

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT

Arapahoe, Jefferson, and Douglas Counties, Colorado

**FINANCIAL STATEMENTS
December 31, 2019 and 2018**

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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, 2019 and 2018, and the related notes to the 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, 2019 and 2018, and the changes in its financial position and cash flows thereof 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 27, 2020

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED December 31, 2019 and 2018**

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 increased \$1,700,476 (or 2.8%) from 2018 to 2019.
- In 2019, charges for services amounted to \$1,369,916 representing 25.1% of the District's total revenue and capital contributions.
- Total capital contributions during 2019 amounted to \$3,318,019.
- Net Position decreased \$1,886,701 (or 3.0%) from 2017 to 2018.
- In 2018, charges for services amounted to \$1,050,668 representing 57.1% of the District's total revenue.
- Total capital contributions during 2018 amounted to \$423,871.

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>2019</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current assets	\$ 9,854,710	\$ 8,680,238	\$ 8,598,784
Noncurrent assets:			
Long-term cash deposits and investments	15,181,270	15,157,870	16,331,900
Capital assets, net	38,475,818	38,032,583	38,899,370
Total noncurrent assets	53,657,088	53,190,453	55,231,270
Total assets	63,511,798	61,870,691	63,830,054
LIABILITIES			
Current liabilities	184,561	243,930	316,592
Total liabilities	184,561	243,930	316,592
NET POSITION			
Investment in capital assets	38,475,818	38,032,583	38,899,370
Restricted - Emergency reserve	102,700	42,800	50,800
Unrestricted	24,748,719	23,551,378	24,563,292
Total net position	<u>\$63,327,237</u>	<u>\$61,626,761</u>	<u>\$63,513,462</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 \$63,327,237, \$61,626,761, and \$63,513,462 at December 31, 2019, 2018, and 2017 respectively. The largest portion of the District's Net Position reflects its 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 2018 and 2019, Current assets increased \$1,174,472 while long-term cash deposits and investments increased \$23,400. The District increased the service charge from \$5.00 to \$7.00 per month per ¾" equivalent water tap to reduce continuing annual deficits. This revenue along with tap fee revenue received from developers helped fund operations and the Districts continued investment in capital. Investment in capital assets increased \$443,235 due to the funding of two water projects and developer contributions of water and sewer facilities. The decrease in total liabilities of \$59,369 is due to an amount due a contractor for remedial water maintenance performed at the end of 2018. There was no such project in 2019.

Comparing 2017 to 2018, Current assets increased \$81,454 and long-term cash deposits and investments decreased \$1,174,030. 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. With the steady decline in cash and investment reserves, the District's imposition of a service charge on District customers has become necessary in order to continue to effectively maintain the District facilities.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ending December 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>
REVENUE			
OPERATING REVENUE			
Charges for services	\$ 1,369,916	\$ 1,050,668	\$ 713,169
Total operating revenue	<u>1,369,916</u>	<u>1,050,668</u>	<u>713,169</u>
NONOPERATING REVENUE			
Net investment income	<u>768,936</u>	<u>364,252</u>	<u>359,832</u>
Total nonoperating revenue	<u>768,936</u>	<u>364,252</u>	<u>359,832</u>
CAPITAL CONTRIBUTIONS			
Tap fees	1,283,458	8,908	462,689
Capital projects contributions	-	-	157,500
Contributed capital assets from developers	<u>2,034,561</u>	<u>414,963</u>	<u>7,947</u>
Total capital contributions	<u>3,318,019</u>	<u>423,871</u>	<u>628,136</u>
Total revenue	<u>5,456,871</u>	<u>1,838,791</u>	<u>1,701,137</u>
EXPENSES			
OPERATING EXPENSES			
Water operations	1,768,062	1,769,953	1,556,450
Sewer operations	1,180,735	1,071,157	1,086,338
General and administrative	<u>806,412</u>	<u>855,998</u>	<u>779,678</u>
Total operating expenses	<u>3,755,209</u>	<u>3,697,108</u>	<u>3,422,466</u>
NONOPERATING EXPENSES			
Loss on disposal of property and equipment	<u>1,186</u>	<u>28,384</u>	<u>26,028</u>
Total nonoperating expenses	<u>1,186</u>	<u>28,384</u>	<u>26,028</u>
Total expenses	<u>3,756,395</u>	<u>3,725,492</u>	<u>3,448,494</u>
CHANGE IN NET POSITION	1,700,476	(1,886,701)	(1,747,357)
NET POSITION - BEGINNING OF YEAR	<u>61,626,761</u>	<u>63,513,462</u>	<u>65,260,819</u>
NET POSITION - END OF YEAR	<u><u>\$ 63,327,237</u></u>	<u><u>\$ 61,626,761</u></u>	<u><u>\$ 63,513,462</u></u>

Total revenue increased \$3,618,080 or 196.8% from 2018 to 2019. The increase in charges for services of \$319,248 is primarily due to the District imposing an additional \$2.00 per month per $\frac{3}{4}$ equivalent on customers in 2019. Increased yields and a positive fair value adjustment in 2019 compared to 2018 accounts for the increase in net investment income of \$404,684. Capital contributions increased \$2,894,148 due to a significant development being completed during 2019 compared with 2018.

Total revenue increased \$137,654 or 8.1% from 2017 to 2018. The District's charges for services increased \$337,499. This change is attributed to the increase in service fee from \$3.00 to \$5.00 per month per ¾" equivalent water tap. The increases in the service fee imposed over the last few years is necessary to contribute to the shortfall in the funding of District operations, maintenance and rehabilitation of District facilities. Total capital contributions decreased \$204,265 due to the progress of various developments within the District and the timing of tap fee revenue collections.

Total expenses increased \$30,903 or 0.8% from 2018 to 2019. District contracts with Platte Canyon Water & Sanitation District to provide administrative and maintenance services under an Intergovernmental Agreement (See Note 6 – Intergovernmental Agreement – Management and Maintenance). The cost of labor and overhead is allocated to the District based on the administrative and maintenance hours devoted to water operations, sewer operations, and general and administrative activities.

The increase in total expenses from 2017 to 2018 amounted to \$274,642 or 8.0%. Water operations expense increased by \$213,503. This increase is due to more remedial water repairs being identified and scheduled in 2018 compared to 2017. One repair consisted of abandoning a 10-inch water main section and reestablishing connection to a 16-inch main with an approximate cost of \$131,000.

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 \$1,508,879. Due to the significant development in the District, the timing of the collection of tap fees was difficult to project. Actual water and sewer tap fees collected during 2019 was more than the budget amounts by \$784,000 and \$418,458, respectively. Actual net investment income amounted to positive \$768,936 resulting in a positive budget variance of \$292,296. A fair value mark up of investments at December 31, 2019 amounted to \$200,172. 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 \$58,543. In addition to budgeting for emergency reserve, the District budgeted an additional 15% of the projected water and sewer capital expenses to cover unanticipated increases in construction costs. The percentage applied fluctuates from year to year depending on the predictability of the construction industry. The negative variance of \$52,275 in total capital outlay was due to the water distribution system capital replacement construction contracts being significantly higher than anticipated. The positive variance in sewer repair and maintenance of \$53,680 is attributed to having no emergency sewer service interruptions requiring repair and the reduction of the number of remedial sewer projects that were planned to be completed during 2019.

Capital Assets

The District's investment in capital assets at December 31, 2019, 2018, and 2017 amounted to \$38,475,818, \$38,032,583, and \$38,899,370, (net of accumulated depreciation/amortization), respectively.

Analysis of changes in capital assets from 2019 to 2018 is as follows:

	<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
Land and easements	64,819	64,819	0.0%
Construction in progress	25,548	-	100.0%
Water distribution systems	18,170,864	17,800,589	2.1%
Sewage collection system	19,066,872	18,948,981	0.6%
Office building	1,144,452	1,213,627	-5.7%
Other	3,263	4,567	-28.6%
Total net capital assets	<u>\$ 38,475,818</u>	<u>\$ 38,032,583</u>	

The District completed two major water capital projects replacing 701 feet of 12-inch cast iron pipe and 312 feet of 6-inch cast iron pipe amounting to \$370,169. Significant development was completed during 2019 with water and sewer facilities being contributed to the District in the amount of \$1,060,946 and \$973,615, respectively. Total depreciation and amortization expense for 2019 amounted to \$1,977,569.

Analysis of changes in capital assets from 2017 to 2018 is as follows:

	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Land and easements	64,819	64,819	0.0%
Construction in progress	-	195,940	-100.0%
Water distribution systems	17,800,589	18,085,672	-1.6%
Sewage collection system	18,948,981	19,275,391	-1.7%
Office building	1,213,627	1,271,653	-4.6%
Other	4,567	5,895	-22.5%
Total net capital assets	<u>\$ 38,032,583</u>	<u>\$ 38,899,370</u>	

The joint capital water project with Jefferson County was completed during 2018 with a total cost of \$315,847, which includes a capital project contribution from the County in the amount of \$115,796. Additionally, 945 feet of 8-inch ductile iron pipe was replaced amounting to \$229,647. The District also completed sewer projects including the lining of 2,745 feet of concrete sewer pipe, replacing 228 feet of sewer pipe, and replacing components of the District's Supervisory Control and Data Acquisition System (SCADA) totaling \$390,006.

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 \$2,204,250. Investment income is budgeted at \$493,620 which is based on a projected average yield of 2.0%.
- The District will continue to impose a service fee to customers. In 2020, the fee will be increased from \$7.00 to \$8.00 per month per $\frac{3}{4}$ " equivalent. Service fee revenue budgeted for 2020 is \$1,445,180 based on 15,054, $\frac{3}{4}$ " equivalents.
- The budget for operating expenditures and capital expenditures is \$2,005,398 and \$739,552 respectively.
- Total expenditures for 2020 are projected to exceed revenue by \$540,700 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, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,079,753	\$ 4,442,639
Cash deposits and investments	1,405,400	3,859,921
Accounts receivable	219,426	235,615
Accrued interest receivable	138,155	140,714
Prepaid expenses	11,976	1,349
Total current assets	<u>9,854,710</u>	<u>8,680,238</u>
NONCURRENT ASSETS		
Long-term cash deposits and investments	<u>15,181,270</u>	<u>15,157,870</u>
Capital assets:		
Land and easements	64,819	64,819
Construction in progress	25,548	-
Water distribution system	44,232,036	42,845,890
Sewage collection system	35,517,843	34,544,228
Office building	2,556,845	2,539,585
Other	37,955	37,955
Less accumulated depreciation	<u>(43,959,228)</u>	<u>(41,999,894)</u>
Total capital assets (net of accumulated depreciation)	<u>38,475,818</u>	<u>38,032,583</u>
Total noncurrent assets	<u>53,657,088</u>	<u>53,190,453</u>
Total assets	<u>63,511,798</u>	<u>61,870,691</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	150,190	150,044
Retainage payable	-	10,309
Deposits from developers	34,371	83,577
Total current liabilities	<u>184,561</u>	<u>243,930</u>
NET POSITION		
Investment in capital assets	38,475,818	38,032,583
Restricted for emergencies	102,700	42,800
Unrestricted	<u>24,748,719</u>	<u>23,551,378</u>
TOTAL NET POSITION	<u><u>\$ 63,327,237</u></u>	<u><u>\$ 61,626,761</u></u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE		
Charges for services	\$ 1,369,916	\$ 1,050,668
Total operating revenue	<u>1,369,916</u>	<u>1,050,668</u>
OPERATING EXPENSES		
Water operations	1,768,062	1,769,953
Sewer operations	1,180,735	1,071,157
General and administrative	806,412	855,998
Total operating expenses	<u>3,755,209</u>	<u>3,697,108</u>
(LOSS) FROM OPERATIONS	<u>(2,385,293)</u>	<u>(2,646,440)</u>
NONOPERATING REVENUE		
Investment income	568,764	523,181
Net decrease in fair value of investments	200,172	(158,929)
Total nonoperating revenue	<u>768,936</u>	<u>364,252</u>
NONOPERATING EXPENSES		
Loss on disposal of property and equipment	(1,186)	(28,384)
Total nonoperating expenses	<u>(1,186)</u>	<u>(28,384)</u>
(LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(1,617,543)</u>	<u>(2,310,572)</u>
CAPITAL CONTRIBUTIONS		
Tap fees	1,283,458	8,908
Contributed capital assets	2,034,561	414,963
Total capital contributions	<u>3,318,019</u>	<u>423,871</u>
CHANGE IN NET POSITION	1,700,476	(1,886,701)
NET POSITION - BEGINNING OF YEAR	<u>61,626,761</u>	<u>63,513,462</u>
NET POSITION - END OF YEAR	<u><u>\$ 63,327,237</u></u>	<u><u>\$ 61,626,761</u></u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,336,899	\$ 1,059,055
Cash payments to suppliers for goods and services	<u>(1,794,831)</u>	<u>(1,755,367)</u>
Cash flows used for operating activities	<u>(457,932)</u>	<u>(696,312)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed capital - Tap and annexation fees	1,283,458	8,908
Acquisition of property, plant and equipment	<u>(391,028)</u>	<u>(822,554)</u>
Cash flows provided (used) by capital and related financing activities	<u>892,430</u>	<u>(813,646)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	580,865	542,147
Purchase of investments	(1,023,556)	(1,010,239)
Matured investments	<u>3,645,307</u>	<u>250,000</u>
Cash provided (used) by investing activities	<u>3,202,616</u>	<u>(218,092)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,637,114	(1,728,050)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,442,639</u>	<u>6,170,689</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 8,079,753</u></u>	<u><u>\$ 4,442,639</u></u>

(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, 2019 and 2018

(Continued)

	<u>2019</u>	<u>2018</u>
Reconciliation of (loss) from operations to net cash used for operating activities		
(Loss) from operations	\$ (2,385,293)	\$ (2,646,440)
Adjustments to reconcile (loss) from operations to net cash used for operating activities		
Depreciation and amortization	1,977,569	1,905,362
Effects of changes in operating assets and liabilities:		
Accounts receivable	16,189	(63,444)
Prepaid expenses	(10,627)	10,314
Accounts payable	(6,564)	26,065
Deposits from developers	(49,206)	71,831
Total adjustments	<u>1,927,361</u>	<u>1,950,128</u>
Cash flows used for operating activities	<u>\$ (457,932)</u>	<u>\$ (696,312)</u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets from developers	<u>\$ 2,034,561</u>	<u>\$ 414,963</u>
Loss on disposal of capital assets	<u>\$ 1,186</u>	<u>\$ 28,384</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, 2019 and 2018

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, 2019 and 2018

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.

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.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 investment in capital assets, restricted and unrestricted. 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>2019</u>	<u>2018</u>
Deposits	518,726	2,132,479
Investments	24,147,697	21,327,951
Total	<u>\$24,666,423</u>	<u>\$23,460,430</u>

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	8,079,753	4,442,639
Cash deposits and investments	1,405,400	3,859,921
Long-term cash deposits and investments	15,181,270	15,157,870
	<u>\$24,666,423</u>	<u>\$23,460,430</u>

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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, 2019 and 2018

At December 31, the District had the following investments:

Investment	Rating	Investment Maturities (in Years)			2019
		1 or less	1 - 5	More than 5	Total
U.S. Government Instrumentalities	AAA/AA+	\$ 1,010,400	\$ 8,966,460	\$ -	\$ 9,976,860
U.S. Treasury Notes	N/A	-	6,115,810	-	6,115,810
Local Government Investment Pool	AAAm	8,055,027	-	-	8,055,027
		<u>\$ 9,065,427</u>	<u>\$ 15,082,270</u>	<u>\$ -</u>	<u>\$ 24,147,697</u>

Investment	Rating	Investment Maturities (in Years)			2018
		1 or less	1 - 5	More than 5	Total
U.S. Government Instrumentalities	AAA/AA+	\$ -	\$ 9,796,870	\$ -	\$ 9,796,870
U.S. Treasury Notes	N/A	1,980,700	5,117,000	-	7,097,700
Local Government Investment Pool	AAAm	4,433,381	-	-	4,433,381
		<u>\$ 6,414,081</u>	<u>\$ 14,913,870</u>	<u>\$ -</u>	<u>\$ 21,327,951</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.

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 35% 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, 2019, 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 12.40%, 8.27%, 8.24%, and 12.42%, respectively, of the District’s total investments and 12.14%, 8.09%, 8.07%, and 12.15%, respectively, of the District’s total portfolio. At December 31, 2018, the District’s

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

investment in Federal Home Loan Mortgage Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corp, and Federal Farm Credit Banks were 13.73%, 9.12%, 9.15%, and 13.93%, respectively, of the District's total investments and 12.48%, 8.29%, 8.32%, and 12.67%, respectively, of the District's total portfolio.

Local Government Investment pool - As of December 31, 2019 and 2018, the District had \$8,055,027 and \$4,433,381 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. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's.

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.

The District also has certain investments not categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at yearend which uses the NAV measurement.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

At December 31, 2019 and 2018 fair value and NAV measurements of the District's investments are as follows:

	Carrying Amount	
	2019	2018
Investment measured at fair value:		
U.S. Government Instrumentalities (Level 1 inputs)	\$ 9,976,860	\$ 9,796,870
U.S. Treasury Notes (Level 1 inputs)	6,115,810	7,097,700
Total investments by fair value level	16,092,670	16,894,570
Investments measured at NAV:		
Local Government Investment Pool	8,055,027	4,433,381
Total investments at carrying amount	\$24,147,697	\$21,327,951

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance at December 31, 2018	Additions	Deletions	Balance at December 31, 2019
Capital assets, not being depreciated:				
Land and easements	\$ 64,819	\$ -	\$ -	\$ 64,819
Construction in progress	-	25,548		25,548
Total capital assets not being depreciated	64,819	25,548	-	90,367
Capital assets, being depreciated:				
Water distribution system	42,845,890	1,405,567	19,421	44,232,036
Sewage collection system	34,544,228	973,615	-	35,517,843
Office building	2,539,585	17,260	-	2,556,845
Other	37,955	-	-	37,955
Total capital assets being depreciated	79,967,658	2,396,442	19,421	82,344,679
Less accumulated depreciation/amortization:				
Water distribution system	(25,045,301)	(1,034,106)	(18,235)	(26,061,172)
Sewage collection system	(15,595,247)	(855,724)	-	(16,450,971)
Office building	(1,325,958)	(86,435)	-	(1,412,393)
Other	(33,388)	(1,304)	-	(34,692)
Total accumulated depreciation	(41,999,894)	(1,977,569)	(18,235)	(43,959,228)
Total capital assets, being depreciated, net	37,967,764	418,873	1,186	38,385,451
Net Capital Assets	\$38,032,583	\$ 444,421	\$ 1,186	\$38,475,818

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	Balance at December 31, 2017	Additions	Deletions	Balance at December 31, 2018
Capital assets, not being depreciated:				
Land and easements	\$ 64,819	\$ -	\$ -	\$ 64,819
Construction in progress	195,940		195,940	-
Total capital assets not being depreciated	260,759	-	195,940	64,819
Capital assets, being depreciated:				
Water distribution system	42,140,181	724,760	19,051	42,845,890
Sewage collection system	34,097,510	509,907	63,189	34,544,228
Office building	2,515,609	23,976	-	2,539,585
Other	33,699	4,256	-	37,955
Total capital assets being depreciated	78,786,999	1,262,899	82,240	79,967,658
Less accumulated depreciation/amortization:				
Water distribution system	(24,054,509)	(1,006,351)	(15,559)	(25,045,301)
Sewage collection system	(14,822,119)	(811,425)	(38,297)	(15,595,247)
Office building	(1,243,956)	(82,002)	-	(1,325,958)
Other	(27,804)	(5,584)	-	(33,388)
Total accumulated depreciation	(40,148,388)	(1,905,362)	(53,856)	(41,999,894)
Total capital assets, being depreciated, net	38,638,611	(642,463)	28,384	37,967,764
Net Capital Assets	<u>\$38,899,370</u>	<u>\$ (642,463)</u>	<u>\$ 224,324</u>	<u>\$38,032,583</u>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was charged to the following operations:

	2019	2018
Water	\$ 1,034,106	\$ 811,425
Sewer	855,724	1,006,351
Administration	87,739	87,586
	<u>\$ 1,977,569</u>	<u>\$ 1,905,362</u>

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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. The District increased the service fee from \$1.00 to \$3.00 in 2017, \$3.00 to \$5.00 in 2018 and increased another \$2.00 to \$7.00 in 2019. Service fee revenue amounted to \$1,273,375 and \$902,976 in 2019 and 2018, 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, 2019 and 2018 is \$5,705,026 and, \$5,536,475 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, 2019 and 2018 is \$1,569,735 and \$1,457,611, 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, 2019 and 2018

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 agreement 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 agreement was amended and the outfall lines “A” & “B” and all easements relating thereto were conveyed to the District as provided in the original agreement. The amendment extended the contract for twenty years and for an additional period of time the outfall lines are being utilized. During 1999, the contract was again amended, increasing the total allowable taps by 336 to 1,886.

A third amendment to the agreement was made during 2019 increasing the total allowable taps by 114 to 2,000. 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, 2019 and 2018, remaining taps to be issued under the contract amounted to 200 and 90, respectively.

Grant Water and Sanitation District

On August 14, 1962, the District entered into an 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, 2019 and 2018, remaining taps to be issued under the agreements amounted to 999 and 1,325, respectively.

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

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

2019 and 2018 the District reimbursed Platte Canyon \$1,152,531 and \$1,019,128, 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.

In accordance with the agreement, Platte Canyon pays the District a monthly rent and a proportionate share of the operation and maintenance expense as well as approved capital improvements determined on a quarterly basis. The Intergovernmental Agreement was amended on January 1, 2019 and will be effective until December 31, 2029. Reimbursement of operation, maintenance, and capital improvement costs received from Platte Canyon during 2019 and 2018 amounted to \$31,279 and \$56,910, respectively.

Water Tap Deposit Agreement

Advance deposits for the purchase of future water taps were received during 1978. At December 31, 2019, 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 2019 and 2018.

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, 2019 and 2018.

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

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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.

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.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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, 2019 and 2018, the District's reserve of \$102,700 and \$42,800 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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
WATER OPERATIONS		
Repair and maintenance	\$ 695,671	\$ 720,530
Utilities	30,602	27,987
Engineering and legal	7,683	15,085
Depreciation	753,430	725,675
Amortization	280,676	280,676
Total water operations	<u>1,768,062</u>	<u>1,769,953</u>
SEWER OPERATIONS		
Repair and maintenance	294,320	225,307
Utilities	14,202	12,829
Engineering and legal	16,489	21,596
Depreciation	843,640	799,341
Amortization	12,084	12,084
Total sewer operations	<u>1,180,735</u>	<u>1,071,157</u>
GENERAL AND ADMINISTRATIVE		
General office administration		
Administration	535,390	489,800
Office supplies	1,359	2,008
Other	15,981	16,350
Public Relations	25,007	48,653
Professional and consulting		
Accounting and audit	5,700	5,550
Legal	30,959	32,278
Insurance	13,738	14,663
Building maintenance and utilities	84,784	153,081
Miscellaneous	5,755	6,029
Depreciation	87,739	87,586
Total general and administrative	<u>806,412</u>	<u>855,998</u>
Total operating expenses	<u><u>\$ 3,755,209</u></u>	<u><u>\$ 3,697,108</u></u>

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, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUE			
Net investment income	\$ 476,640	\$ 768,936	\$ 292,296
Tap fees - water	70,000	854,000	784,000
Tap fees - sewer	11,000	429,458	418,458
Charges for services	1,355,791	1,369,916	14,125
Total revenue	<u>1,913,431</u>	<u>3,422,310</u>	<u>1,508,879</u>
EXPENDITURES			
OPERATIONS AND ADMINISTRATION			
Operations and maintenance - water			
Repair and maintenance	684,515	695,671	(11,156)
Utilities	34,950	30,602	4,348
Engineering and legal	21,950	7,683	14,267
Operations and maintenance - sewer			
Repair and maintenance	348,000	294,320	53,680
Utilities	13,250	14,202	(952)
Engineering and legal	11,050	16,489	(5,439)
General office administration	564,673	552,730	11,943
Public Relations	32,300	25,007	7,293
Professional and consulting	51,500	36,659	14,841
Insurance	15,990	13,738	2,252
Office maintenance	69,000	46,257	22,743
Office utilities	33,250	38,527	(5,277)
Other	8,030	5,755	2,275
Total operations and maintenance	<u>1,888,458</u>	<u>1,777,640</u>	<u>110,818</u>
CAPITAL OUTLAY			
Water distribution system	211,305	370,169	(158,864)
Sewage collection system	25,000	-	25,000
Other	6,000	17,260	(11,260)
Contingency	92,849	-	92,849
Total capital outlay	<u>335,154</u>	<u>387,429</u>	<u>(52,275)</u>
Total expenditures	<u>2,223,612</u>	<u>2,165,069</u>	<u>58,543</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	(310,181)	1,257,241	1,567,422
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>23,831,845</u>	<u>23,594,178</u>	<u>(237,667)</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 23,521,664</u>	<u>\$ 24,851,419</u>	<u>\$ 1,329,755</u>
Funds available is computed as follows:			
Current assets		\$ 9,854,710	
Long-term cash deposits and investments		15,181,270	
Current liabilities		(184,561)	
		<u>\$ 24,851,419</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, 2019**

REVENUE (BUDGETARY BASIS)	\$ 3,422,310
Contributed capital assets	<u>2,034,561</u>
Total revenue per statement of revenues, expenses, and changes in net position	<u>5,456,871</u>
 EXPENDITURES (BUDGETARY BASIS)	 2,165,069
Depreciation	1,684,809
Amortization	292,760
Loss on asset disposition	1,186
Capital outlay	<u>(387,429)</u>
Total expenses per statement of revenues, expenses, and changes in net position	<u>3,756,395</u>
 Change in net position per statement of revenues, expenses, and changes in net position	 <u><u>\$ 1,700,476</u></u>