366	1,211,930	-3.8%
Other	17,550	23,655	-25.8%
Total net capital assets	<u>\$ 40,474,176</u>	<u>\$ 40,092,016</u>	

Two significant planned construction projects, one of which began during 2014, relating to the rehabilitation of two major sewer interceptors were completed during 2015 amounting to a total cost of \$2,772,053. Columbine Water & Sanitation District and Grant Water & Sanitation District are contractually obligated to reimburse the District for their portion of the costs. Such reimbursement for construction costs incurred during 2015 amounted to \$94,597. The amount of construction in progress at December 31, 2015 of \$342,845 relates to the replacement of a total of 836 feet of sewer mains which was completed during the spring of 2016.

Additional information on the District's capital assets can be found in NOTE 4 of this report.

Economic Factors and Next Year's Budget

- Total revenue is budgeted at \$1,233,564. Investment income is budgeted at \$335,744 which is based on a projected average yield of 1.35%.
- The District will continue to impose a service fee to customers. Beginning in 2017, the fee will be increased from \$1.00 to \$3.00 per month per ¾" equivalent. Service fee revenue budgeted for 2017 is \$536,220 based on 14,895, ¾" equivalents.
- The budget for operating expenditures and capital expenditures is \$1,624,533 and \$728,704 respectively.
- Total expenditures for 2017 are projected to exceed revenue by \$1,119,673 which will be funded by the District's current funds available.

Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Financial Administrator, Southwest Metropolitan Water and Sanitation District, 8739 W. Coal Mine Ave., Littleton, Colorado 80123.

FINANCIAL STATEMENTS

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,446,218	\$ 6,705,302
Cash deposits and investments	2,849,965	5,683,053
Other receivables	66,828	146,729
Accrued interest receivable	139,385	99,975
Prepaid expenses	10,908	11,891
Total current assets	9,513,304	12,646,950
NONCURRENT ASSETS		
Long-term cash deposits and investments	15,690,035	14,036,820
Capital assets:		
Land and easements	64,819	64,819
Construction in progress	989,718	342,845
Water distribution system	42,090,708	41,735,434
Sewage collection system	33,644,178	33,003,820
Office building	2,355,076	2,294,603
Other	33,699	33,699
Less accumulated depreciation	(38,810,236)	(37,001,044)
Total capital assets (net of accumulated depreciation)	40,367,962	40,474,176
Total noncurrent assets	56,057,997	54,510,996
Total assets	65,571,301	67,157,946
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	224,190	206,225
Retainage payable	39,325	15,899
Deposits from developers	46,967	2,500
Total current liabilities	310,482	224,624
NET POSITION		
Net investment in capital assets	40,367,962	40,474,176
Restricted for emergencies	34,800	25,300
Unrestricted	24,858,057	26,433,846
TOTAL NET POSITION	\$ 65,260,819	\$ 66,933,322

These financial statements should be read only in connection with the accompanying notes to financial statements.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING REVENUE		
Charges for services	\$ 291,487	\$ 268,580
Total operating revenue	291,487	268,580
OPERATING EXPENSES		
Water operations	1,537,625	1,528,357
Sewer operations	1,130,495	1,029,348
General and administrative	740,531	694,258
Total operating expenses	3,408,651	3,251,963
(LOSS) FROM OPERATIONS	(3,117,164)	(2,983,383)
NONOPERATING REVENUE		
Investment income	423,589	379,572
Net decrease in fair value of investments	(327,200)	(78,537)
Total nonoperating revenue	96,389	301,035
NONOPERATING EXPENSES		
Loss on disposal of property and equipment	(14,122)	(3,348)
Total nonoperating expenses	(14,122)	(3,348)
(LOSS) BEFORE CONTRIBUTIONS	(3,034,897)	(2,685,696)
CAPITAL CONTRIBUTIONS		
Tap fees	769,321	178,377
Capital projects contributions	-	94,597
Contributed assets	593,073	37,388
Total capital contributions	1,362,394	310,362
CHANGE IN NET POSITION	(1,672,503)	(2,375,334)
NET POSITION - BEGINNING OF YEAR	66,933,322	69,308,656
NET POSITION - END OF YEAR	\$ 65,260,819	\$ 66,933,322

These financial statements should be read only in connection with the accompanying notes to financial statements.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 415,855	\$ 226,109
Cash payments to suppliers for goods and services	(1,571,998)	(1,454,588)
Cash flows used for operating activities	(1,156,143)	(1,228,479)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed capital - Tap fees	769,321	178,377
Contributed capital - cost reimbursement	-	48,273
Acquisition of property, plant and equipment	(1,109,114)	(2,660,214)
Cash flows used by capital and related financing activities	(339,793)	(2,433,564)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	393,489	429,499
Purchase of investments	(12,999,328)	(7,005,281)
Matured investments	13,842,691	11,822,625
Cash provided by investing activities	1,236,852	5,246,843
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(259,084)	1,584,800
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,705,302	5,120,502
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,446,218	\$ 6,705,302

(Continued)

These financial statements should be read only in connection with the accompanying notes to financial statements.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

(Continued)

	<u>2016</u>	<u>2015</u>
Reconciliation of (loss) from operations to net cash used for operating activities		
(Loss) from operations	\$ (3,117,164)	\$ (2,983,383)
Adjustments to reconcile (loss) from operations to net cash used for operating activities		
Depreciation and amortization	1,842,117	1,784,096
Effects of changes in operating assets and liabilities:		
Accounts receivable	79,901	(42,609)
Prepaid expenses	983	(1,868)
Accounts payable	(6,447)	15,147
Deposits from developers	44,467	138
Total adjustments	<u>1,961,021</u>	<u>1,754,904</u>
Cash flows used for operating activities	<u>\$ (1,156,143)</u>	<u>\$ (1,228,479)</u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets from developers	<u>\$ 593,073</u>	<u>\$ 37,388</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – DEFINITION OF REPORTING ENTITY

Southwest Metropolitan Water and Sanitation District (the District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson, Arapahoe and Douglas Counties, Colorado. The District was established to provide water and sanitation services.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The more significant accounting policies of the District are described as follows:

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation and amortization are computed and recorded as operating expenses. Expenditures for property and equipment are shown as increases in assets. Tap fees, inclusion fees and contributed water and sewer lines are recorded as capital contributions when received.

Operating Revenues and Expenses

The District distinguishes between operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sewer services to its customers. Charges to customers for services provided are performed by a third-party (see Note 5 - Denver Water Board). Operating expenses include cost of service, administrative expenses, and depreciation and amortization of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses or capital contributions.

Budgets

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 appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. A budget is legally adopted for the District, and is presented on a Non-GAAP budgetary basis.

Restricted Resources

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

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents and Investments

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. Investments are recorded at fair value.

Capital Assets

Capital assets which include property, equipment, and infrastructure are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution or at developer’s cost. Capital assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Depreciation and amortization expense has been computed using the straight-line method over the estimated economic useful lives:

Distribution and collection systems	20 – 40 years
Office building and improvements	15 – 40 years
Other	3 – 5 years

Net Position

Net Position is categorized as net investment in capital assets, restricted and unrestricted. Net investment in capital assets is intended to reflect the portion of Net Position which are associated with non-liquid, capital assets. Restricted Net Position are liquid assets, which have third party limitations on their use. Unrestricted Net Position represent assets that do not have any third party limitations on their use.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

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

	<u>2016</u>	<u>2015</u>
Deposits	\$ 2,349,896	\$ 3,186,538
Investments	<u>22,636,322</u>	<u>23,238,637</u>
Total	<u>\$ 24,986,218</u>	<u>\$ 26,425,175</u>

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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

	2016	2015
Cash and cash equivalents	\$ 6,446,218	\$ 6,705,302
Cash deposits and investments	2,849,965	5,683,053
Long-term cash deposits and investments	15,690,035	14,036,820
	\$ 24,986,218	\$ 26,425,175

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires deposits of all units of local government to be made in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as 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 equal to the 102% of the uninsured deposits.

Investments

Colorado statutes specify investment instruments meeting defined rating, maturity, custodial and concentration risk criteria in which local governments may invest which include:

- . Obligations of the U.S. and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market mutual funds
- . Guaranteed investment contracts
- . Local government investment pools

The investment policy adopted by the Board of Directors of the District establishes additional restrictions to the requirements specified by state statutes.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

At December 31, the District had the following investments:

Investment	Rating	Investment Maturities (in Years)			2016
		Less than 1	1 - 5	More than 5	Total
U.S. Government Instrumentalities	AAA/AA+	\$ -	\$ 7,914,940	\$ 1,916,080	\$ 9,831,020
U.S. Treasury Notes	N/A	999,100	5,366,015	-	6,365,115
Local Government Investment Pool	AAAm	6,440,187	-	-	6,440,187
		<u>\$ 7,439,287</u>	<u>\$ 13,280,955</u>	<u>\$ 1,916,080</u>	<u>\$ 22,636,322</u>

Investment	Rating	Investment Maturities (in Years)			2015
		Less than 1	1 - 5	More than 5	Total
U.S. Government Instrumentalities	AAA/AA+	\$ -	\$ 5,625,310	\$ 1,979,320	\$ 7,604,630
U.S. Treasury Notes	N/A	2,501,575	994,690	5,437,500	8,933,765
Local Government Investment Pool	AAAm	6,700,242	-	-	6,700,242
		<u>\$ 9,201,817</u>	<u>\$ 6,620,000</u>	<u>\$ 7,416,820</u>	<u>\$ 23,238,637</u>

Interest Rate Risk – In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting investments in U.S. Treasuries and U.S. Agencies to an original maturity of ten years or less.

Credit risk – The District’s investment policy limits investments to U.S. Treasury obligations and U.S. Government agency securities, local government investment pools, and certain money market mutual funds approved by the Board of Directors. At the time of purchase, investments must have a credit rating equal to or greater than that specified by state statutes.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk – It is the policy of the District to diversify its investment portfolio to eliminate risk of loss resulting from over concentration of assets in a specific maturity, a specific class, and specific issuer of securities. The District policy includes cash deposits in the total portfolio when determining concentration of investments. The policy provides that the total portfolio of the District may be comprised of 100% U.S. Treasury Notes. However, investment in U.S. agency and instrumentalities may not exceed 50% of the District's total portfolio and investment in any one issuer may not exceed 20% of the total portfolio. Investments in local government investment pools as well as money market mutual funds may not exceed 25% of the District's total portfolio. The policy provides for variances in the stated maximum percentage limitations not to exceed 10% at any given time. At December 31, 2016, the District's investment in Federal Home Loan Mortgage Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corp, and Federal Farm Credit Banks were 12.93%, 8.58%, 8.53%, and 13.39%, respectively, of the District's total investments and 11.72%, 7.77%, 7.73%, and 12.13%, respectively, of the District's total portfolio. At December 31, 2015, the District's investment in Federal Home Loan Mortgage Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corp, and Federal Farm Credit Banks were 4.30%, 8.52%, 8.56%, and 11.34%, respectively, of the District's total investments and 3.78%, 7.49%, 7.53%, and 9.98%, respectively, of the District's total portfolio.

Local Government Investment pool - As of December 31, 2016 and 2015, the District had \$6,440,187 and \$6,700,242 respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAM by Standard and Poor's. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. Substantially all securities owned by Colotrust are held by the Wells Fargo Bank, N.A. in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colotrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by each participating government.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, the District had the following fair value measurements:

Investment	Fair Value Measurement Using			2016
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
U.S. Government Instrumentalities	\$ 9,831,020	\$ -	\$ -	\$ 9,831,020
U.S. Treasury Notes	6,365,115	-	-	6,365,115
Local Government Investment Pool	-	6,440,187	-	6,440,187
	<u>\$16,196,135</u>	<u>\$ 6,440,187</u>	<u>\$ -</u>	<u>\$ 22,636,322</u>

Investment	Fair Value Measurement Using			2015
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
U.S. Government Instrumentalities	\$ 7,604,630	\$ -	\$ -	\$ 7,604,630
U.S. Treasury Notes	8,933,765	-	-	8,933,765
Local Government Investment Pool	-	6,700,242	-	6,700,242
	<u>\$16,538,395</u>	<u>\$ 6,700,242</u>	<u>\$ -</u>	<u>\$ 23,238,637</u>

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	Balance at December 31, 2015	Additions	Deletions	Balance at December 31, 2016
Capital assets, not being depreciated:				
Land and easements	\$ 64,819	\$ -	\$ -	\$ 64,819
Construction in progress	342,845	1,058,797	411,924	989,718
Total capital assets not being depreciated	<u>407,664</u>	<u>1,058,797</u>	<u>411,924</u>	<u>1,054,537</u>
Capital assets, being depreciated:				
Water distribution system	41,735,434	356,208	934	42,090,708
Sewage collection system	33,003,820	674,344	33,986	33,644,178
Office building	2,294,603	72,600	12,127	2,355,076
Other	33,699	-	-	33,699
Total capital assets being depreciated	<u>77,067,556</u>	<u>1,103,152</u>	<u>47,047</u>	<u>78,123,661</u>
Less accumulated depreciation/amortization:				
Water distribution system	(22,064,816)	(994,654)	(934)	(23,058,536)
Sewage collection system	(13,790,842)	(784,449)	(19,864)	(14,555,427)
Office building	(1,129,237)	(56,911)	(12,127)	(1,174,021)
Other	(16,149)	(6,103)	-	(22,252)
Total accumulated depreciation	<u>(37,001,044)</u>	<u>(1,842,117)</u>	<u>(32,925)</u>	<u>(38,810,236)</u>
Total capital assets, being depreciated, net	<u>40,066,512</u>	<u>(738,965)</u>	<u>14,122</u>	<u>39,313,425</u>
Net Capital Assets	<u>\$40,474,176</u>	<u>\$ 319,832</u>	<u>\$ 426,046</u>	<u>\$40,367,962</u>

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 4 – CAPITAL ASSETS (CONTINUED)

An analysis of the changes in capital assets for the year ended December 31, 2015 follows:

	Balance at December 31, 2014	Additions	Deletions	Balance at December 31, 2015
Capital assets, not being depreciated:				
Land and easements	\$ 64,819	\$ -	\$ -	\$ 64,819
Construction in progress	1,246,292	1,917,656	2,821,103	342,845
Total capital assets not being depreciated	<u>1,311,111</u>	<u>1,917,656</u>	<u>2,821,103</u>	<u>407,664</u>
Capital assets, being depreciated:				
Water distribution system	41,546,168	202,928	13,662	41,735,434
Sewage collection system	30,496,045	2,858,491	350,716	33,003,820
Office building	2,287,821	11,632	4,850	2,294,603
Other	33,699	-	-	33,699
Total capital assets being depreciated	<u>74,363,733</u>	<u>3,073,051</u>	<u>369,228</u>	<u>77,067,556</u>
Less accumulated depreciation/amortization:				
Water distribution system	(21,078,176)	(997,736)	(11,096)	(22,064,816)
Sewage collection system	(13,418,717)	(722,841)	(350,716)	(13,790,842)
Office building	(1,075,891)	(57,414)	(4,068)	(1,129,237)
Other	(10,044)	(6,105)	-	(16,149)
Total accumulated depreciation	<u>(35,582,828)</u>	<u>(1,784,096)</u>	<u>(365,880)</u>	<u>(37,001,044)</u>
Total capital assets, being depreciated, net	<u>38,780,905</u>	<u>1,288,955</u>	<u>3,348</u>	<u>40,066,512</u>
Net Capital Assets	<u>\$40,092,016</u>	<u>\$ 3,206,611</u>	<u>\$ 2,824,451</u>	<u>\$40,474,176</u>

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 was charged to the following operations:

	<u>2016</u>	<u>2015</u>
Water	994,654	997,737
Sewer	784,449	722,841
Administration	63,014	63,518
	<u>\$1,842,117</u>	<u>\$ 1,784,096</u>

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 – CONTRACTS

Denver Water Board

The District has a distributor contract with the Denver Water Board (Denver) whereby Denver provides water in the District's service area and charges the users directly ("read and bill" type of distributor's contract). The District is responsible for maintenance and replacement of the water mains owned by the District.

During 2014, under the distributor contract with Denver, the District entered into an Intergovernmental Agreement with Denver to impose a service fee of \$1.00 per month per ¾" equivalent to District customers. The service fee is to be used for operations, maintenance, and rehabilitation, of the District facilities. The fee is imposed on customers' Denver Water bills, with the revenue collected by Denver Water and remitted to the District less a collection fee. Service fee revenue amounted to \$179,312 and \$175,839 in 2016 and 2015, respectively.

In 1975, the District entered into an agreement with Denver whereby the District constructed water mains and conveyed them to Denver in exchange for a water supply of 5,500,000 gallons per day. Denver is responsible for the operation, maintenance and replacement of these mains.

The District participated in the cost to construct facilities owned by Denver (agreement date 1977). The District acquired the right to sufficient capacities in the water line to serve taps reserved to the District for \$6,742,264. This amount is included in the water distribution system and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2016 and 2015 is \$5,199,371 and, \$5,030,819 respectively.

The District has additional contracts with Denver for its participation costs in facilities. These facilities were deemed complete during 2005 and the District has no further commitments under the contracts. The District's participation amounted to \$4,484,958, which reserves additional capacity in the Denver system for the District. This amount has been included in the water distribution system and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2016 and 2015 is \$1,233,363 and \$1,121,240, respectively.

City of Littleton

The District has a contract with the City of Littleton (the City) whereby the City provides sewage treatment for the District and bills users directly. The District is responsible for maintenance and replacement of the sewer mains within the District and will retain title to them.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 – CONTRACTS (CONTINUED)

Meadowbrook-Fairview

In 1976, the District agreed to reserve for Meadowbrook-Fairview Metropolitan District (Meadowbrook-Fairview) sewer capacity for 1,550 single family or equivalent sanitary sewer taps in its facilities. The contract provides that sewer lines described as outfalls “A” & “B” that were constructed by Meadowbrook-Fairview remain the property of Meadowbrook-Fairview until its bonded indebtedness incurred in construction is fully paid.

During 1997, the contract was amended and extended for twenty years. At that time outfall lines “A” & “B” and all easements relating thereto were conveyed to the District as provided in the original contract.

During 1999, the contract was again amended, increasing the total allowable taps by 336 to 1,886 taps. Meadowbrook-Fairview must pay the sum of \$227 for each single-family residential equivalent together with Southwest’s applicable tap fee at the time of connection. At December 31, 2016, remaining taps to be issued under the contract amounted to 82.

Grant Water and Sanitation District

On August 14, 1962, the District entered into an agreement (1962 Agreement) with Grant Water and Sanitation District (Grant) to accommodate the future transmission of sewage from 5,000 single family equivalent taps. Grant agreed to pay the District \$50 at the time each individual tap is connected.

During 1983, an additional agreement provided for an alternate point of connection to the Districts sewer system for 300 single family equivalent taps, within Grant at \$450 per individual tap. The 300 sewer taps are part of, and not in addition to the 5,000 sewer taps allowed under the 1962 Agreement. At December 31, 2016, remaining taps to be issued under the agreements amounted to 1,392.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Intergovernmental Agreement – Management and Maintenance

In 1986, the District entered into an agreement with Platte Canyon Water and Sanitation District (Platte Canyon) wherein Platte Canyon provides management, maintenance, inspection and clerical services to the District. Under the agreement, Platte Canyon bills the District monthly for its proportionate share of costs. During 2014, the contract was renewed for ten years with an option for the District to renew for successive five-year periods after December 31, 2024. During 2016 and 2015 the District reimbursed Platte Canyon \$978,552 and \$1,003,781, respectively for services provided.

Intergovernmental Agreement – Joint Office and Garage Facility

On March 27, 1998, the District entered into an intergovernmental agreement with Platte Canyon, which provides for cost sharing of a new office and garage facility. The cost of the new facility was \$1,816,148, of which, the District paid 70% or \$1,271,303. Upon termination of the agreement, Platte Canyon will be entitled to 30% of the appraised replacement value of the joint facility excluding land value.

Platte Canyon pays the District a monthly rent and a proportionate share of the operation and maintenance expense determined on a quarterly basis. The Intergovernmental Agreement will be effective until December 31, 2018. Reimbursement of operation and maintenance costs received from Platte Canyon during 2016 and 2015 amounted to \$47,453 and \$21,820, respectively.

Water Tap Deposit Agreement

Advance deposits for the purchase of future water taps were received during 1978. At December 31, 2016, remaining advance deposits amounted to \$552,750, which represents the District's intention to issue 737 water taps. This amount was recorded as contributions when received. No advance deposits were used or refunded in 2016 and 2015.

NOTE 7 – LEASES

In 1969, the District entered into an agreement with the City of Littleton whereby the City is allowed to connect with the District's sewer lines for \$15,000 per year. The agreement is subject to renewal annually. The District recorded lease income of \$15,000 for each of the years ended December 31, 2016 and 2015.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 8 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, as amended from time to time, the District may be 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). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, general liability, and boiler and machinery. In the event aggregate 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, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

The District maintains commercial insurance for injuries to employees (worker's compensation). Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 9 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 – TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

On November 4, 2003, a majority of the District’s electors authorized the District to collect, retain and spend all revenues and other funds received from District rates, fees, tolls, charges, fines, penalties and investments commencing January 1, 2004, for general operations, maintenance, and capital improvements as a voter approved revenue change and exception to the limits which would otherwise apply under Article X, Section 20.

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2016 and 2015, the District’s reserve of \$34,800 and \$25,300 was recorded as a restriction of Net Position.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended December 31, 2016 and 2015

	2016	2015
WATER OPERATIONS		
Repair and maintenance	\$ 471,963	\$ 477,650
Utilities	28,277	36,450
Engineering and legal	42,732	16,521
Depreciation	713,978	717,061
Amortization	280,675	280,675
Total water operations	1,537,625	1,528,357
SEWER OPERATIONS		
Repair and maintenance	321,021	280,274
Utilities	17,323	12,888
Engineering and legal	7,702	13,345
Depreciation	772,365	710,757
Amortization	12,084	12,084
Total sewer operations	1,130,495	1,029,348
GENERAL AND ADMINISTRATIVE		
General office administration		
Administration	468,895	451,464
Office supplies	1,735	1,682
Other	17,397	14,968
Public Relations	32,743	34,318
Professional and consulting		
Accounting and audit	5,250	5,250
Legal	37,028	33,246
Other	12,500	12,500
Insurance	12,235	13,023
Building maintenance and utilities	83,609	59,449
Miscellaneous	6,124	4,839
Depreciation	63,015	63,519
Total general and administrative	740,531	694,258
Total operating expenses	\$ 3,408,651	\$ 3,251,963

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (Non-GAAP BUDGETARY BASIS)
Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUE			
Net investment income	\$ 265,350	\$ 96,389	\$ (168,961)
Tap fees - water	315,000	609,000	294,000
Tap fees - sewer	49,500	160,321	110,821
Charges for services	335,640	291,487	(44,153)
Total revenue	<u>965,490</u>	<u>1,157,197</u>	<u>191,707</u>
EXPENDITURES			
OPERATIONS AND ADMINISTRATION			
Operations and maintenance - water			
Repair and maintenance	562,000	471,963	90,037
Utilities	33,600	28,277	5,323
Engineering and legal	39,000	42,732	(3,732)
Operations and maintenance - sewer			
Repair and maintenance	348,000	321,021	26,979
Utilities	12,000	17,323	(5,323)
Engineering and legal	12,000	7,702	4,298
General office administration	477,503	488,027	(10,524)
Public Relations	37,700	32,743	4,957
Professional and consulting	57,000	54,778	2,222
Insurance	13,750	12,235	1,515
Office maintenance	45,000	54,996	(9,996)
Office utilities	32,000	28,613	3,387
Other	8,030	6,124	1,906
Total operations and maintenance	<u>1,677,583</u>	<u>1,566,534</u>	<u>111,049</u>
CAPITAL OUTLAY			
Water distribution system	11,880	25,555	(13,675)
Sewage collection system	839,706	991,028	(151,322)
Other	249,000	140,369	108,631
Contingency	156,703	-	156,703
Total capital outlay	<u>1,257,289</u>	<u>1,156,952</u>	<u>100,337</u>
Total expenditures	<u>2,934,872</u>	<u>2,723,486</u>	<u>211,386</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	(1,969,382)	(1,566,289)	403,093
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>26,535,046</u>	<u>26,459,146</u>	<u>(75,900)</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 24,565,664</u>	<u>\$ 24,892,857</u>	<u>\$ 327,193</u>
Funds available is computed as follows:			
Current assets		\$ 9,513,304	
Long-term cash deposits and investments		15,690,035	
Current liabilities		(310,482)	
		<u>\$ 24,892,857</u>	

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
RECONCILIATION OF ACTUAL (Non-GAAP BUDGETARY BASIS) TO STATEMENT
OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended December 31, 2016**

REVENUE (BUDGETARY BASIS)	\$ 1,157,197
Contributed capital assets	593,073
Total revenue per statement of revenues, expenses, and changes in net position	1,750,270
 EXPENDITURES (BUDGETARY BASIS)	 2,723,486
Depreciation	1,549,358
Amortization	292,759
Loss on asset disposition	14,122
Capital outlay	(1,156,952)
Total expenses per statement of revenues, expenses, and changes in net position	3,422,773
Change in net position per statement of revenues, expenses, and changes in net position	\$ (1,672,503)