

**SOUTHWEST SUBURBAN DENVER  
WATER AND SANITATION DISTRICT  
Jefferson County, Colorado**

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

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### **Independent Auditor's Report**

Board of Directors  
Southwest Suburban Denver  
Water and Sanitation District  
Jefferson County, Colorado

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Southwest Suburban Denver Water and Sanitation District as of and for the years ended December 31, 2019 and 2018, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Suburban Denver Water and Sanitation District, as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages III through VII 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 an opinion on the financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and legal compliance and is not a required part of the financial statements.

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

*SCHILLING & COMPANY, INC.*

Highlands Ranch, CO  
June 17, 2020

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2019 and 2018**

Our discussion and analysis of Southwest Suburban Denver Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2019 and 2018. Please read it in conjunction with the District's basic financial statements which begin on page 1.

**FINANCIAL HIGHLIGHTS**

- In 2019, the District completed cured in place pipe lining (CIPP) projects costing \$124,773. It also replaced 102 lineal feet (lf) of 8 inch sewer main and installed 140 lf of new sewer main, the costs for which were \$38,569 and \$75,837, respectively. In 2018, the District also completed CIPP projects costing \$107,633, and replaced 550 lf of sewer main costing \$199,959.
- Metro Wastewater Reclamation District's (Metro) preliminary estimate for the District's sewage flows and related treatment charges for 2019 and 2018 were \$357,321 and \$400,799, respectively. The District sets its budget based on these preliminary estimates. The actual treatment costs for 2018 were \$366,661 as compared to the \$228,679 charges paid. The difference of \$137,982 reduced the District's prepaid treatment charges at the end of 2018 to \$83,317. The actual treatment costs for 2019 were \$351,673 as compared to the \$259,729 charges paid. The difference of \$178,056 reduced the District's prepaid treatment charges from 2018 to zero leaving a Metro treatment charges payable balance of \$8,627.
- The District's Geographical Information System (GIS) that was started in 2016 was completed in 2018, the total cost for which was \$27,673.
- The District's sewer fees decreased approximately 4% from 2017 to 2018 and 1% from 2018 to 2019. The decreases in rates have been possible mainly because the District's sewage flows have decreased resulting in lower sewage treatment charges.
- The District's sump pump inspection program started in 2015 to identify water infiltrating the District's sewer system from customers' foundation drain sump pumps was 99% complete in 2018. A few additional inspections were completed in 2019 leaving only 11 homes that need inspections. Those customers who have not had inspections are being billed a sump pump surcharge of \$100 per month.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources less liabilities and deferred inflows of resources which equals net position. This statement provides useful information regarding the financial position of the District. Over

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2019 and 2018**

time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Net Position* reports the changes that have occurred during the year to the District's net position. 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. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

**FINANCIAL SUMMARY AND ANALYSIS**

**NET POSITION**

	<b>December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>			
Current assets	\$3,290,596	\$3,212,332	\$3,087,161
Capital assets	1,938,480	1,798,965	1,596,109
Total assets	<u>5,229,076</u>	<u>5,011,297</u>	<u>4,683,270</u>
<b>LIABILITIES</b>			
Current liabilities	18,299	97,089	11,391
Total liabilities	<u>18,299</u>	<u>97,089</u>	<u>11,391</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,938,480	1,798,965	1,596,109
Unrestricted	<u>3,272,297</u>	<u>3,115,243</u>	<u>3,075,770</u>
Total net position	<u><u>\$5,210,777</u></u>	<u><u>\$4,914,208</u></u>	<u><u>\$4,671,879</u></u>

As noted earlier, net position may serve as a useful indicator of the District's financial position. In the District's case, its net position increased approximately 11% from 2017 to 2019. The District's Board continues to focus its efforts on keeping its rates reasonable while balancing its budget and building its reserves. The District funded \$241,423 of sewer projects in 2019 and \$311,724 in 2018 while reducing its sewer service and capital reserve fees by more than \$40,000 over the last three years.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2019 and 2018**

**CHANGES IN NET POSITION**

	<b>Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>REVENUES</b>			
<b>OPERATING REVENUE</b>			
Service fees	\$ 559,866	\$ 565,259	\$ 851,310
Delinquent fees	19,436	15,418	15,800
Other	15,559	13,582	13,737
Total operating revenue	<u>594,861</u>	<u>594,259</u>	<u>880,847</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Net investment income			
Interest	61,740	48,972	31,516
Net increase (decrease) in fair value of investments	27,672	(794)	2,213
Capital reserve fees	276,000	276,579	25,000
Loss on disposition of assets	(300)	(8,704)	(2,122)
Total nonoperating revenue (expense)	<u>365,112</u>	<u>316,053</u>	<u>56,607</u>
Total revenues	<u>959,973</u>	<u>910,312</u>	<u>937,454</u>
<b>EXPENSES</b>			
<b>OPERATING AND GENERAL AND ADMINISTRATIVE</b>			
Operating	555,192	564,193	606,508
General and administrative expenses	108,212	103,790	112,399
Total operating and general and administrative expenses	<u>663,404</u>	<u>667,983</u>	<u>718,907</u>
<b>CHANGE IN NET POSITION</b>	296,569	242,329	218,547
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>4,914,208</u>	<u>4,671,879</u>	<u>4,453,332</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$5,210,777</u>	<u>\$4,914,208</u>	<u>\$4,671,879</u>

The District's total revenues have remained fairly consistent over the last three years. Increased interest earnings have helped the District increase its net position.

With the District's sewage treatment charges now recorded based on actual sewage flows and loadings versus three year estimates, its operating expenses have fluctuated less year over year. The District's 2019 operating expenses decreased again from 2018 as they did from 2017 even though the District's utility locate costs increased over \$20,000. The District's locate costs have increased as the result of a new State law requiring the District to provide a response to all computer generated locate requests as a Tier One utility member, while before as a Tier 2 utility, the District only provided locates when it was contacted by a contractor. The District's 2019 general and administrative expenses increased slightly due to increases in insurance and

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2019 and 2018**

consulting costs. The District's average general and administrative expenses still remains around \$107,000 for the past six years.

**CAPITAL ASSETS**

The District had capital assets at December 31, 2019 of \$1,938,480 (net of accumulated depreciation/amortization). The District's investment in capital assets includes easements, sewer mains and equipment, a capital improvements study and a geographical information system (GIS). The analysis of changes in capital assets is as follows:

	<b>Balance at December 31, 2018</b>	<b>Changes</b>	<b>Balance at December 31, 2019</b>
Projects in progress	\$ -	\$ 2,243	\$ 2,243
Easements	3,273	-	3,273
Capital improvements study	36,255	-	36,255
Geographic information system	27,673	-	27,673
Sewer mains and equipment	<u>4,222,572</u>	<u>237,473</u>	<u>4,460,045</u>
Total assets	4,289,773	239,716	4,529,489
Accumulated depreciation	<u>(2,490,808)</u>	<u>(100,201)</u>	<u>(2,591,009)</u>
Total capital assets, net	<u>\$ 1,798,965</u>	<u>\$ 139,515</u>	<u>\$ 1,938,480</u>

  

	<b>Balance at December 31, 2017</b>	<b>Changes</b>	<b>Balance at December 31, 2018</b>
Projects in progress	\$ 23,540	\$ (23,540)	\$ -
Easements	3,273	-	3,273
Capital improvements study	36,255	-	36,255
Geographic information system	-	27,673	27,673
Sewer mains and equipment	<u>3,928,107</u>	<u>294,465</u>	<u>4,222,572</u>
Total assets	3,991,175	298,598	4,289,773
Accumulated depreciation	<u>(2,395,066)</u>	<u>(95,742)</u>	<u>(2,490,808)</u>
Total capital assets, net	<u>\$ 1,596,109</u>	<u>\$ 202,856</u>	<u>\$ 1,798,965</u>

In 2019, the District continued to implement its Capital Improvements Plan, replacing and installing new 8 inch sewer mains for a total cost of \$114,406 and lining 3,696 lf of 8 inch sewer mains and 80 lf of 10" sewer mains at a cost of \$124,773. The cost of the sewer mains replaced was offset by the cost of the original sewer mains valued at \$1,707. This resulted in a net increase in the District's sewer mains and equipment by \$237,473.

In 2018, the District completed its GIS, the total cost for which was \$27,673. The District also removed and replaced 549 lf of 8 inch sewer mains at a cost of \$199,958 and lined 2,124 lf of 8

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
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Years Ended December 31, 2019 and 2018**

inch to 18 inch sewer mains at a cost of \$107,633. The cost of the sewer mains replaced was offset by the cost of the original sewer mains valued at \$13,126. This resulted in a net increase in the District's sewer mains and equipment by \$294,465.

**FUTURE ECONOMIC FACTORS AND RATES**

- Metro Wastewater's estimated sewage treatment charges for 2020 are \$379,760, but they underestimated the 2018 and 2019 charges, so charges of \$29,445 have been added resulting in a net payment for 2020 of \$409,205. As was mentioned earlier, the District records any additional charges for future estimated charges as a treatment charge payable. Based on the actual 2019 charges, the net treatment charges payable which is reflected on the District's balance sheet on page 1 of this audit is \$8,627.
- A comparison of the District's sewer service fee rates including the pass-thru fees for Metro Wastewater's sewage treatment charges for the past few years, as well as for 2020, is shown below.

Year	2020	2019	2018
Non-residential District Sewer Fee per 1,000 gallons	\$ 4.42	\$ 4.16	\$ 3.56
Non-residential Metro Pass-Thru Sewage Treatment Flow Fee per 1,000 gallons	\$ 1.34	\$ 1.23	\$ 1.27
Residential Sewer Fee including Metro Pass-Thru Fees – Single Family	\$ 311.00	\$ 302.00	\$ 302.00
Residential Sewer Fee including Metro Pass-Thru Fee– Multi- Family	\$255.00	\$214.00	\$213.00

- The large increase in the multi-family sewer rate for 2020 was due to a significant increase in this customer class' sewage flows the past year. The portion of the above fees charged to cover Metro's pass-thru sewage loading fees continues to vary by customer type, but overall, the 2020 loading fees have increased about 8%.
- The District's capital projects planned for 2020 includes the removal and replacement of 1,016 lineal feet of 8 inch sewer main and 736 lineal feet of perforated underdrain.
- The District will continue to charge the monthly fee in 2020 to the few remaining sump pump customers and may also implement fines to those customers with sump pumps discharging to the District's system that have not been fixed.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of Southwest Suburban Denver Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, Judy Simonson of Simonson & Associates, Inc., P.O Box 3399, Evergreen, CO 80437-3399.

## **BASIC FINANCIAL STATEMENTS**

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
**December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,107,276	\$ 814,734
Investments	1,173,479	2,275,807
Accounts receivable	3,638	4,275
Accounts receivable - other governments	-	18,915
Accrued interest receivable	5,808	7,721
Prepaid expenses	395	7,563
Prepaid Metro treatment charges	-	83,317
Total current assets	3,290,596	3,212,332
<b>CAPITAL ASSETS</b>		
Projects in progress	2,243	-
Easements	3,273	3,273
Capital improvements study	36,255	36,255
Geographic information system	27,673	27,673
Sewer mains and equipment	4,460,045	4,222,572
	4,529,489	4,289,773
Less accumulated depreciation	(2,591,009)	(2,490,808)
Total capital assets, net	1,938,480	1,798,965
<b>TOTAL ASSETS</b>	<b>\$ 5,229,076</b>	<b>\$ 5,011,297</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 9,672	\$ 92,541
Retainage payable	-	4,548
Metro treatment charges payable	8,627	-
Total current liabilities	18,299	97,089
<b>NET POSITION</b>		
Net investment in capital assets	1,938,480	1,798,965
Unrestricted	3,272,297	3,115,243
Total net position	5,210,777	4,914,208
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 5,229,076</b>	<b>\$ 5,011,297</b>

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

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUE</b>		
Service fees	\$ 559,866	\$ 565,259
Delinquent fees	19,436	15,418
Inspection Fees	10,160	9,560
Other income	5,399	4,022
Total operating revenue	594,861	594,259
<b>OPERATING EXPENSES</b>		
Depreciation	101,609	100,164
Sewer treatment charges	351,673	366,661
Engineering	18,480	17,101
Repairs and maintenance	53,189	66,813
Other	30,242	13,454
Total operating expenses	555,193	564,193
Gain from operations	39,668	30,066
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Audit	5,300	5,200
Insurance	7,562	7,044
Election	-	1,026
Legal	1,470	846
Management fees	70,128	63,976
Directors' fees	4,521	3,230
Office and administration	19,231	22,468
Total general and administrative expenses	108,212	103,790
Net loss	(68,544)	(73,724)
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Net investment income:		
Interest	61,740	48,972
Net increase (decrease) in fair value of investments	27,672	(794)
Capital reserve fees	276,000	276,579
Loss on disposition of assets	(299)	(8,704)
Total nonoperating revenue (expenses)	365,113	316,053
<b>CHANGE IN NET POSITION</b>	296,569	242,329
<b>NET POSITION - BEGINNING OF YEAR</b>	4,914,208	4,671,879
<b>NET POSITION - END OF YEAR</b>	\$ 5,210,777	\$ 4,914,208

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

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 595,498	\$ 592,542
Cash paid to vendors	(526,637)	(368,121)
Net cash provided by operating activities	68,861	224,421
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(245,972)	(307,175)
Capital reserve fees	276,000	276,579
Net cash provided (required) by capital financing activities	30,028	(30,596)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(400,000)	(700,000)
Maturity of investments	1,530,000	300,000
Interest received	63,653	47,320
Net cash provided (required) by investing activities	1,193,653	(352,680)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,292,542	(158,855)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	814,734	973,589
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,107,276	\$ 814,734
<b>RECONCILIATION OF OPERATING GAIN TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Net gain (loss)	\$ (68,543)	\$ (73,724)
Adjustments to reconcile gain to net cash provided by operating activities:		
Depreciation and amortization	101,609	100,164
Effects of changes in operating assets and liabilities:		
Account receivable	19,552	(20,632)
Prepaid expenses	90,485	137,463
Payables and prepaid customer accounts	(74,242)	81,150
Net cash provided by operating activities	\$ 68,861	\$ 224,421

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

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Southwest Suburban Denver Water and Sanitation District (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 County, Colorado. The District was established to provide water and sewer service to property within its service area primarily through intergovernmental agreements.

The District has no employees and all operations and administrative functions are contracted.

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.

The District has no authorized but unissued debt at December 31, 2019.

**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:

**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 is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemptions of bonds and loans are recorded as reductions in liabilities. System development fees and contributed assets from developers are recorded as capital contributions when received.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**Operating Revenues and Expenses**

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**Restricted resources**

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

**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.

**Cash Equivalents**

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**Capital Assets**

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**System Development Fees and Contributed Lines**

System development fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at estimated fair market value when received.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**Reclassifications**

For comparability, certain 2018 amounts have been reclassified where appropriate to conform with the 2019 financial statement presentation.

**NOTE 3 - CASH AND INVESTMENTS**

Cash equivalents and investments are reflected for the December 31, 2019 and 2018 statements of net position and statements of cash flows as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents:		
Deposits with financial institutions	\$ 208,642	\$ 195,195
COLOTRUST	<u>1,898,634</u>	<u>619,539</u>
Total cash and cash equivalents	<u>2,107,276</u>	<u>814,734</u>
Investments:		
U.S. Agency Obligations	<u>1,173,479</u>	<u>2,275,807</u>
Total investments	<u>1,173,479</u>	<u>2,275,807</u>
Total cash equivalents and investments	<u>\$ 3,280,755</u>	<u>\$ 3,090,541</u>

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2019, the District's cash deposits had a bank balance of \$221,335 and a carrying balance of \$208,642. At December 31, 2018, the District's cash deposits had a bank balance of \$203,970 and a carrying balance of \$195,195.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**Investments**

The District has not adopted a formal investment policy however, the District follows state statutes regarding investments.

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

- . Obligations of the United States 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 funds
- . Guaranteed investment contracts
- . Local government investment pools

The District held the following investments as of December 31, 2019:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity</u>
COLOTRUST	\$ 1,898,634	Weighted avg. less than 60 days
U.S. Agency Obligations	<u>1,173,479</u>	1 - 5 years
Total investments	<u><u>\$ 3,072,113</u></u>	

The District held the following investments as of December 31, 2018:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity</u>
COLOTRUST	\$ 619,539	Weighted avg. less than 60 days
U.S. Agency Obligations	<u>2,275,807</u>	1 - 5 years
Total investments	<u><u>\$ 2,895,346</u></u>	

**Interest Rate Risk**

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2019 and 2018 the District's holdings of U.S. Government agency securities were rated AA+ by Standard and Poor's and AAA by Moody's.

At December 31, 2019 and 2018, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), 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.

**Valuation**

The District has certain investments which are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized 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 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.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

The valuation of the District's investments are as follows at December 31, 2019:

	<b>Amount</b>	<b>Level 1 Inputs</b>
<b>Investments measured at fair value:</b>		
U.S. Agency Obligations	\$ 1,173,479	\$ 1,173,479
Total investments at fair value	1,173,479	\$ 1,173,479
 <b>Investments measured at NAV/ amortized cost:</b>		
COLOTRUST	1,898,634	
Total investments at NAV/amortized cost:	1,898,634	
Total investments	\$ 3,072,113	

The valuation of the District's investments are as follows at December 31, 2018:

	<b>Amount</b>	<b>Level 1 Inputs</b>
<b>Investments measured at fair value:</b>		
U.S. Agency Obligations	\$ 2,275,807	\$ 2,275,807
Total investments at fair value	2,275,807	\$ 2,275,807
 <b>Investments measured at NAV/ amortized cost:</b>		
COLOTRUST	619,539	
Total investments at NAV/amortized cost:	619,539	
Total investments	\$ 2,895,346	

U.S. Agency Obligations are recorded at fair value based on level 1 inputs.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. 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 SUBURBAN DENVER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**Concentration of Credit Risk**

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures* require the District to disclose investments in single issuers that exceed five percent (5%) of the District's entire investment portfolio.

At December 31, 2019, the District had the following investments:

<b>Investment Type</b>	<b>2019 Amount</b>	<b>Percent of Total Portfolio</b>
COLOTRUST	\$ 1,898,634	Not subject to disclosure
Fannie Mae Notes	299,719	9.76%
Federal Farm Credit Bank	274,470	8.93%
Federal Home Loan Mortgage Corp.	599,290	19.51%
	<u>\$ 3,072,113</u>	

At December 31, 2018, the District had the following investments:

<b>Investment Type</b>	<b>2018 Amount</b>	<b>Percent of Total Portfolio</b>
COLOTRUST	\$ 619,539	Not subject to disclosure
Fannie Mae Notes	522,927	18.06%
Federal Farm Credit Bank	267,534	9.24%
Federal Home Loan Mortgage Corp.	788,515	27.23%
Federal Home Loan Bank	696,831	24.07%
	<u>\$ 2,895,346</u>	

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**NOTE 4 - CAPITAL ASSETS**

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

	<u>Balance at January 1, 2019</u>	<u>Increases/ Reclasses</u>	<u>Decreases/ Reclasses</u>	<u>Balance at December 31, 2019</u>
Capital assets not being depreciated:				
Projects in progress	\$ -	\$ 2,243	\$ -	\$ 2,243
Easements	3,273	-	-	3,273
Capital assets, being depreciated:				
Capital improvements study	36,255	-	-	36,255
Geographic information system	27,673	-	-	27,673
Sewer mains and equipment	4,222,572	239,180	1,707	4,460,045
Total capital assets being depreciated	<u>4,289,773</u>	<u>241,423</u>	<u>1,707</u>	<u>4,529,489</u>
Less accumulated depreciation:				
Capital improvements study	5,438	4,532	-	9,970
Geographic information system	-	2,767	-	2,767
Sewer mains and equipment	2,485,370	94,310	1,408	2,578,272
Total accumulated depreciation	<u>2,490,808</u>	<u>101,609</u>	<u>1,408</u>	<u>2,591,009</u>
Total capital assets, net	<u>\$ 1,798,965</u>	<u>\$ 139,814</u>	<u>\$ 299</u>	<u>\$ 1,938,480</u>

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**SOUTHWEST SUBURBAN DENVER 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:

	<u>Balance at January 1, 2018</u>	<u>Increases/ Reclasses</u>	<u>Decreases/ Reclasses</u>	<u>Balance at December 31, 2018</u>
Capital assets not being depreciated:				
Projects in progress	\$ 23,540	\$ 311,724	\$ 335,264	\$ -
Easements	3,273	-	-	3,273
Capital assets, being depreciated:				
Capital improvements study	36,255	-	-	36,255
Geographic information system	-	27,673	-	27,673
Sewer mains and equipment	3,928,107	307,591	13,126	4,222,572
Total capital assets being depreciated	<u>3,991,175</u>	<u>646,988</u>	<u>348,390</u>	<u>4,289,773</u>
Less accumulated depreciation:				
Capital improvements study	-	5,438	-	5,438
Sewer mains and equipment	2,395,066	94,726	4,422	2,485,370
Total accumulated depreciation	<u>2,395,066</u>	<u>100,164</u>	<u>4,422</u>	<u>2,490,808</u>
Total capital assets, net	<u>\$ 1,596,109</u>	<u>\$ 546,824</u>	<u>\$ 343,968</u>	<u>\$ 1,798,965</u>

**NOTE 5 - NET POSITION**

The District has net position consisting of two components – net investment in capital assets and unrestricted.

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019 and 2018, the District had invested in capital assets of \$1,938,480 and \$1,798,965, respectively equal to its net capital assets as the District has no outstanding debt.

**NOTE 6 – INTERGOVERNMENTAL AGREEMENTS**

**WATER SERVICE AGREEMENT**

**Denver Water Board**

The District has a total service contract with the Board of Water Commissioners of the City and County of Denver (Denver Water Board) whereby the Denver Water Department provides water in the District's service area and charges the users directly. The Denver Water Board has provided for service to future users within the District. All

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

water lines in the District have been conveyed to the Denver Water Board which is responsible for maintenance and repair of those lines.

**SEWER SERVICE AGREEMENT**

**Metropolitan Wastewater Reclamation District**

The District has an agreement with Metropolitan Wastewater Reclamation District (Metro) for sewage treatment and disposal. The District pays Metro for sewage treatment fees and the District bills the users for sewer service. The District is responsible for the maintenance and future construction costs of all sewer lines and retains title to all sewer lines within the District. The standard service agreement with Metro provides for annual charges to be assessed by formula against the District on an estimated basis. Adjustments to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system.

The composition of the charges for actual flows in 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Preliminary estimate for current year	\$ 357,321	\$ 400,799
Preliminary adjustment for current year	15,170	(48,413)
Final adjustment for current year	<u>(20,818)</u>	<u>14,275</u>
Total annual charges	<u>\$ 351,673</u>	<u>\$ 366,661</u>

**NOTE 7 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, (as amended from time to time), the District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2019. 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 liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**NOTE 8 - 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 that 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 its operations qualify for this exclusion.

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

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

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

## **SUPPLEMENTAL INFORMATION**

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
Year Ended December 31, 2019

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUE</b>			
Service fees	\$ 834,650	\$ 835,866	\$ 1,216
Delinquent fees	10,000	19,436	9,436
Inspection fees	10,000	10,160	160
Interest income	45,000	61,740	16,740
Increase in fair value of investments	-	27,672	27,672
Miscellaneous	5,000	5,399	399
Total revenues	904,650	960,273	55,623
<b>EXPENDITURES</b>			
Sewer treatment and operations:			
Sewer treatment charges	357,320	351,673	5,647
Engineering maintenance	9,400	11,270	(1,870)
Repairs and maintenance	56,200	53,189	3,011
Utility locates and tap inspections	8,500	25,352	(16,852)
Grease trap inspection expense	3,000	3,306	(306)
Sump pump inspections	2,000	1,584	416
General operations:			
Audit	5,300	5,300	-
General engineering	21,050	7,210	13,840
Insurance	8,000	7,562	438
Legal	1,000	1,470	(470)
Management and accounting fees	84,000	70,128	13,872
Directors' fees	4,000	4,521	(521)
Office and administrative	26,880	19,231	7,649
Capital outlay and reserve	233,000	241,423	(8,423)
Contingency	100,000	-	100,000
Total expenditures	919,650	803,219	116,431
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(15,000)	157,054	172,054
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	3,075,984	3,115,243	39,259
<b>FUNDS AVAILABLE - END OF YEAR</b>	\$ 3,060,984	\$ 3,272,297	\$ 211,313
Funds available is computed as follows:			
Current assets		\$ 3,290,596	
Current liabilities		(18,299)	
		\$ 3,272,297	

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended December 31, 2019**

Revenue (budgetary basis)	<u>\$</u>	960,273
Revenues per Statements of Revenues, Expenses and Changes in Net Position		<u>960,273</u>
Expenditures (budgetary basis)		803,219
Depreciation		101,609
Capital outlay		(241,423)
Loss on disposition of assets		<u>299</u>
Expenses per Statements of Revenues, Expenses and Changes in Net Position		<u>663,704</u>
Change in net position per Statements of Revenues, Expenses and Changes in Net Position	<u>\$</u>	<u>296,569</u>