

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT

Arapahoe, Jefferson, and Douglas Counties, Colorado

**FINANCIAL STATEMENTS
December 31, 2014 and 2013**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	I
MANAGEMENT’S DISCUSSION AND ANALYSIS.	1
FINANCIAL STATEMENTS	
Statements of Net Position.....	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	12
SUPPLEMENTAL INFORMATION	
Schedules of Operating Expenses.....	25
Schedule of Revenue, Expenditures and Changes in Funds Available – Budget and Actual (Non-GAAP Budgetary Basis)	26
Reconciliation of Actual (Non-GAAP Budgetary Basis) to Statement of Revenues, Expenses and Changes in Net Position	27



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

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, 2014 and 2013, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

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, 2014 and 2013, 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 7 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 19, 2015

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 \$395,398 (or .57%) from 2014 to 2013.
- In 2014, net investment income amounted to \$656,913 representing 21.4% of the District's total revenue.
- Total capital contributions during 2014 amounted to \$2,239,336.
- 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.

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>2014</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Current assets	\$ 14,425,310	\$ 9,684,024	\$ 18,222,335
Noncurrent assets:			
Long-term cash deposits and investments	15,528,667	22,997,281	18,373,610
Capital assets, net	40,092,016	37,582,736	37,037,017
Total noncurrent assets	55,620,683	60,580,017	55,410,627
Total assets	<u>70,045,993</u>	<u>70,264,041</u>	<u>73,632,962</u>
LIABILITIES			
Current liabilities	737,337	559,987	1,066,387
Total liabilities	<u>737,337</u>	<u>559,987</u>	<u>1,066,387</u>
NET POSITION			
Net investment in capital assets	40,092,016	37,582,736	37,037,017
Restricted - Emergency reserve	60,200	9,700	38,300
Unrestricted	29,156,440	32,111,618	35,491,258
Total net position	<u>\$ 69,308,656</u>	<u>\$ 69,704,054</u>	<u>\$ 72,566,575</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 \$69,308,656, \$69,704,054, and \$72,566,575 at December 31, 2014, 2013, and 2012 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 2013 to 2014, Current assets increased \$4,741,286 while long-term cash deposits and investments decreased \$7,468,614. This change is due to the increase in the liquidity of funds to meet cash flow requirements. Significant planned sewer capital projects continued during 2014 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 \$177,350 from 2013 to 2014.

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 the 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.

REVIEW OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ending December 31,	<u>2014</u>	<u>2013</u>	<u>2012</u>
REVENUE			
OPERATING REVENUE			
Charges for services	\$ 176,255	\$ 105,539	\$ 46,916
Total operating revenue	<u>176,255</u>	<u>105,539</u>	<u>46,916</u>
NONOPERATING REVENUE			
Net investment income	656,913	(318,093)	540,319
Total nonoperating revenue	<u>656,913</u>	<u>(318,093)</u>	<u>540,319</u>
CAPITAL CONTRIBUTIONS			
Tap fees	741,089	42,110	68,477
Annexation fees	-	4,500	-
Capital projects contributions	429,644	488,836	627,089
Contributed assets from developers	1,068,603	14,085	-
Total capital contributions	<u>2,239,336</u>	<u>549,531</u>	<u>695,566</u>
Total revenue	<u>3,072,504</u>	<u>336,977</u>	<u>1,282,801</u>
EXPENSES			
OPERATING EXPENSES			
Water operations	1,534,090	1,571,077	1,414,462
Sewer operations	1,060,992	970,103	852,700
General and administrative	742,019	633,446	615,185
Total operating expenses	<u>3,337,101</u>	<u>3,174,626</u>	<u>2,882,347</u>
NONOPERATING EXPENSES			
Loss on disposal of property and equipment	130,801	24,872	12,157
Total nonoperating expenses	<u>130,801</u>	<u>24,872</u>	<u>12,157</u>
Total expenses	<u>3,467,902</u>	<u>3,199,498</u>	<u>2,894,504</u>
CHANGE IN NET POSITION	(395,398)	(2,862,521)	(1,611,703)
NET POSITION - BEGINNING OF YEAR	<u>69,704,054</u>	<u>72,566,575</u>	<u>74,178,278</u>
NET POSITION - END OF YEAR	<u>\$ 69,308,656</u>	<u>\$ 69,704,054</u>	<u>\$ 72,566,575</u>

Total revenue increased \$2,735,527 or 811.78% from 2013 to 2014. The District's net investment income increased \$975,006. This change is attributed to a negative fair value adjustment of \$824,950 at December 31, 2013 compared to a positive fair value adjustment of \$164,459 at December 31, 2014. Total capital contributions increased \$1,689,805 due to the completion of significant developments within the District during 2014 combined with the increase in the water tap fee by \$1,375 per ¾" equivalent.

Total revenue decreased \$945,824 or 73.7% from 2012 to 2013. The District's net investment income decreased \$858,412. As noted above, there was 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.

The increase in total expenses from 2013 to 2014 amounted to \$268,404. The District contracts with Platte Canyon Water & Sanitation District to provide administrative and maintenance services under an Intergovernmental Agreement (See Note 6 – Intergovernmental Agreement – Management and Maintenance). Total labor hours devoted to the District increased by 846 hours. The increase in labor hours is attributed to the significant development activity within the District as well as personnel hired to perform administrative functions to enhance data in both the computer maintenance management and GIS systems. The increase in overall labor hours results in more administrative and maintenance overhead costs being allocated to the District. Sewer operations expense increased by \$90,889 due to the increase in the number of remedial sewer system point repairs performed during 2014.

Total expenses increased \$304,994 or 10.5% 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. Additionally, there was an increase in the amount of remedial water and sewer system repairs performed during 2013.

Budgetary Highlights

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

Actual revenue for the District was more than budgeted revenues by \$1,415,036. Capital project reimbursement was more than the amount budgeted by \$336,364 due to a significant sewer construction project completed during 2014 which was originally anticipated to be completed by the end of 2013. 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. Due to the significant development in the District, the timing of the collection of tap fees was difficult to anticipate. Actual water and sewer tap fees collected during 2014 exceeded the budget amounts by \$310,000 and 297,339, respectively. Actual net investment income amounted to positive \$656,913 resulting in a positive budget variance of \$340,978. A fair value mark up of investments at December 31, 2014 amounted to \$164,459. 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 \$379,199. The largest positive variance relates to the sewage collection system. A planned 2014 construction project for the rehabilitation of a sewer interceptor was not completed during 2014. Approximately \$200,000 in project costs will be paid in early 2015 when the project is complete. The budget was amended

during 2014 in the amount of \$1,400,000 due to significant costs relating to a planned 2013 sewer rehabilitation project being completed in 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 \$233,637 was not required. The resulting negative budget amounts in repair and maintenance for water and sewer as well as general office and administration are due to the significant hours devoted to the District as discussed above and the resulting allocation of administrative and maintenance overhead costs.

Capital Assets

The District's net investment in capital assets at December 31, 2014, 2013, and 2012 amounted to \$40,092,016, \$37,582,736, and \$37,037,017 (net of accumulated depreciation/amortization), respectively. Analysis of changes in capital assets from 2013 to 2014 is as follows:

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Land and easements	\$ 64,819	\$ 64,819	0.0%
Construction in progress	1,246,292	2,093,176	-40.5%
Water distribution systems	20,467,992	20,387,767	0.4%
Sewage collection system	17,077,328	13,764,088	24.1%
Office building	1,211,930	1,269,480	-4.5%
Other	23,655	3,406	594.5%
Total net capital assets	<u>\$ 40,092,016</u>	<u>\$ 37,582,736</u>	

Construction in progress for the major rehabilitation of a sewer interceptor amounted to \$1,246,292. Columbine Water & Sanitation District and Grant Water & Sanitation District are contractually obligated to reimburse the District for their portion of the costs which amounted to \$77,266. The rehabilitation will be completed during 2015. Rehabilitation of another sewer interceptor that began during 2013 was completed during 2014. The total cost of the project amounted to \$3,658,526 and the total related capital project contribution amounted to \$836,542. Total depreciation and amortization expense for 2014 amounted to \$1,701,982. The District completed one water main addition project and replaced three pressure reducing valves with a total cost of \$389,364.

Analysis of changes in capital assets from 2012 to 2013 is as follows:

	<u>2013</u>	<u>2012</u>	<u>Percentage 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. As noted above the rehabilitation was 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.

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 \$291,188 which is based on a projected average yield of 1.0%.
- Tap fee revenue is budgeted at \$283,500. This revenue consists of water and sanitary sewer tap fee payments for three proposed development projects. The water tap fee will increase to \$7,000 per ¾ equivalent from the current water tap fee of \$5,625. The sewer tap fee will remain at \$1,100.
- The District will impose a service fee to be applied to all District customers. The service fee will be used for operations, maintenance, and rehabilitation of the District facilities. The service fee is \$1.00 per month per ¾" equivalent. Service fee revenue budgeted for 2015 is \$177,000 based on 14,758 ¾" equivalents.
- The budget for operating expenditures and capital expenditures is \$1,549,030 and \$2,389,181, respectively.
- A significant sewer capital project has been budgeted in the amount of \$1,250,600 which consists of lining 4,237 feet of sewer pipe with a cured-in-place liner pipe. Contractual cost sharing reimbursements from other Districts is projected to be \$83,040.
- Total expenditures for 2015 are projected to exceed revenue by \$2,982,484 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, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,120,502	\$ 6,905,378
Cash deposits and investments	9,115,230	2,340,700
Other receivables	57,796	295,188
Accrued interest receivable	121,759	132,486
Prepaid expenses	10,023	10,272
Total current assets	14,425,310	9,684,024
NONCURRENT ASSETS		
Long-term cash deposits and investments	15,528,667	22,997,281
Capital assets:		
Land and easements	64,819	64,819
Construction in progress	1,246,292	2,093,176
Water distribution system	41,546,168	40,482,862
Sewage collection system	30,496,045	27,272,467
Office building	2,287,821	2,287,821
Other	33,699	45,771
Less accumulated depreciation	(35,582,828)	(34,664,180)
Total capital assets (net of accumulated depreciation)	40,092,016	37,582,736
Total noncurrent assets	55,620,683	60,580,017
Total assets	70,045,993	70,264,041
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	684,205	441,658
Retainage payable	50,770	92,832
Deposits from developers	2,362	25,497
Total current liabilities	737,337	559,987
NET POSITION		
Net investment in capital assets	40,092,016	37,582,736
Restricted for emergencies	60,200	9,700
Unrestricted	29,156,440	32,111,618
TOTAL NET POSITION	\$ 69,308,656	\$ 69,704,054

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, 2014 and 2013

	2014	2013
OPERATING REVENUE		
Charges for services	\$ 176,255	\$ 105,539
Total operating revenue	176,255	105,539
OPERATING EXPENSES		
Water operations	1,534,090	1,571,077
Sewer operations	1,060,992	970,103
General and administrative	742,019	633,446
Total operating expenses	3,337,101	3,174,626
(LOSS) FROM OPERATIONS	(3,160,846)	(3,069,087)
NONOPERATING REVENUE		
Investment income	492,454	506,857
Net increase (decrease) in fair value of investments	164,459	(824,950)
Total nonoperating revenue	656,913	(318,093)
NONOPERATING EXPENSES		
Loss on disposal of property and equipment	130,801	24,872
Total nonoperating expenses	130,801	24,872
(LOSS) BEFORE CONTRIBUTIONS	(2,634,734)	(3,412,052)
CAPITAL CONTRIBUTIONS		
Tap fees	741,089	42,110
Annexation fees	-	4,500
Capital projects contributions	429,644	488,836
Contributed assets	1,068,603	14,085
Total capital contributions	2,239,336	549,531
CHANGE IN NET POSITION	(395,398)	(2,862,521)
NET POSITION - BEGINNING OF YEAR	69,704,054	72,566,575
NET POSITION - END OF YEAR	\$ 69,308,656	\$ 69,704,054

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, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 142,080	\$ 111,505
Cash payments to suppliers for goods and services	(1,681,507)	(1,433,610)
Cash flows used for operating activities	(1,539,427)	(1,322,105)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed capital - Tap fees	741,089	42,110
Contribute capital - Annexation fees	-	4,500
Contributed capital - Cost reimbursement	678,076	597,833
Acquisition of property, plant and equipment	(3,026,338)	(2,814,197)
Cash flows used by capital and related financing activities	(1,607,173)	(2,169,754)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	503,180	579,258
Purchase of investments	(8,038,352)	(7,707,007)
Matured investments	8,896,896	8,515,050
Cash provided by investing activities	1,361,724	1,387,301
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,784,876)	(2,104,558)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,905,378	9,009,936
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,120,502	\$ 6,905,378

(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, 2014 and 2013

(Continued)

	2014	2013
Reconciliation of (loss) from operations to net cash used for operating activities		
(Loss) from operations	<u>\$ (3,160,846)</u>	<u>\$ (3,069,087)</u>
Adjustments to reconcile (loss) from operations to net cash used for operating activities		
Depreciation and amortization	1,701,982	1,691,002
Effects of changes in operating assets and liabilities:		
Accounts receivable	(11,040)	(2,764)
Prepaid expenses	249	(1,545)
Accounts payable	(46,637)	51,559
Deposits from developers	<u>(23,135)</u>	<u>8,730</u>
Total adjustments	<u>1,621,419</u>	<u>1,746,982</u>
 Cash flows used for operating activities	 <u><u>\$ (1,539,427)</u></u>	 <u><u>\$ (1,322,105)</u></u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets from developers	<u><u>\$ 1,068,603</u></u>	<u><u>\$ 14,085</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, 2014 and 2013

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, 2014 and 2013

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. The budget was amended during 2014 in the amount of \$1,400,000 due to significant costs relating to a planned 2013 sewer rehabilitation project being completed in 2014.

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, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents and Investments

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

Capital Assets

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

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

Net Position

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

Reclassifications

For comparability, certain 2013 amounts have been reclassified where appropriate to conform to the 2014 financial statement presentation.

NOTE 3 – CASH AND INVESTMENTS

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

	<u>2014</u>	<u>2013</u>
Deposits	\$ 4,062,299	\$ 5,009,446
Investments	25,702,100	27,233,913
Total	<u>\$ 29,764,399</u>	<u>\$ 32,243,359</u>

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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

	2014	2013
Cash and cash equivalents	\$ 5,120,502	\$ 6,905,378
Cash deposits and investments	9,115,230	2,340,700
Long-term cash deposits and investments	15,528,667	22,997,281
	\$ 29,764,399	\$ 32,243,359

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, 2014 and 2013

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

At December 31, the District had the following investments:

Investment	Rating	Investment Maturities (in Years)			2014
		Less than 1	1 - 5	More than 5	Total
U.S. Instrumentalities	AAA/AA+	\$ 3,015,150	\$ 3,971,245	\$ 1,163,320	\$ 8,149,715
U.S. Treasury Notes	N/A	3,499,440	3,501,405	5,507,815	12,508,660
Local Government Investment Pool	AAAm	5,043,725	-	-	5,043,725
		<u>\$ 11,558,315</u>	<u>\$ 7,472,650</u>	<u>\$ 6,671,135</u>	<u>\$ 25,702,100</u>

Investment	Rating	Investment Maturities (in Years)			2013
		Less than 1	1 - 5	1 - 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>

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, 2014 and 2013

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, 2014, the District's investment in Federal Home Loan Mortgage Bank, Federal National Mortgage Association, Federal Home Loan Bank, and Federal Farm Credit Banks were 3.90%, 5.79%, 11.73%, and 10.28%, respectively, of the District's total investments and 3.37%, 5.0%, 10.13%, and 8.88%, respectively, of the District's total portfolio. 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.

Local Government Investment pool - As of December 31, 2014 and 2013, the District had \$5,043,725 and \$6,739,013 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, 2014 and 2013

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2014 follows:

	Balance December 31, 2013	Additions	Deletions	Balance at December 31, 2014
Capital assets, not being depreciated:				
Land and easements	\$ 64,819	\$ -	\$ -	\$ 64,819
Construction in progress	2,093,176	2,811,642	3,658,526	1,246,292
Total capital assets not being depreciated	<u>2,157,995</u>	<u>2,811,642</u>	<u>3,658,526</u>	<u>1,311,111</u>
Capital assets, being depreciated:				
Water distribution system	40,482,862	1,063,306	-	41,546,168
Sewage collection system	27,272,467	4,098,430	874,852	30,496,045
Office building	2,287,821	-	-	2,287,821
Other	45,771	27,211	39,283	33,699
Total capital assets being depreciated	<u>70,088,921</u>	<u>5,188,947</u>	<u>914,135</u>	<u>74,363,733</u>
Less accumulated depreciation/amortization:				
Water distribution system	(20,095,095)	(983,081)	-	(21,078,176)
Sewage collection system	(13,508,379)	(654,389)	(744,051)	(13,418,717)
Office building	(1,018,341)	(57,550)	-	(1,075,891)
Other	(42,365)	(6,962)	(39,283)	(10,044)
Total accumulated depreciation	<u>(34,664,180)</u>	<u>(1,701,982)</u>	<u>(783,334)</u>	<u>(35,582,828)</u>
Total capital assets, being depreciated, net	<u>35,424,741</u>	<u>3,486,965</u>	<u>130,801</u>	<u>38,780,905</u>
Net Capital Assets	<u><u>\$ 37,582,736</u></u>	<u><u>\$ 6,298,607</u></u>	<u><u>\$ 3,789,327</u></u>	<u><u>\$ 40,092,016</u></u>

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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>\$ 37,037,017</u>	<u>\$ 3,085,181</u>	<u>\$ 2,539,462</u>	<u>\$ 37,582,736</u>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was charged to the following operations:

	<u>2014</u>	<u>2013</u>
Water	\$ 983,081	\$ 992,155
Sewer	654,389	638,614
Administration	64,512	60,233
	<u>\$ 1,701,982</u>	<u>\$ 1,691,002</u>

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – CONTRACTS

Denver Water Board

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

During 2014, under the distributor contract with Denver, the District entered into an Intergovernmental Agreement with Denver to impose a service fee of \$1.00 per month per ¾" equivalent to District customers. The service fee is to be used for operations, maintenance, and rehabilitation, of the District facilities. The fee will be imposed on customers' Denver Water bills, with the revenue collected by Denver Water and remitted to the District less a collection fee. Service fee revenue amounted to \$12,815 in 2014.

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, 2014 and 2013 is \$4,862,267 and \$4,693,715, 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, 2014 and 2013 is \$1,009,116 and \$896,992, respectively.

City of Littleton

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

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – CONTRACTS (CONTINUED)

Meadowbrook-Fairview

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

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

During 1999, the contract was again amended, increasing the total allowable taps by 336 to 1,886 taps. Meadowbrook-Fairview must pay the sum of \$227 for each single-family residential equivalent together with Southwest’s applicable tap fee at the time of connection. At December 31, 2014, remaining taps to be issued under the contract amounted to 86.

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, 2014, remaining taps to be issued under the agreements amounted to 1,393.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Intergovernmental Agreement – Management and Maintenance

In 1986, the District entered into an agreement with Platte Canyon Water and Sanitation District (Platte Canyon) wherein Platte Canyon provides management, maintenance, inspection and clerical services to the District. Under the agreement, Platte Canyon bills the District monthly for its proportionate share of costs. During 2014, the contract was renewed for ten years with an option for the District to renew for successive five-year periods after December 31, 2024. During 2014 and 2013 the District reimbursed Platte Canyon \$1,005,294 and \$890,677, respectively for services provided.

Intergovernmental Agreement – Joint Office and Garage Facility

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

Platte Canyon pays the District a monthly rent and a proportionate share of the operation and maintenance expense determined on a quarterly basis. The Intergovernmental Agreement will be effective until December 31, 2018. Reimbursement of operation and maintenance costs received from Platte Canyon during 2014 and 2013 amounted to \$28,745 and \$21,896, respectively.

Water Tap Deposit Agreement

Advance deposits for the purchase of future water taps were received during 1978. At December 31, 2014, 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 2014 and 2013.

Construction Commitments

As of December 31, 2014, the District had an unexpended construction related contract commitment for the rehabilitation of a sewer interceptor in the amount of \$231,072.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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, 2014 and 2013.

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.

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

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

NOTE 9 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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, 2014 and 2013, the District's reserve of \$60,200 and \$9,700 was recorded as a restriction of Net Position.

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

SUPPLEMENTAL INFORMATION

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended December 31, 2014 and 2013

	2014	2013
WATER OPERATIONS		
Repair and maintenance	\$ 492,334	\$ 479,576
Utilities	31,478	29,294
Engineering and legal	27,197	70,052
Depreciation	702,405	711,479
Amortization	280,676	280,676
Total water operations	1,534,090	1,571,077
SEWER OPERATIONS		
Repair and maintenance	344,431	289,005
Utilities	11,581	11,046
Engineering and legal	50,591	31,438
Depreciation	642,305	626,530
Amortization	12,084	12,084
Total sewer operations	1,060,992	970,103
GENERAL AND ADMINISTRATIVE		
General office administration		
Administration	490,324	410,013
Office supplies	1,354	2,479
Other	4,014	2,985
Public Relations	34,374	19,098
Professional and consulting		
Accounting and audit	5,100	5,100
Legal	35,185	31,579
Other	21,000	13,485
Insurance	13,159	11,180
Building maintenance and utilities	66,993	71,335
Depreciation	64,512	60,233
Miscellaneous	6,004	5,959
Total general and administrative	742,019	633,446
Total operating expenses	\$ 3,337,101	\$ 3,174,626

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, 2014

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUE			
Net investment income	\$ 315,935	\$ 656,913	\$ 340,978
Tap fees - water	106,250	416,250	310,000
Tap fees - sewer	27,500	324,839	297,339
Capital project reimbursement	93,280	429,644	336,364
Charges for services	45,900	176,255	130,355
Total revenue	<u>588,865</u>	<u>2,003,901</u>	<u>1,415,036</u>
EXPENDITURES			
OPERATIONS AND ADMINISTRATION			
Operations and maintenance - water			
Repair and maintenance	440,000	492,334	(52,334)
Utilities	32,000	31,478	522
Engineering and legal	5,000	27,197	(22,197)
Operations and maintenance - sewer			
Repair and maintenance	306,500	344,431	(37,931)
Utilities	12,000	11,581	419
Engineering and legal	30,000	50,591	(20,591)
General office administration	441,000	495,692	(54,692)
Public Relations	37,200	34,374	2,826
Professional and consulting	66,000	61,285	4,715
Insurance	12,700	13,159	(459)
Office maintenance	55,000	37,541	17,459
Office utilities	33,000	29,452	3,548
Other	8,030	6,004	2,026
Total operations and maintenance	<u>1,478,430</u>	<u>1,635,119</u>	<u>(156,689)</u>
CAPITAL OUTLAY			
Water distribution system	427,740	434,608	(6,868)
Sewage collection system	3,131,971	2,811,641	320,330
Other	16,000	27,211	(11,211)
Contingency	233,637	-	233,637
Total capital outlay	<u>3,809,348</u>	<u>3,273,460</u>	<u>535,888</u>
Total expenditures	<u>5,287,778</u>	<u>4,908,579</u>	<u>379,199</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	(4,698,913)	(2,904,678)	1,794,235
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>31,593,468</u>	<u>32,121,318</u>	<u>527,850</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 26,894,555</u>	<u>\$ 29,216,640</u>	<u>\$ 2,322,085</u>
Funds available is computed as follows:			
Current assets		\$ 14,425,310	
Long-term cash deposits and investments		15,528,667	
Current liabilities		(737,337)	
		<u>\$ 29,216,640</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, 2014**

REVENUE (BUDGETARY BASIS)	\$ 2,003,901
Contributed capital assets	1,068,603
Total revenue per statement of revenues, expenses, and changes in net position	3,072,504
 EXPENDITURES (BUDGETARY BASIS)	 4,908,579
Depreciation	1,409,222
Amortization	292,760
Loss on asset disposition	130,801
Capital outlay	(3,273,460)
Total expenses per statement of revenues, expenses, and changes in net position	3,467,902
Change in net position per statement of revenues, expenses, and changes in net position	\$ (395,398)