

# SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT

Arapahoe, Jefferson, and Douglas Counties, Colorado

FINANCIAL STATEMENTS  
December 31, 2013 and 2012

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

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

We have audited the accompanying basic financial statements of Southwest Metropolitan Water and Sanitation District (the District) as of and for the years ended December 31, 2013 and 2012, as listed in the table of contents, and the related notes to the financial statements.

#### **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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Metropolitan Water and Sanitation District, as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other-Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
March 28, 2014

## **SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

### **Financial Highlights**

- Net Position decreased \$2,862,521 (or 3.9%) from 2013 to 2012.
- In 2013, net investment income amounted to a negative \$318,093 due to a significant fair value adjustment at December 31, 2013.
- Total capital contributions during 2013 amounted to \$549,531.
- Net Position decreased \$1,611,703 (or 2.2%) from 2011 to 2012.
- In 2012, net investment income amounted to \$540,319 representing 42.33% of the District's total revenue.
- Total capital contributions during 2012 amounted to \$695,566.

### **Overview of the Financial Statements**

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

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

The *Statement of Revenues, Expenses and Changes in Net Position* presents information which reflects how the District's Net Position changed during the past year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

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

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

## NET POSITION

December 31,	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
Current assets	\$ 9,684,024	\$ 18,222,335	\$ 16,513,977
Noncurrent assets:			
Long-term cash deposits and investments	22,997,281	18,373,610	21,686,218
Capital assets, net	<u>37,582,736</u>	<u>37,037,017</u>	<u>36,112,503</u>
Total noncurrent assets	<u>60,580,017</u>	<u>55,410,627</u>	<u>57,798,721</u>
Total assets	<u>70,264,041</u>	<u>73,632,962</u>	<u>74,312,698</u>
<b>LIABILITIES</b>			
Current liabilities	<u>559,987</u>	<u>1,066,387</u>	<u>134,420</u>
Total liabilities	<u>559,987</u>	<u>1,066,387</u>	<u>134,420</u>
<b>NET POSITION</b>			
Net investment in capital assets	37,582,736	37,037,017	36,112,503
Restricted - Emergency reserve	8,700	38,300	68,000
Unrestricted	<u>32,112,618</u>	<u>35,491,258</u>	<u>37,997,775</u>
	<u>\$ 69,704,054</u>	<u>\$ 72,566,575</u>	<u>\$ 74,178,278</u>

As noted earlier, Net Position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$69,704,054, \$72,566,575, and \$74,178,278 at December 31, 2013, 2012, and 2011 respectively. The largest portion of the District's Net Position reflects its net investment in capital assets. The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Unrestricted Net Position may be used to meet the District's ongoing obligations to maintain the water and sewer systems within the jurisdictional boundaries.

Comparing 2012 to 2013, Current assets decreased \$8,538,311 while Long-term cash deposits and investments increased \$4,623,671. As the District does not levy property taxes, the District relies heavily on its cash and investment reserves to fund operations as well as its investment in capital. This funding explains to overall decrease in assets. The increase in Long-term cash deposits and investments is due to the shift in investment concentration to investment instruments with terms exceeding one year in order to maximize yield.

Comparing 2011 to 2012, Current assets increased \$1,708,358 while Long-term cash deposits and investments decreased \$3,312,608. This change is due to the increase in the liquidity of funds to meet cash flow requirements. Significant planned sewer capital projects began during 2012 resulting in the decrease of funds available. Amounts due contractors for work progress on these sewer capital projects substantiates the increase in current liabilities of \$931,967 from 2011 to 2012.

## REVIEW OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ending December 31,	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUE</b>			
<b>OPERATING REVENUE</b>			
Charges for services	\$ 55,346	\$ 40,419	\$ 53,276
Total operating revenue	<u>55,346</u>	<u>40,419</u>	<u>53,276</u>
<b>NONOPERATING REVENUE</b>			
Net investment income	<u>(318,093)</u>	<u>540,319</u>	<u>1,437,258</u>
Total nonoperating revenue	<u>(318,093)</u>	<u>540,319</u>	<u>1,437,258</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Tap fees	42,110	68,477	350,177
Annexation fees	4,500	-	-
Capital projects contributions	488,836	627,089	20,312
Contributed assets from developers	<u>14,085</u>	<u>-</u>	<u>389,904</u>
Total capital contributions	<u>549,531</u>	<u>695,566</u>	<u>760,393</u>
Total revenue	<u>286,784</u>	<u>1,276,304</u>	<u>2,250,927</u>
<b>EXPENSES</b>			
<b>OPERATING EXPENSES</b>			
Water operations	1,542,971	1,409,995	1,409,605
Sewer operations	948,016	850,670	879,652
General and administrative	<u>633,446</u>	<u>615,185</u>	<u>620,082</u>
Total operating expenses	<u>3,124,433</u>	<u>2,875,850</u>	<u>2,909,339</u>
<b>NONOPERATING EXPENSES</b>			
Loss on disposal of property and equipment	<u>24,872</u>	<u>12,157</u>	<u>3,914</u>
Total nonoperating expenses	<u>24,872</u>	<u>12,157</u>	<u>3,914</u>
Total expenses	<u>3,149,305</u>	<u>2,888,007</u>	<u>2,913,253</u>
<b>CHANGE IN NET POSITION</b>	(2,862,521)	(1,611,703)	(662,326)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>72,566,575</u>	<u>74,178,278</u>	<u>74,840,604</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 69,704,054</u>	<u>\$ 72,566,575</u>	<u>\$ 74,178,278</u>

Total revenue decreased \$985,520 or 77.5% from 2012 to 2013. The District's net investment income decreased \$858,412. This change is attributed a negative fair value adjustment of \$824,950 at December 31, 2013. The average price of the District's investments at December 31, 2013 was \$102.47 compared to \$106.60 at December 31, 2012. It is the District's policy to hold all investments to maturity, therefore, any fair value adjustment is considered unrealized.

Total revenue decreased \$974,623 or 43.3% from 2011 to 2012. The District's net investment income decreased \$896,939. This change is due to placing maturing funds from long-term investments into more liquid investment instruments in order to meet capital outlay requirements. This shift in investment concentration as well as the reduction of cash reserves resulted in the decrease in the average yield on investment.

Total expenses increased \$261,298 or 9.04% from 2012 to 2013. This change is due to an increase in the amount of routine repair and maintenance required within the District which also directly impacts the amount of general and administrative costs that are charged to the District by Platte Canyon Water and Sanitation District (See Note 6 – Intergovernmental Agreement – Management and Maintenance). Additionally, there was an increase in the amount of remedial water and sewer system repairs performed during 2013.

The decrease in total expenses from 2011 to 2012 amounted to \$25,246. Sewer operations expense decreased by \$28,982 due to the reduction of routine maintenance required during 2012 compared to 2011.

### **Budgetary Highlights**

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

Actual revenue for the District was less than budgeted revenues by \$1,302,840. Capital project reimbursement was less than the amount budgeted by \$685,964 due to construction costs being lower than anticipated as well as the project not being completed during 2013 as expected. Contracts with other water and sanitation districts required them to reimburse their portion of costs associated with the rehabilitation of a sewer interceptor owned by the District. Actual net investment income amounted to negative \$318,093 resulting in a negative budget variance of \$674,282. A fair value mark down of investments at December 31, 2013 amounted to \$824,950. It is the District policy to hold all investments to maturity, therefore, any fair value adjustment is considered unrealized.

Budgeted expenditures exceeded actual expenditures by \$3,596,829. The largest positive variance relates to the sewage collection system. As noted above, the construction costs for the rehabilitation of the sewer interceptor were less than anticipated and approximately 47% of the construction will be performed during 2014. In addition to budgeting for emergency reserve, the District budgets an additional 15% of the projected water and sewer capital expenses to cover unanticipated increases in construction costs. Use of this contingency amount of \$572,818 was not required.



## Capital Assets

The District's net investment in capital assets at December 31, 2013, 2012, and 2011 amounted to \$37,582,736, \$37,037,017, and \$36,112,503 (net of accumulated depreciation/amortization), respectively. Analysis of changes in capital assets from 2012 to 2013 is as follows:

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Land and easements	\$ 64,819	\$ 64,819	0.0%
Construction in progress	2,093,176	2,496,568	-16.2%
Water distribution systems	20,387,767	21,298,970	-4.3%
Sewage collection system	13,764,088	11,843,541	16.2%
Office building	1,269,480	1,327,170	-4.3%
Other	3,406	5,949	-42.7%
Total net capital assets	<u>\$ 37,582,736</u>	<u>\$ 37,037,017</u>	

Construction in progress for the major rehabilitation of a sewer interceptor amounted to \$2,061,280. Columbine Water & Sanitation District, Grant Water & Sanitation District, Ken Caryl Water and Sanitation District and Meadowbrook/Fairview Metropolitan District are contractually obligated to reimburse the District for their portion of the costs which amounted to \$480,165. The rehabilitation will be completed during 2014. Rehabilitation of another sewer interceptor that began during 2012 was completed during 2013. The total cost of the project amounted to \$2,514,591 and the total related capital project contribution amounted to \$654,373. Total depreciation and amortization expense for 2013 amounted to \$1,691,002.

Analysis of changes in capital assets from 2011 to 2012 is as follows:

	<u>2012</u>	<u>2011</u>	<u>Percentage Change</u>
Land and easements	\$ 64,819	\$ 64,819	0.0%
Construction in progress	2,496,568	161,944	1441.6%
Water distribution systems	21,298,970	22,050,134	-3.4%
Sewage collection system	11,843,541	12,442,254	-4.8%
Office building	1,327,170	1,384,860	-4.2%
Other	5,949	8,492	-29.9%
Total net capital assets	<u>\$37,037,017</u>	<u>\$36,112,503</u>	

The District completed two water main addition projects with a final cost of \$238,380. Construction in progress for the major rehabilitation of a sewer interceptor amounted to \$2,484,541. Ken Caryl Water and Sanitation District and Meadowbrook/Fairview Metropolitan District are contractually obligated to reimburse the District for their portion of the costs which amounted to \$624,323. As noted above the rehabilitation was completed during 2013. Total depreciation and amortization expense for 2012 amounted to \$1,652,771.

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

## **Economic Factors and Next Year's Budget**

- Investment income is budgeted at \$315,935 which is based on a projected average yield of 1.0%.
- Tap fee revenue is budgeted at \$133,750. This revenue consists of water and sanitary sewer tap fee payments for three proposed development projects. The water tap fee will increase to \$5,625 per  $\frac{3}{4}$  equivalent from the \$4,250 fee adopted in 2013. The sewer tap fee will remain at \$1,100 which was adopted in 2013.
- The budget for operating expenditures and capital expenditures is \$1,478,430 and \$2,409,348, respectively.
- A significant sewer capital project has been budgeted in the amount of \$1,506,971 which consists of lining 7,778 feet of sewer pipe with a cured-in-place liner pipe. Contractual cost sharing reimbursements from other Districts is projected to be \$93,280.
- Total expenditures for 2014 are projected to exceed revenue by \$3,298,913 which will be funded by the District's current funds available.

## **Requests for Information**

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

## **FINANCIAL STATEMENTS**

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
**December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,905,378	\$ 9,009,936
Cash deposits and investments	2,340,700	8,597,364
Other receivables	295,188	401,421
Accrued interest receivable	132,486	204,887
Prepaid expenses	10,272	8,727
Total current assets	9,684,024	18,222,335
<b>NONCURRENT ASSETS</b>		
Long-term cash deposits and investments	22,997,281	18,373,610
Capital assets:		
Land and easements	64,819	64,819
Construction in progress	2,093,176	2,496,568
Water distribution system	40,482,862	40,401,910
Sewage collection system	27,272,467	25,150,449
Office building	2,287,821	2,287,821
Other	45,771	45,771
Less accumulated depreciation	(34,664,180)	(33,410,321)
Total capital assets (net of accumulated depreciation)	37,582,736	37,037,017
Total noncurrent assets	60,580,017	55,410,627
Total assets	70,264,041	73,632,962
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	441,658	934,767
Retainage payable	92,832	114,853
Deposits from developers	25,497	16,767
Total current liabilities	559,987	1,066,387
<b>NET POSITION</b>		
Net investment in capital assets	37,582,736	37,037,017
Restricted for emergencies	8,700	38,300
Unrestricted	32,112,618	35,491,258
<b>TOTAL NET POSITION</b>	<b>\$ 69,704,054</b>	<b>\$ 72,566,575</b>

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

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUE</b>		
Charges for services	\$ 55,346	\$ 40,419
Total operating revenue	<u>55,346</u>	<u>40,419</u>
<b>OPERATING EXPENSES</b>		
Water operations	1,542,971	1,409,995
Sewer operations	948,016	850,670
General and administrative	633,446	615,185
Total operating expenses	<u>3,124,433</u>	<u>2,875,850</u>
<b>(LOSS) FROM OPERATIONS</b>	<u>(3,069,087)</u>	<u>(2,835,431)</u>
<b>NONOPERATING REVENUE</b>		
Investment income	506,857	807,748
Net increase (decrease) in fair value of investments	(824,950)	(267,429)
Total nonoperating revenue	<u>(318,093)</u>	<u>540,319</u>
<b>NONOPERATING EXPENSES</b>		
Loss on disposal of property and equipment	24,872	12,157
Total nonoperating expenses	<u>24,872</u>	<u>12,157</u>
<b>(LOSS) BEFORE CONTRIBUTIONS</b>	<u>(3,412,052)</u>	<u>(2,307,269)</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Tap fees	42,110	68,477
Annexation fees	4,500	-
Capital projects contributions	488,836	627,089
Contributed assets	14,085	-
Total capital contributions	<u>549,531</u>	<u>695,566</u>
<b>CHANGE IN NET POSITION</b>	(2,862,521)	(1,611,703)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>72,566,575</u>	<u>74,178,278</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 69,704,054</u>	<u>\$ 72,566,575</u>

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

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 61,312	\$ 63,560
Cash payments to suppliers for goods and services	(1,383,417)	(1,227,928)
Cash flows used for operating activities	(1,322,105)	(1,164,368)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributed capital - Tap fees	42,110	68,477
Contribute capital - Annexation fees	4,500	-
Contributed capital - Cost reimbursement	597,833	227,422
Acquisition of property, plant and equipment	(2,814,197)	(1,668,870)
Cash flows used by capital and related financing activities	(2,169,754)	(1,372,971)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	579,258	851,160
Purchase of investments	(7,707,007)	(8,567,838)
Matured investments	8,515,050	11,040,000
Cash provided by investing activities	1,387,301	3,323,322
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,104,558)	785,983
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	9,009,936	8,223,953
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 6,905,378	\$ 9,009,936

(Continued)

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

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2013 and 2012**

(Continued)

	<u>2013</u>	<u>2012</u>
<b>Reconciliation of (loss) from operations to net cash used for operating activities</b>		
(Loss) from operations	\$ (3,069,087)	\$ (2,835,431)
Adjustments to reconcile (loss) from operations to net cash used for operating activities		
Depreciation and amortization	1,691,002	1,652,771
Effects of changes in operating assets and liabilities:		
Accounts receivable	(2,764)	7,574
Prepaid expenses	(1,545)	(677)
Accounts payable	51,559	(4,172)
Deposits from developers	8,730	15,567
Total adjustments	<u>1,746,982</u>	<u>1,671,063</u>
Cash flows used for operating activities	<u>\$ (1,322,105)</u>	<u>\$ (1,164,368)</u>
 <b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Contributions of capital assets from developers	<u>\$ 14,085</u>	<u>\$ -</u>

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

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

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

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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



**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting**

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

**Operating Revenues and Expenses**

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

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. A budget is legally adopted for the District, and is presented on a Non-GAAP budgetary basis.

Capital outlay is budgeted as an expenditure and depreciation is not budgeted. Budgeted amounts in the financial statements are as originally adopted, or as amended by the Directors.

**Restricted Resources**

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

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash Equivalents and Investments**

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

**Capital Assets**

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

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

**Net Position**

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

**Reclassifications**

For comparability, certain 2012 amounts have been reclassified where appropriate to conform to the 2013 financial statement presentation.

**NOTE 3 – CASH AND INVESTMENTS**

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

	<u>2013</u>	<u>2012</u>
Deposits	\$ 5,009,446	\$ 5,654,416
Investments	<u>27,233,913</u>	<u>30,326,494</u>
Total	<u>\$ 32,243,359</u>	<u>\$ 35,980,910</u>

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

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

	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 6,905,378	\$ 9,009,936
Cash deposits and investments	2,340,700	8,597,364
Long-term cash deposits and investments	22,997,281	18,373,610
	<b>\$ 32,243,359</b>	<b>\$ 35,980,910</b>

**Cash Deposits**

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

**Investments**

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

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

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

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

At December 31, the District had the following investments:

Investment	Rating	Investment Maturities (in Years)			2013
		Less than 1	1 - 5	More than 5	Total
U.S. Instrumentalities	AAA/AA+	\$ -	\$ 15,105,050	\$ -	\$ 15,105,050
U.S. Treasury Notes	N/A	-	-	5,389,850	5,389,850
Local Government Investment Pool	AAAm	6,739,013	-	-	6,739,013
		<u>\$ 6,739,013</u>	<u>\$ 15,105,050</u>	<u>\$ 5,389,850</u>	<u>\$ 27,233,913</u>

  

Investment	Rating	Investment Maturities (in Years)			2012
		Less than 1	1 - 5	1 - 5	Total
U.S. Instrumentalities	AAA/AA+	\$ 4,516,430	\$ 10,939,445	\$ -	\$ 15,455,875
U.S. Treasury Notes	N/A	-	-	5,864,450	5,864,450
Local Government Investment Pool	AAAm	9,006,169	-	-	9,006,169
		<u>\$ 13,522,599</u>	<u>\$ 10,939,445</u>	<u>\$ 5,864,450</u>	<u>\$ 30,326,494</u>

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

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

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

*Concentration of Credit Risk* – It is the policy of the District to diversify its investment portfolio to eliminate risk of loss resulting from over concentration of assets in a specific maturity, a specific class, and specific issuer of securities. The District policy includes cash deposits in the total portfolio when determining concentration of investments. The policy provides that the total portfolio of the District may be comprised of 100% U.S. Treasury Notes. However, investment in U.S. agency and instrumentalities may not exceed 50% of the District's total portfolio and investment in any one issuer may not exceed 20% of the total portfolio. Investments in local government investment pools as well as money market mutual funds may not exceed 25% of the District's total portfolio. The policy provides for variances in the stated maximum percentage limitations not to exceed 10% at any given time. At December 31, 2013, the District's investment in Federal National Mortgage Association, Federal Home Loan Bank, and Federal Farm Credit Banks were 12.74%, 22.28%, and 20.45%, respectively, of the District's total investments and 10.76%, 18.82%, and 17.27%, respectively, of the District's total portfolio. At December 31, 2012, the District's investment in Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corp and Federal Farm Credit Banks were 13.3%, 13.7%, 14.9%, and 9.1%, respectively, of the District's total investments and 11.2%, 11.6%, 12.5%, and 7.7%, respectively, of the District's total portfolio.

*Local Government Investment pool* - As of December 31, 2013 and 2012, the District had \$6,739,013 and \$9,006,196 respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAM by Standard and Poor's. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colotrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by each participating government.

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 4 – CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2013 follows:

	Balance December 31, 2012	Additions	Deletions	Balance at December 31, 2013
Capital assets, not being depreciated:				
Land and easements	\$ 64,819	\$ -	\$ -	\$ 64,819
Construction in progress	2,496,568	2,111,199	2,514,591	2,093,176
Total capital assets not being depreciated	<u>2,561,387</u>	<u>2,111,199</u>	<u>2,514,591</u>	<u>2,157,995</u>
Capital assets, being depreciated:				
Water distribution system	40,401,910	80,952	-	40,482,862
Sewage collection system	25,150,449	2,584,032	462,014	27,272,467
Office building	2,287,821	-	-	2,287,821
Other	45,771	-	-	45,771
Total capital assets being depreciated	<u>67,885,951</u>	<u>2,664,984</u>	<u>462,014</u>	<u>70,088,921</u>
Less accumulated depreciation/amortization:				
Water distribution system	(19,102,940)	(992,155)	-	(20,095,095)
Sewage collection system	(13,306,908)	(638,614)	(437,143)	(13,508,379)
Office building	(960,651)	(57,690)	-	(1,018,341)
Other	(39,822)	(2,543)	-	(42,365)
Total accumulated depreciation	<u>(33,410,321)</u>	<u>(1,691,002)</u>	<u>(437,143)</u>	<u>(34,664,180)</u>
Total capital assets, being depreciated, net	<u>34,475,630</u>	<u>973,982</u>	<u>24,871</u>	<u>35,424,741</u>
Net Capital Assets	<u><u>\$ 37,037,017</u></u>	<u><u>\$ 3,085,181</u></u>	<u><u>\$ 2,539,462</u></u>	<u><u>\$ 37,582,736</u></u>

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

An analysis of the changes in capital assets for the year ended December 31, 2012 follows:

	Balance December 31, 2011	Additions	Deletions	Balance at December 31, 2012
Capital assets, not being depreciated:				
Land and easements	\$ 64,819	\$ -	\$ -	\$ 64,819
Construction in progress	161,944	2,573,004	238,380	2,496,568
Total capital assets not being depreciated	<u>226,763</u>	<u>2,573,004</u>	<u>238,380</u>	<u>2,561,387</u>
Capital assets, being depreciated:				
Water distribution system	40,163,530	238,380	-	40,401,910
Sewage collection system	25,150,449	16,438	16,438	25,150,449
Office building	2,287,821	-	-	2,287,821
Other	45,771	-	-	45,771
Total capital assets being depreciated	<u>67,647,571</u>	<u>254,818</u>	<u>16,438</u>	<u>67,885,951</u>
Less accumulated depreciation/amortization:				
Water distribution system	(18,113,396)	(989,544)	-	(19,102,940)
Sewage collection system	(12,708,195)	(602,994)	(4,281)	(13,306,908)
Office building	(902,961)	(57,690)	-	(960,651)
Other	(37,279)	(2,543)	-	(39,822)
Total accumulated depreciation	<u>(31,761,831)</u>	<u>(1,652,771)</u>	<u>(4,281)</u>	<u>(33,410,321)</u>
Total capital assets, being depreciated, net	<u>35,885,740</u>	<u>(1,397,953)</u>	<u>12,157</u>	<u>34,475,630</u>
Net Capital Assets	<u>\$ 36,112,503</u>	<u>\$ 1,175,051</u>	<u>\$ 250,537</u>	<u>\$ 37,037,017</u>

Depreciation and amortization expense for the years ended December 31, 2013 and 2012 was charged to the following operations:

	<u>2013</u>	<u>2012</u>
Water	\$ 992,155	\$ 989,544
Sewer	638,614	602,994
Administration	<u>60,233</u>	<u>60,233</u>
	<u>\$ 1,691,002</u>	<u>\$ 1,652,771</u>

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 5 – CONTRACTS**

**Denver Water Board**

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

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

The District participated in the cost to construct facilities owned by Denver (agreement date 1977). The District acquired the right to sufficient capacities in the water line to serve taps reserved to the District for \$6,742,264. This amount is included in the water distribution system and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2013 and 2012 is \$ 4,693,715 and \$4,525,163, respectively.

The District has additional contracts with Denver for its participation costs in facilities. These facilities were deemed complete during 2005 and the District has no further commitments under the contracts. The District's participation amounted to \$4,484,958, which reserves additional capacity in the Denver system for the District. This amount has been included in the water distribution system and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2013 and 2012 is \$896,992 and \$784,868, respectively.

**City of Littleton**

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

**Meadowbrook-Fairview**

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



**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 5 – CONTRACTS (CONTINUED)**

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

During 1999, the contract was again amended, increasing the total allowable taps by 336 to 1,886 taps. Meadowbrook-Fairview must pay the sum of \$227 for each single-family residential equivalent together with Southwest’s applicable tap fee at the time of connection. At December 31, 2013, remaining taps to be issued under the contract amounted to 87.

**Grant Water and Sanitation District**

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

During 1983, an additional agreement provided for an alternate point of connection to the Districts sewer system for 300 single family equivalent taps, within Grant at \$450 per individual tap. The 300 sewer taps are part of, and not in addition to the 5,000 sewer taps allowed under the 1962 Agreement. At December 31, 2013, remaining taps to be issued under the agreements amounted to 1,399.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

**Intergovernmental Agreement – Management and Maintenance**

In 1986, the District entered into an agreement with Platte Canyon Water and Sanitation District (Platte Canyon) wherein Platte Canyon provides management, maintenance, inspection and clerical services to the District. Under the agreement, Platte Canyon bills the District monthly for its proportionate share of costs. During 2004, the contract was renewed for ten years with an option for the District to renew for successive five-year periods after December 31, 2014. During 2013 and 2012 the District reimbursed Platte Canyon \$890,677 and \$827,669, respectively for services provided.

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 6 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Intergovernmental Agreement – Joint Office and Garage Facility**

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

Platte Canyon pays the District a monthly rent and a proportionate share of the operation and maintenance expense determined on a quarterly basis. The Intergovernmental Agreement will be effective until December 31, 2018. Reimbursement of operation and maintenance costs received from Platte Canyon during 2013 and 2012 amounted to \$21,896 and \$16,668, respectively.

**Water Tap Deposit Agreement**

Advance deposits for the purchase of future water taps were received during 1978. At December 31, 2013, remaining advance deposits amounted to \$552,750, which represents the District's intention to issue 737 water taps. This amount was recorded as contributions when received. No advance deposits were used or refunded in 2013 and 2012.

**NOTE 7 – LEASES**

In 1969, the District entered into an agreement with the City of Littleton whereby the City is allowed to connect with the District's sewer lines for \$15,000 per year. The agreement is subject to renewal annually. The District recorded lease income of \$15,000 for each of the years ended December 31, 2013 and 2012.

**NOTE 8 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). 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.

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 8 – RISK MANAGEMENT (CONTINUED)**

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

**NOTE 9 – TAX, SPENDING AND DEBT LIMITATIONS**

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

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

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

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2013 and 2012, the District's reserve of \$8,700 and \$38,300 was recorded as a restriction of Net Position.

**SUPPLEMENTAL INFORMATION**

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**SCHEDULES OF OPERATING EXPENSES**  
**Years Ended December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>WATER OPERATIONS</b>		
Repair and maintenance	\$ 469,149	\$ 382,148
Utilities	29,294	27,297
Engineering	52,373	11,006
Depreciation	711,479	708,868
Amortization	280,676	280,676
Total water operations	1,542,971	1,409,995
<b>SEWER OPERATIONS</b>		
Repair and maintenance	281,468	224,835
Utilities	11,046	11,632
Engineering	16,888	11,209
Depreciation	626,530	590,910
Amortization	12,084	12,084
Total sewer operations	948,016	850,670
<b>GENERAL AND ADMINISTRATIVE</b>		
General office administration		
Administration	410,013	395,417
Office supplies	2,479	1,510
Other	2,985	2,874
Public Relations	19,098	26,810
Professional and consulting		
Accounting and audit	5,100	5,100
Legal	31,579	36,610
Other	13,485	15,586
Insurance	11,180	10,641
Building maintenance and utilities	71,335	54,159
Depreciation	60,233	60,233
Miscellaneous	5,959	6,245
Total general and administrative	633,446	615,185
Total operating expenses	\$ 3,124,433	\$ 2,875,850

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT**  
**SCHEDULE OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (Non-GAAP BUDGETARY BASIS)**  
**Year Ended December 31, 2013**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUE</b>			
Net investment income (loss)	\$ 356,189	\$ (318,093)	\$ (674,282)
Tap fees - water	-	28,000	28,000
Tap fees - sewer	-	14,110	14,110
Annexation fees	-	4,500	4,500
Capital project reimbursement	1,174,800	488,836	(685,964)
Charges for services	44,550	55,346	10,796
Total revenue	<u>1,575,539</u>	<u>272,699</u>	<u>(1,302,840)</u>
<b>EXPENDITURES</b>			
<b>OPERATIONS AND ADMINISTRATION</b>			
Operations and maintenance - water			
Repair and maintenance	465,000	469,149	(4,149)
Utilities	29,500	29,294	206
Engineering	35,000	52,373	(17,373)
Operations and maintenance - sewer			
Repair and maintenance	287,000	281,468	5,532
Utilities	12,500	11,046	1,454
Engineering	5,000	16,888	(11,888)
General office administration	405,000	415,477	(10,477)
Public Relations	33,700	19,098	14,602
Professional and consulting	68,500	50,164	18,336
Insurance	12,200	11,180	1,020
Office maintenance	55,000	42,551	12,449
Office utilities	33,000	28,784	4,216
Other	8,030	5,959	2,071
Total operations and maintenance	<u>1,449,430</u>	<u>1,433,431</u>	<u>15,999</u>
<b>CAPITAL OUTLAY</b>			
Water distribution system	60,125	66,867	(6,742)
Sewage collection system	5,195,395	2,180,641	3,014,754
Contingency	572,818	-	572,818
Total capital outlay	<u>5,828,338</u>	<u>2,247,508</u>	<u>3,580,830</u>
Total expenditures	<u>7,277,768</u>	<u>3,680,939</u>	<u>3,596,829</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	(5,702,229)	(3,408,240)	2,293,989
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>35,618,853</u>	<u>35,529,558</u>	<u>(89,295)</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 29,916,624</u>	<u>\$ 32,121,318</u>	<u>\$ 2,204,694</u>
Funds available is computed as follows:			
Current assets		\$ 9,684,024	
Long-term cash deposits and investments		22,997,281	
Current liabilities		(559,987)	
		<u>\$ 32,121,318</u>	

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT  
RECONCILIATION OF ACTUAL (Non-GAAP BUDGETARY BASIS) TO STATEMENT  
OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Year Ended December 31, 2013**

<b>REVENUE (BUDGETARY BASIS)</b>	\$ 272,699
Contributed assets	14,085
Total revenue per statement of revenues, expenses, and changes in net position	286,784
 <b>EXPENDITURES (BUDGETARY BASIS)</b>	 3,680,939
Depreciation	1,398,242
Amortization	292,760
Loss on asset disposition	24,872
Capital outlay	(2,247,508)
Total expenses per statement of revenues, expenses, and changes in net position	3,149,305
Change in net position per statement of revenues, expenses, and changes in net position	\$ (2,862,521)