

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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 21, 2021

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2020 and 2019**

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, 2020 and 2019. Please read it in conjunction with the District's basic financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- In 2020, the District removed and replaced 1,016 lineal feet (lf) of 8 inch sewer main and 736 lf of underdrain main, the total cost for which was \$505,227. 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.
- Metro Wastewater Reclamation District's (Metro) preliminary estimate for the District's sewage flows and related treatment charges for 2019 and 2020 were \$357,321 and \$379,760 respectively. The District sets its budget based on these preliminary estimates. The actual treatment costs for 2019 were \$351,673 as compared to the \$259,729 charges paid. The difference of \$91,944 reduced the District's prepaid treatment charges from 2018 to zero leaving a Metro treatment charge payable balance of \$8,627. The actual treatment costs for 2020 were \$414,269 as compared to the \$409,205 charges paid. The difference of \$5,064 increased the District's Metro treatment charge payable to \$13,691 for 2020.
- The District's sewer fees decreased approximately 1% from 2018 to 2019 but increased from 2019 to 2020 by 4.6%. The increase in rates for 2020 was mainly due to a large increase in the multi-family sewer rate because the multi-family sewage flows increased significantly. In addition, the fees charged to cover Metro's pass-thru sewage loading fees increased overall about 8%.
- In 2019, there were only 11 homes remaining in the District that did not have an inspection to identify whether they had a sump pump discharging into the District's sewer system. A few additional inspections were completed in 2020 leaving only 8 homes left to be inspected. 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 time, increases and decreases in net position can serve as a useful indicator of whether the

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2020 and 2019**

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

	December 31,		
	2020	2019	2018
ASSETS			
Current assets	\$ 3,113,527	\$ 3,290,596	\$ 3,212,332
Capital assets	2,339,642	1,938,480	1,798,965
Total assets	5,453,169	5,229,076	5,011,297
LIABILITIES			
Current liabilities	31,166	18,299	97,089
Total liabilities	31,166	18,299	97,089
NET POSITION			
Net investment in capital assets	2,339,642	1,938,480	1,798,965
Unrestricted	3,082,361	3,272,297	3,115,243
Total net position	\$ 5,422,003	\$ 5,210,777	\$ 4,914,208

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 11.45% from 2018 to 2020. The District's Board continues to focus its efforts on keeping its rates reasonable and maintaining its reserves while undertaking large capital improvement projects. The District funded \$505,227 of sewer projects in 2020 and \$241,423 in 2019, yet it only increased its sewer service and capital reserve fees by \$22,084 over the last three years.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2020 and 2019**

CHANGES IN NET POSITION

	Years Ended December 31,		
	2020	2019	2018
REVENUES			
OPERATING REVENUE			
Service fees	\$ 593,422	\$ 559,866	\$ 565,259
Delinquent fees	20,795	19,436	15,418
Other	16,368	15,559	13,582
Total operating revenue	<u>630,585</u>	<u>594,861</u>	<u>594,259</u>
NONOPERATING REVENUE (EXPENSE)			
Net investment income			
Interest	23,752	61,740	48,972
Net increase (decrease) in fair value of investments	536	27,672	(794)
Capital reserve fees	270,500	276,000	276,579
Loss on disposition of assets	(847)	(300)	(8,704)
Total nonoperating revenue (expense)	<u>293,941</u>	<u>365,112</u>	<u>316,053</u>
Total revenues	<u>924,526</u>	<u>959,973</u>	<u>910,312</u>
EXPENSES			
OPERATING AND GENERAL AND ADMINISTRATIVE			
Operating	585,731	555,192	564,193
General and administrative expenses	127,569	108,212	103,790
Total operating and general and administrative expenses	<u>713,300</u>	<u>663,404</u>	<u>667,983</u>
CHANGE IN NET POSITION	211,226	296,569	242,329
NET POSITION - BEGINNING OF YEAR	<u>5,210,777</u>	<u>4,914,208</u>	<u>4,671,879</u>
NET POSITION - END OF YEAR	<u>\$5,422,003</u>	<u>\$5,210,777</u>	<u>\$4,914,208</u>

Over the last three years, the District's total revenues have fluctuated up and down less than 1%. The key factors causing the fluctuations were interest earnings and changes in the market value of the District's investments.

The District's total operating and general expenses also remained stable, decreasing less than \$5,000 each year since 2018. Although the overall expenses were stable, the actual sewage treatment charges in 2020 increased from the 2019 actual charges mainly due to increased loading fees. The District's sewage flows remained the same in 2020 as they were 2019, but the increased loading factors caused the District's treatment expenses to increase over \$50,000 or nearly 32% from 2019 to 2020. The District's 2020 general and administrative expenses

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2020 and 2019**

increased approximately \$24,000 from 2019 due to increases in management costs and a new annual fee for the District's GIS license fee.

CAPITAL ASSETS

The District had capital assets at December 31, 2020 of \$2,339,642 (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:

	Balance at December 31, 2019	Changes	Balance at December 31, 2020
Projects in progress	\$ 2,243	\$ 800	\$ 3,043
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	491,671	4,951,716
Total assets	<u>4,529,489</u>	<u>492,471</u>	<u>5,021,960</u>
Accumulated depreciation	<u>(2,591,009)</u>	<u>(91,309)</u>	<u>(2,682,318)</u>
Total capital assets, net	<u>\$ 1,938,480</u>	<u>\$ 401,162</u>	<u>\$ 2,339,642</u>

	Balance at December 31, 2018	Changes	Balance at December 31, 2019
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	4,222,572	237,473	4,460,045
Total assets	<u>4,289,773</u>	<u>239,716</u>	<u>4,529,489</u>
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>

The District continued to implement its Capital Improvements Plan in 2020, removing and replacing 1,016 lf of 8 inch sewer main and 736 lf of underdrain main, the total cost for which was \$505,227. The cost of the sewer mains replaced was offset by the cost of the original sewer mains valued at \$13,556. This resulted in a net increase in the District's sewer mains and equipment by \$491,671.

In 2019, the District removed and replaced 8 inch sewer mains for a total cost of \$114,406 and lined 3,696 lf of 8 inch sewer mains and 80 lf of 10" sewer mains at a cost of \$124,773. The cost

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2020 and 2019**

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.

FUTURE ECONOMIC FACTORS AND RATES

- Metro Wastewater's estimated sewage treatment charges for 2021 are \$352,641, but they overestimated the actual 2019 charges and the estimated 2020 charges, so \$40,951 was subtracted from the total, resulting in a net payment for 2021 of \$311,690. The District also records any additional charges for future estimated charges as a treatment charge payable. Based on the actual 2020 charges which ended up being underestimated, the District's net treatment charges payable at the end of 2020 increased to \$13,627.
- 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 2021, is shown below.

Year	2021	2020	2019
Non-residential District Sewer Fee per 1,000 gallons	\$ 4.45	\$ 4.42	\$ 4.16
Non-residential Metro Pass-Thru Sewage Treatment Flow Fee per 1,000 gallons	\$ 1.25	\$ 1.34	\$ 1.23
Residential Sewer Fee including Metro Pass-Thru Fees – Single Family	\$ 313.00	\$ 311.00	\$ 302.00
Residential Sewer Fee including Metro Pass-Thru Fee– Multi- Family	\$229.00	\$255.00	\$213.00

- The multi-family sewer rate for 2021 dropped significantly due to a drop in the multi-family sewage flows which saw a large increase the year prior. Commercial customers also had a drop in their sewage flows resulting in a reduction in their overall 2021 flow rate. The portion of the above fees charged to cover Metro's sewage loading fees continues to vary by customer type, but overall, the 2021 loading fees decreased about 9%.
- The District's capital projects planned for 2021 includes the removal and replacement of approximately 1,070 lineal feet of 8 inch sewer main.
- The District will continue to charge the monthly fee in 2021 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, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,508,367	\$ 2,107,276
Investments	599,015	1,173,479
Accounts receivable	5,409	3,638
Accrued interest receivable	291	5,808
Prepaid expenses	445	395
Total current assets	3,113,527	3,290,596
CAPITAL ASSETS		
Projects in progress	3,043	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	4,951,716	4,460,045
	5,021,960	4,529,489
Less accumulated depreciation	(2,682,318)	(2,591,009)
Total capital assets, net	2,339,642	1,938,480
TOTAL ASSETS	\$ 5,453,169	\$ 5,229,076
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 17,475	\$ 9,672
Metro treatment charges payable	13,691	8,627
Total current liabilities	31,166	18,299
NET POSITION		
Net investment in capital assets	2,339,642	1,938,480
Unrestricted	3,082,361	3,272,297
Total net position	5,422,003	5,210,777
TOTAL LIABILITIES AND NET POSITION	\$ 5,453,169	\$ 5,229,076

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, 2020 and 2019

	2020	2019
OPERATING REVENUE		
Service fees	\$ 593,422	\$ 559,866
Delinquent fees	20,795	19,436
Inspection Fees	10,520	10,160
Other income	5,848	5,399
Total operating revenue	630,585	594,861
OPERATING EXPENSES		
Depreciation	104,018	101,609
Sewer treatment charges	414,269	351,673
Engineering	15,718	18,480
Repairs and maintenance	30,113	53,189
Other	21,613	30,242
Total operating expenses	585,731	555,193
Gain from operations	44,854	39,668
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit	5,300	5,300
Insurance	7,764	7,562
Election	932	-
Legal	1,222	1,470
Management fees	87,677	70,128
Directors' fees	4,321	4,521
Office and administration	20,353	19,231
Total general and administrative expenses	127,569	108,212
Net loss	(82,715)	(68,544)
NONOPERATING REVENUE (EXPENSES)		
Net investment income:		
Interest	23,752	61,740
Net increase (decrease) in fair value of investments	536	27,672
Capital reserve fees	270,500	276,000
Loss on disposition of assets	(847)	(299)
Total nonoperating revenue (expenses)	293,941	365,113
CHANGE IN NET POSITION	211,226	296,569
NET POSITION - BEGINNING OF YEAR	5,210,777	4,914,208
NET POSITION - END OF YEAR	\$ 5,422,003	\$ 5,210,777

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, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 628,814	\$ 595,498
Cash paid to vendors	(596,465)	(526,637)
Net cash provided by operating activities	32,349	68,861
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(506,027)	(245,972)
Capital reserve fees	270,500	276,000
Net cash provided (required) by capital financing activities	(235,527)	30,028
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(800,000)	(400,000)
Maturity of investments	1,375,000	1,530,000
Interest received	29,269	63,653
Net cash provided by investing activities	604,269	1,193,653
NET INCREASE IN CASH AND CASH EQUIVALENTS	401,091	1,292,542
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,107,276	814,734
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,508,367	\$ 2,107,276
RECONCILIATION OF OPERATING GAIN TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net gain (loss)	\$ (82,715)	\$ (68,543)
Adjustments to reconcile gain to net cash provided by operating activities:		
Depreciation and amortization	104,018	101,609
Effects of changes in operating assets and liabilities:		
Account receivable	(1,771)	19,552
Prepaid expenses	(50)	90,485
Payables and prepaid customer accounts	12,867	(74,242)
Net cash provided by operating activities	\$ 32,349	\$ 68,861

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, 2020 and 2019**

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, 2020.

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, 2020 and 2019**

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 straight-line over the remaining useful lives of the related fixed assets, as follows.

Capital improvements study	10 years
Geographic information system	10 years
Sewer mains and equipment	40 years

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

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 value when received.

Reclassifications

For comparability, certain 2019 amounts have been reclassified where appropriate to conform with the 2020 financial statement presentation.

NOTE 3 - CASH AND INVESTMENTS

Cash equivalents and investments are reflected for the December 31, 2020 and 2019 statements of net position and statements of cash flows as follows:

	2020	2019
Cash and cash equivalents:		
Deposits with financial institutions	\$ 793,556	\$ 208,642
COLOTRUST	1,714,811	1,898,634
Total cash and cash equivalents	2,508,367	2,107,276
Investments:		
U.S. Agency Obligations	599,015	1,173,479
Total investments	599,015	1,173,479
Total cash equivalents and investments	\$ 3,107,382	\$ 3,280,755

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.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

At December 31, 2020, the District's cash deposits had a bank balance of \$833,764 and a carrying balance of \$793,556. At December 31, 2019, the District's cash deposits had a bank balance of \$221,335 and a carrying balance of \$208,642.

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, 2020:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity</u>
COLOTRUST	\$ 1,714,811	Weighted avg. less than 60 days
U.S. Agency Obligations	599,015	1 - 5 years
Total investments	<u>\$ 2,313,826</u>	

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	1,173,479	1 - 5 years
Total investments	<u>\$ 3,072,113</u>	

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

Interest Rate Risk

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

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, 2020 and 2019 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, 2020 and 2019, 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, 2020 and 2019**

The valuation of the District's investments are as follows at December 31, 2020:

	Amount	Level 1 Inputs
Investments measured at fair value:		
U.S. Agency Obligations	\$ 599,015	\$ 599,015
Total investments at fair value	599,015	\$ 599,015
 Investments measured at NAV		
COLOTRUST	1,714,811	
Total investments at NAV	1,714,811	
Total investments	\$ 2,313,826	

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

Investments measured at fair value:		
U.S. Agency Obligations	\$ 1,173,479	\$ 1,173,479
Total investments at fair value	1,173,479	\$ 1,173,479
 Investments measured at NAV		
COLOTRUST	1,898,634	
Total investments at NAV	1,898,634	
Total investments	\$ 3,072,113	

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, 2020 and 2019**

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, 2020, the District had the following investments:

Investment Type	2020 Amount	Percent of Total Portfolio
COLOTRUST	\$ 1,714,811	Not subject to disclosure
Federal Home Loan Bank	298,935	12.92%
Federal National Mortgage Association	300,080	12.97%
	<u>\$ 2,313,826</u>	

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

Investment Type	2019 Amount	Percent of Total Portfolio
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>	

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	<u>Balance at January 1, 2020</u>	<u>Increases/ Reclasses</u>	<u>Decreases/ Reclasses</u>	<u>Balance at December 31, 2020</u>
Capital assets not being depreciated:				
Projects in progress	\$ 2,243	\$ 506,027	\$ 505,227	\$ 3,043
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	4,460,045	505,227	13,556	4,951,716
Total capital assets being depreciated	<u>4,529,489</u>	<u>1,011,254</u>	<u>518,783</u>	<u>5,021,960</u>
Less accumulated depreciation:				
Capital improvements study	9,970	3,626	-	13,596
Geographic information system	2,767	2,767	-	5,534
Sewer mains and equipment	2,578,272	97,625	12,709	2,688,604
Total accumulated depreciation	<u>2,591,009</u>	<u>104,018</u>	<u>12,709</u>	<u>2,707,736</u>
Total capital assets, net	<u>\$ 1,938,480</u>	<u>\$ 907,236</u>	<u>\$ 506,074</u>	<u>\$ 2,339,642</u>

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**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

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	<u>4,222,572</u>	<u>239,180</u>	<u>1,707</u>	<u>4,460,045</u>
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	<u>2,485,370</u>	<u>94,310</u>	<u>1,408</u>	<u>2,578,272</u>
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>

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, 2020 and 2019, the District had invested in capital assets of \$2,339,642 and \$1,938,480, 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, 2020 and 2019**

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 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Preliminary estimate for current year	\$ 379,760	\$ 357,321
Preliminary adjustment for current year	(20,133)	15,170
Final adjustment for current year	<u>54,642</u>	<u>(20,818)</u>
Total annual charges	<u>\$ 414,269</u>	<u>\$ 351,673</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, 2020. 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, 2020 and 2019**

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, 2020

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUE			
Service fees	\$ 865,500	\$ 863,922	\$ (1,578)
Delinquent fees	10,000	20,795	10,795
Inspection fees	10,000	10,520	520
Interest income	45,500	23,752	(21,748)
Increase in fair value of investments	-	536	536
Miscellaneous	5,000	5,848	848
Total revenues	936,000	925,373	(10,627)
EXPENDITURES			
Sewer treatment and operations:			
Sewer treatment charges	379,760	414,269	(34,509)
Engineering maintenance	9,000	3,803	5,197
Repairs and maintenance	33,700	30,113	3,587
Utility locates and tap inspections	27,500	16,356	11,144
Grease trap inspection expense	2,500	3,973	(1,473)
Sump pump inspections	2,000	1,284	716
General operations:			
Audit	5,300	5,300	-
General engineering	17,500	11,915	5,585
Insurance	8,240	7,764	476
Election costs	20,000	932	19,068
Legal	2,000	1,222	778
Management and accounting fees	84,000	87,677	(3,677)
Directors' fees	4,000	4,321	(321)
Office and administrative	25,000	20,353	4,647
Capital outlay and reserve	578,000	506,027	71,973
Contingency	100,000	-	100,000
Total expenditures	1,298,500	1,115,309	183,191
REVENUES OVER (UNDER) EXPENDITURES	(362,500)	(189,936)	172,564
FUNDS AVAILABLE - BEGINNING OF YEAR	3,179,153	3,272,297	93,144
FUNDS AVAILABLE - END OF YEAR	\$ 2,816,653	\$ 3,082,361	\$ 265,708
Funds available is computed as follows:			
Current assets		\$ 3,113,527	
Current liabilities		(31,166)	
		\$ 3,082,361	

**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, 2020**

Revenue (budgetary basis)	<u>\$ 925,373</u>
Revenues per Statements of Revenues, Expenses and Changes in Net Position	<u>925,373</u>
Expenditures (budgetary basis)	1,115,309
Depreciation	104,018
Capital outlay	(506,027)
Loss on disposition of assets	<u>847</u>
Expenses per Statements of Revenues, Expenses and Changes in Net Position	<u>714,147</u>
Change in net position per Statements of Revenues, Expenses and Changes in Net Position	<u><u>\$ 211,226</u></u>