

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT

Arapahoe, Jefferson, and Douglas Counties, Colorado

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

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Independent Auditor's Report

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

Report for the Financial Statements

We have audited the accompanying financial statements of Southwest Metropolitan Water and Sanitation District (the District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Metropolitan Water and Sanitation District, as of December 31, 2020 and 2019, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Other Information

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

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

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
March 26, 2021

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED December 31, 2020 and 2019**

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 \$950,208 (or 1.5%) from 2019 to 2020.
- In 2020, charges for services amounted to \$1,544,569 representing 48.8% of the District's total revenue and capital contributions.
- Total capital contributions during 2020 amounted to \$1,311,491.
- Net Position increased \$1,700,476 (or 2.8%) from 2018 to 2019.
- In 2019, charges for services amounted to \$1,369,916 representing 25.1% of the District's total revenue and capital contributions.
- Total capital contributions during 2019 amounted to \$3,318,019.

Overview of the Financial Statements

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

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

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

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

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

NET POSITION

December 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Current assets	<u>\$22,754,118</u>	<u>\$ 9,854,710</u>	<u>\$ 8,680,238</u>
Noncurrent assets:			
Long-term cash deposits and investments	1,978,680	15,181,270	15,157,870
Capital assets, net	<u>38,081,531</u>	<u>38,475,818</u>	<u>38,032,583</u>
Total noncurrent assets	<u>40,060,211</u>	<u>53,657,088</u>	<u>53,190,453</u>
Total assets	<u>62,814,329</u>	<u>63,511,798</u>	<u>61,870,691</u>
LIABILITIES			
Current liabilities	<u>437,300</u>	<u>184,561</u>	<u>243,930</u>
Total liabilities	<u>437,300</u>	<u>184,561</u>	<u>243,930</u>
NET POSITION			
Investment in capital assets	38,081,531	38,475,818	38,032,583
Restricted - Emergency reserve	65,100	102,700	42,800
Unrestricted	<u>24,230,398</u>	<u>24,748,719</u>	<u>23,551,378</u>
Total net position	<u>\$62,377,029</u>	<u>\$63,327,237</u>	<u>\$61,626,761</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 \$62,377,029, \$63,327,237, and \$61,626,761 at December 31, 2020, 2019, and 2018 respectively. The largest portion of the District's Net Position reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Unrestricted Net Position may be used to meet the District's ongoing obligations to maintain the water and sewer systems within the jurisdictional boundaries.

Comparing 2019 to 2020, Current assets increased \$12,899,408 and long-term cash deposits and investments decreased \$13,202,590. These changes are due to the declining investment market and shift to more liquid cash holdings during 2020. As the District does not levy property taxes, the District relies heavily on its cash and investment reserves to fund operations as well as its investment in capital. This funding explains the overall decrease in assets. With the steady decline in cash and investment reserves, the District's imposition of a service charge on District customers has become necessary to continue to effectively maintain the District facilities.

Comparing 2018 and 2019, Current assets increased \$1,174,472 while long-term cash deposits and investments increased \$23,400. The District increased the service charge from \$5.00 to \$7.00 per month per $\frac{3}{4}$ " equivalent water tap to reduce continuing annual deficits. This revenue along with tap fee revenue received from developers helped fund operations and the Districts continued investment in capital. Investment in capital assets increased \$443,235 due to the funding of two water projects and developer contributions of water and sewer facilities. The

decrease in total liabilities of \$59,369 is due to an amount due a contractor for remedial water maintenance performed at the end of 2018. There was no such project in 2019.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ending December 31,	2020	2019	2018
REVENUE			
OPERATING REVENUE			
Charges for services	\$ 1,544,569	\$ 1,369,916	\$ 1,050,668
Total operating revenue	1,544,569	1,369,916	1,050,668
NONOPERATING REVENUE			
Net investment income	308,259	768,936	364,252
Total nonoperating revenue	308,259	768,936	364,252
CAPITAL CONTRIBUTIONS			
Tap fees	315,947	1,283,458	8,908
Contributed capital assets from developers	995,544	2,034,561	414,963
Total capital contributions	1,311,491	3,318,019	423,871
Total revenue	3,164,319	5,456,871	1,838,791
EXPENSES			
OPERATING EXPENSES			
Water operations	1,810,310	1,768,062	1,769,953
Sewer operations	1,411,052	1,180,735	1,071,157
General and administrative	859,974	806,412	855,998
Total operating expenses	4,081,336	3,755,209	3,697,108
NONOPERATING EXPENSES			
Loss on disposal of property and equipment	33,191	1,186	28,384
Total nonoperating expenses	33,191	1,186	28,384
Total expenses	4,114,527	3,756,395	3,725,492
CHANGE IN NET POSITION	(950,208)	1,700,476	(1,886,701)
NET POSITION - BEGINNING OF YEAR	63,327,237	61,626,761	63,513,462
NET POSITION - END OF YEAR	\$ 62,377,029	\$ 63,327,237	\$ 61,626,761

Total revenue decreased \$2,292,552 or 42.0% from 2019 to 2020. The District's charges for services increased \$174,653. This change is attributed to the increase in service fee from \$7.00 to \$8.00 per month per ¾" equivalent water tap. The increases in the service fee imposed over the last few years is necessary to contribute to the shortfall in the funding of District operations, maintenance and rehabilitation of District facilities. Net investment income decreased by \$460,677 or 60.0% due to significant overall market declines experienced during 2020 and the placement of maturing and called investment securities into more liquid account holdings. Total

capital contributions decreased \$2,006,528 due to the progress of various developments within the District and the timing of tap fee revenue collections.

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

The increase in total expenses from 2019 to 2020 amounted to \$358,132 or 9.5%. This increase is attributed to the repair of a sewer interceptor line that was damaged by a boring contractor. The District is in the process of submitting claims to the contractor and will seek reimbursement of costs approximating \$280,000.

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

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 \$35,475. Actual net investment income amounted to \$308,259 resulting in a negative budget variance of \$185,361. The budget amount of \$493,620 was based on a projected investment yield of 2.0%, but due to significant overall market declines experienced during 2020, the District’s average yield on investment was approximately 1.0%. Actual water and sewer tap fees collected during 2020 was more than the budgeted amounts by \$84,000 and \$69,947, respectively.

Budgeted expenditures exceeded actual expenditures by \$20,254. In addition to budgeting for emergency reserve, the District budgeted an additional 20% of the projected water capital expenses to cover unanticipated increases in construction costs. The percentage applied fluctuates from year to year depending on the predictability of the construction industry. The amount budgeted for contingencies and emergency reserves was \$176,865. The actual cost for the water distribution replacement projects was \$26,178 less than the budgeted amount. Actual total operating expenditures exceeded the budget amount by \$172,661. The largest negative variance relates to sewer repair and maintenance which includes expense of approximately \$280,000 to repair the sewer interceptor line that was damaged by the boring contractor as referenced to above.

Capital Assets

The District's investment in capital assets at December 31, 2020, 2019, and 2018 amounted to \$38,081,531, \$38,475,818, and \$38,032,583, (net of accumulated depreciation/amortization), respectively.

Analysis of changes in capital assets from 2020 to 2019 is as follows:

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
Land and easements	\$ 64,819	\$ 64,819	0.0%
Construction in progress	22,346	25,548	-12.5%
Water distribution systems	18,176,693	18,170,864	0.0%
Sewage collection system	18,741,704	19,066,872	-1.7%
Office building	1,073,557	1,144,452	-6.2%
Other	2,412	3,263	-26.1%
Total net capital assets	<u>\$ 38,081,531</u>	<u>\$ 38,475,818</u>	

The District completed three major water capital projects replacing 356 feet of 6-inch asbestos-cement pipe, 376 feet of 12-inch ductile iron pipe, and 788 feet of 12-inch PVC pipe amounting to \$484,711. The engineering design of these projects began during 2019. Water and sewer facilities contributed to the District by developers during 2020 amounted to \$481,092 and \$514,452, respectively. Total depreciation and amortization expense for 2020 amounted to \$1,903,277.

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

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

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

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

Economic Factors and Next Year's Budget

- Total revenue is budgeted at \$1,868,590, 15.2% less than 2020 budget revenue of \$2,204,250. Investment income is budgeted at \$121,820 which is based on a projected average yield of 0.5%.
- The District will continue to impose a service fee to customers. In 2021, the fee will remain at \$8.00 per month per ¾" equivalent. Service fee revenue budgeted for 2021 is \$1,467,460 based on 15,286 ¾" equivalents.
- The budget for operating expenditures and capital expenditures is \$1,922,393 and \$601,811, respectively.
- Total expenditures for 2021 are projected to exceed revenue by \$655,614 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, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,985,525	\$ 8,079,753
Cash deposits and investments	8,549,010	1,405,400
Accounts receivable	123,946	219,426
Accrued interest receivable	83,146	138,155
Prepaid expenses	12,491	11,976
Total current assets	22,754,118	9,854,710
NONCURRENT ASSETS		
Long-term cash deposits and investments	1,978,680	15,181,270
Capital assets:		
Land and easements	64,819	64,819
Construction in progress	22,346	25,548
Water distribution system	45,153,298	44,232,036
Sewage collection system	36,032,295	35,517,843
Office building	2,574,994	2,556,845
Other	37,955	37,955
Less accumulated depreciation	(45,804,176)	(43,959,228)
Total capital assets (net of accumulated depreciation)	38,081,531	38,475,818
Total noncurrent assets	40,060,211	53,657,088
Total assets	62,814,329	63,511,798
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	397,095	150,190
Deposits from developers	40,205	34,371
Total current liabilities	437,300	184,561
NET POSITION		
Investment in capital assets	38,081,531	38,475,818
Restricted for emergencies	65,100	102,700
Unrestricted	24,230,398	24,748,719
TOTAL NET POSITION	\$ 62,377,029	\$ 63,327,237

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, 2020 and 2019

	2020	2019
OPERATING REVENUE		
Charges for services	\$ 1,544,569	\$ 1,369,916
Total operating revenue	1,544,569	1,369,916
OPERATING EXPENSES		
Water operations	1,810,310	1,768,062
Sewer operations	1,411,052	1,180,735
General and administrative	859,974	806,412
Total operating expenses	4,081,336	3,755,209
(LOSS) FROM OPERATIONS	(2,536,767)	(2,385,293)
NONOPERATING REVENUE		
Investment income	354,291	568,764
Net increase (decrease) in fair value of investments	(46,032)	200,172
Total nonoperating revenue	308,259	768,936
NONOPERATING EXPENSES		
Loss on disposal of property and equipment	(33,191)	(1,186)
Total nonoperating expenses	(33,191)	(1,186)
(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(2,261,699)	(1,617,543)
CAPITAL CONTRIBUTIONS		
Tap fees	315,947	1,283,458
Contributed capital assets	995,544	2,034,561
Total capital contributions	1,311,491	3,318,019
CHANGE IN NET POSITION	(950,208)	1,700,476
NET POSITION - BEGINNING OF YEAR	63,327,237	61,626,761
NET POSITION - END OF YEAR	\$ 62,377,029	\$ 63,327,237

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, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,645,883	\$ 1,336,899
Cash payments to suppliers for goods and services	(1,930,380)	(1,794,831)
Cash flows used for operating activities	(284,497)	(457,932)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed capital - Tap and annexation fees	315,947	1,283,458
Acquisition of property, plant and equipment	(547,926)	(391,028)
Cash flows provided (used) by capital and related financing activities	(231,979)	892,430
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	422,248	580,865
Purchase of investments	(2,000,000)	(1,023,556)
Matured investments	8,000,000	3,645,307
Cash provided by investing activities	6,422,248	3,202,616
 NET CHANGE IN CASH AND CASH EQUIVALENTS	5,905,772	3,637,114
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	8,079,753	4,442,639
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 13,985,525	\$ 8,079,753

(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, 2020 and 2019

(Continued)

	2020	2019
Reconciliation of (loss) from operations to net cash used for operating activities		
(Loss) from operations	\$ (2,536,767)	\$ (2,385,293)
Adjustments to reconcile (loss) from operations to net cash used for operating activities		
Depreciation and amortization	1,903,277	1,977,569
Effects of changes in operating assets and liabilities:		
Accounts receivable	95,480	16,189
Prepaid expenses	(515)	(10,627)
Accounts payable	248,194	(6,564)
Deposits from developers	5,834	(49,206)
Total adjustments	2,252,270	1,927,361
Cash flows used for operating activities	\$ (284,497)	\$ (457,932)
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets from developers	\$ 995,544	\$ 2,034,561
Loss on disposal of capital assets	\$ 33,191	\$ 1,186

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

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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:

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

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 5 - Denver Water Board). Operating expenses include cost of service, administrative expenses, and depreciation and amortization of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses or capital contributions.

Budgets

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

Restricted Resources

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

Cash Equivalents and Investments

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

Capital Assets

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

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

Net Position

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

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Deposits	\$ 522,606	\$ 518,726
Investments	23,990,609	24,147,697
Total	<u>\$ 24,513,215</u>	<u>\$ 24,666,423</u>

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 13,985,525	\$ 8,079,753
Cash deposits and investments	8,549,010	1,405,400
Long-term cash deposits and investments	1,978,680	15,181,270
	<u>\$ 24,513,215</u>	<u>\$ 24,666,423</u>

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

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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.

At December 31, the District had the following investments:

Investment	Rating	Investment Maturities (in Years)			2020
		1 or less	1 - 5	More than 5	Total
U.S. Government Instrumentalities	AAA/AA+	\$ 2,016,040	\$ -	\$ 1,978,680	\$ 3,994,720
U.S. Treasury Notes	N/A	6,038,970	-	-	6,038,970
Local Government Investment Pool - COLOTRUST	AAAm	7,960,749	-	-	7,960,749
Local Government Investment Pool - CSAFE Core	AAAm	5,996,170	-	-	5,996,170
		<u>\$ 22,011,929</u>	<u>\$ -</u>	<u>\$ 1,978,680</u>	<u>\$ 23,990,609</u>

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

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

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

Concentration of Credit Risk – It is the policy of the District to diversify its investment portfolio to eliminate risk of loss resulting from over concentration of assets in a specific maturity, a specific class, and specific issuer of securities. The District policy includes cash deposits in the total portfolio when determining concentration of investments. The policy provides that the total portfolio of the District may be comprised of 100% U.S. Treasury Notes. However, investment in U.S. agency and instrumentalities may not exceed 50% of the District’s total portfolio and investment in any one issuer may not exceed 20% of the total portfolio. Investments in local government investment pools as well as money market mutual funds may not exceed 35%, amended to 50% effective August 28, 2020, of the District’s total portfolio. A maximum of 35% of the District’s total portfolio may be invested in any one local government investment pool. A maximum of 25% of the District’s total portfolio may be invested in approved fixed income money market mutual funds. The policy provides for variances in the stated maximum percentage limitations not to exceed 10% at any given time and the Board may ratify exceptions as deemed necessary. At December 31, 2020, the District’s investment in Federal National Mortgage Association and Federal Home Loan Mortgage Corp was 8.40% and 8.25%,

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

District's total portfolio. At December 31, 2019, the District's investment in Federal Home Loan Mortgage Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corp, and Federal Farm Credit Banks were 12.40%, 8.27%, 8.24%, and 12.42%, respectively, of the District's total investments and 12.14%, 8.09%, 8.07%, and 12.15%, respectively, of the District's total portfolio.

Local Government Investment pools:

COLOTRUST - As of December 31, 2020 and 2019, the District had \$7,960,749 and \$8,055,027 respectively, invested in the Colorado Local Government Liquid Asset Trust (Colostrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period, however COLOTRUST requests 24-hour notice for wire withdrawals of \$1 million or more.

CSAFE - At December 31, 2020, the District had \$5,996,170 invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established by State statute for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating CSAFE. CSAFE operates similarly to money market funds, and each share of CSAFE Cash is equal in value to \$1.00 and each share of CSAFE Core is equal in value to \$2.00. The District's investment is in the CSAFE Core fund. Standard and Poor's rates CSAFE AAAM. Investments are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments. CSAFE Core calculates the net asset value on a fair value basis as provided for by GASB Statements 31 and 72, and the District records its investment in CSAFE Core at this net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

The District also has certain investments not categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST and CSAFE which are not categorized within the fair value hierarchy. At December 31, 2020 and 2019 fair value and NAV measurements of the District's investments are as follows:

	Carrying Amount	
	2020	2019
Investment measured at fair value:		
U.S. Government Instrumentalities (Level 1 inputs)	\$ 3,994,720	\$ 9,976,860
U.S. Treasury Notes (Level 1 inputs)	6,038,970	6,115,810
Total investments by fair value level	<u>10,033,690</u>	<u>16,092,670</u>
Investments measured at NAV		
Local Government Investment Pool - COLOTRUST	7,960,749	8,055,027
Local Government Investment Pool - CSAFE Core	5,996,170	-
Total investments at NAV	<u>13,956,919</u>	<u>8,055,027</u>
Total investments at carrying amount	<u>\$ 23,990,609</u>	<u>\$ 24,147,697</u>

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SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 – CAPITAL ASSETS

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

	Balance at December 31, 2019	Additions	Deletions	Balance at December 31, 2020
Capital assets, not being depreciated:				
Land and easements	\$ 64,819	\$ -	\$ -	\$ 64,819
Construction in progress	25,548	22,346	25,548	22,346
Total capital assets not being depreciated	<u>90,367</u>	<u>22,346</u>	<u>25,548</u>	<u>87,165</u>
Capital assets, being depreciated:				
Water distribution system	44,232,036	1,012,782	91,520	45,153,298
Sewage collection system	35,517,843	514,452	-	36,032,295
Office building	2,556,845	18,149	-	2,574,994
Other	37,955	-	-	37,955
Total capital assets being depreciated	<u>82,344,679</u>	<u>1,545,383</u>	<u>91,520</u>	<u>83,798,542</u>
Less accumulated depreciation/amortization:				
Water distribution system	(26,061,172)	(973,762)	(58,329)	(26,976,605)
Sewage collection system	(16,450,971)	(839,620)	-	(17,290,591)
Office building	(1,412,393)	(89,044)	-	(1,501,437)
Other	(34,692)	(851)	-	(35,543)
Total accumulated depreciation	<u>(43,959,228)</u>	<u>(1,903,277)</u>	<u>(58,329)</u>	<u>(45,804,176)</u>
Total capital assets, being depreciated, net	<u>38,385,451</u>	<u>(357,894)</u>	<u>33,191</u>	<u>37,994,366</u>
Net Capital Assets	<u>\$38,475,818</u>	<u>\$ (335,548)</u>	<u>\$ 58,739</u>	<u>\$38,081,531</u>

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was charged to the following operations:

	<u>2020</u>	<u>2019</u>
Water	\$ 973,762	\$ 1,034,106
Sewer	839,620	855,724
Administration	89,895	87,739
	<u>\$ 1,903,277</u>	<u>\$ 1,977,569</u>

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 5 – CONTRACTS

Denver Water Board

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

During 2014, under the distributor contract with Denver, the District entered into an Intergovernmental Agreement with Denver to impose a service fee of \$1.00 per month per ¾" equivalent to District customers. The service fee is to be used for operations, maintenance, and rehabilitation, of the District facilities. The fee is imposed on customers' Denver Water bills, with the revenue collected by Denver Water and remitted to the District less a collection fee. The District increased the service fee from \$1.00 to \$3.00 in 2017, \$3.00 to \$5.00 in 2018, \$5.00 to \$7.00 in 2019 and increased another \$1.00 to \$8.00 in 2020. Service fee revenue amounted to \$1,458,841 and \$1,273,375 in 2020 and 2019, respectively.

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

The District participated in the cost to construct facilities owned by Denver (agreement date 1977). The District acquired the right to sufficient capacities in the water line to serve taps reserved to the District for \$6,742,264. This amount is included in the water distribution system and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2020 and 2019 is \$5,818,164 and, \$5,705,026 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, 2020 and 2019 is \$1,681,859 and \$1,569,735, 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

**SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

taps in its facilities. The agreement provides that sewer lines described as outfalls “A” & “B” that were constructed by Meadowbrook-Fairview remain the property of Meadowbrook-Fairview until its bonded indebtedness incurred in construction is fully paid.

During 1997, the agreement was amended and the outfall lines “A” & “B” and all easements relating thereto were conveyed to the District as provided in the original agreement. The amendment extended the contract for twenty years and for an additional period of time the outfall lines are being utilized. During 1999, the contract was again amended, increasing the total allowable taps by 336 to 1,886.

A third amendment to the agreement was made during 2019 increasing the total allowable taps by 114 to 2,000. Meadowbrook-Fairview must pay the sum of \$227 for each single-family residential equivalent together with Southwest’s applicable tap fee at the time of connection. At December 31, 2020 and 2019, remaining taps to be issued under the contract amounted to 185 and 200, respectively.

Grant Water and Sanitation District

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

During 1983, an additional agreement provided for an alternate point of connection to the Districts sewer system for 300 single family equivalent taps, within Grant at \$450 per individual tap. The 300 sewer taps are part of, and not in addition to the 5,000 sewer taps allowed under the 1962 Agreement. At December 31, 2020 and 2019 the remaining taps to be issued under the agreements amounted to 999.

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 2020 and 2019 the District reimbursed Platte Canyon \$1,206,681 and \$1,152,531, 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

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

agreement, Platte Canyon will be entitled to 30% of the appraised replacement value of the joint facility excluding land value.

In accordance with the agreement, Platte Canyon pays the District a monthly rent and a proportionate share of the operation and maintenance expense as well as approved capital improvements determined on a quarterly basis. The Intergovernmental Agreement was amended on January 1, 2019 and will be effective until December 31, 2029. Reimbursement of operation, maintenance, and capital improvement costs received from Platte Canyon during 2020 and 2019 amounted to \$33,689 and \$31,279, respectively.

Water Tap Deposit Agreement

Advance deposits for the purchase of future water taps were received during 1978. At December 31, 2020, 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 2020 and 2019.

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, 2020 and 2019.

NOTE 8 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, as amended from time to time, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public 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.

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, the District’s reserve of \$65,100 and \$102,700 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, 2020 and 2019

	2020	2019
WATER OPERATIONS		
Repair and maintenance	\$ 778,063	\$ 695,671
Utilities	47,806	30,602
Engineering and legal	10,679	7,683
Depreciation	748,501	753,430
Amortization	225,261	280,676
Total water operations	1,810,310	1,768,062
SEWER OPERATIONS		
Repair and maintenance	548,744	294,320
Utilities	12,074	14,202
Engineering and legal	10,614	16,489
Depreciation	830,031	843,640
Amortization	9,589	12,084
Total sewer operations	1,411,052	1,180,735
GENERAL AND ADMINISTRATIVE		
General office administration		
Administration	575,746	535,390
Office supplies	1,154	1,359
Other	16,094	15,981
Public Relations	26,226	25,007
Professional and consulting		
Accounting and audit	5,700	5,700
Legal	28,778	30,959
Other	3,750	-
Insurance	14,586	13,738
Building maintenance and utilities	92,124	84,784
Miscellaneous	5,921	5,755
Depreciation	89,895	87,739
Total general and administrative	859,974	806,412
Total operating expenses	\$ 4,081,336	\$ 3,755,209

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, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUE			
Net investment income	\$ 493,620	\$ 308,259	\$ (185,361)
Tap fees - water	140,000	224,000	84,000
Tap fees - sewer	22,000	91,947	69,947
Charges for services	1,548,630	1,544,569	(4,061)
Total revenue	<u>2,204,250</u>	<u>2,168,775</u>	<u>(35,475)</u>
EXPENDITURES			
OPERATIONS AND ADMINISTRATION			
Operations and maintenance - water			
Repair and maintenance	759,375	778,063	(18,688)
Utilities	48,750	47,806	944
Engineering and legal	50,000	10,679	39,321
Operations and maintenance - sewer			
Repair and maintenance	348,000	548,744	(200,744)
Utilities	14,000	12,074	1,926
Engineering and legal	35,500	10,614	24,886
General office administration	572,503	592,994	(20,491)
Public Relations	26,200	26,226	(26)
Professional and consulting	47,750	38,228	9,522
Insurance	15,990	14,586	1,404
Office maintenance	46,000	60,525	(14,525)
Office utilities	33,300	31,599	1,701
Other	8,030	5,921	2,109
Total operations and maintenance	<u>2,005,398</u>	<u>2,178,059</u>	<u>(172,661)</u>
CAPITAL OUTLAY			
Water distribution system	507,687	481,509	26,178
Sewage collection system	25,000	-	25,000
Other	30,000	65,128	(35,128)
Contingency	176,865	-	176,865
Total capital outlay	<u>739,552</u>	<u>546,637</u>	<u>192,915</u>
Total expenditures	<u>2,744,950</u>	<u>2,724,696</u>	<u>20,254</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	(540,700)	(555,921)	(15,221)
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>24,681,079</u>	<u>24,851,419</u>	<u>170,340</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 24,140,379</u>	<u>\$ 24,295,498</u>	<u>\$ 155,119</u>
Funds available is computed as follows:			
Current assets		\$ 22,754,118	
Long-term cash deposits and investments		1,978,680	
Current liabilities		(437,300)	
		<u>\$ 24,295,498</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, 2020**

REVENUE (BUDGETARY BASIS)	\$ 2,168,775
Contributed capital assets	995,544
Total revenue per statement of revenues, expenses, and changes in net position	3,164,319
 EXPENDITURES (BUDGETARY BASIS)	 2,724,696
Depreciation	1,668,427
Amortization	234,850
Loss on asset disposition	33,191
Capital outlay	(546,637)
Total expenses per statement of revenues, expenses, and changes in net position	4,114,527
 Change in net position per statement of revenues, expenses, and changes in net position	 \$ (950,208)