

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

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Independent Auditor's Report

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

Opinions

We have audited the financial statements of the Southwest Suburban Denver Water and Sanitation District (District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Southwest Suburban Denver Water and Sanitation District, as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 16, 2024

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2023 and 2022**

Our discussion and analysis of Southwest Suburban Denver Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2023 and 2022. Please read it in conjunction with the District's basic financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- In 2023, the District rebid the cured-in-place pipe lining (CIPP) project totaling 3,500 lineal feet that was postponed from 2022. The total costs incurred for the project was \$194,304. The District also incurred costs of \$27,333 for the design of sewer replacement projects planned for 2024.
- In 2022, in addition to the costs incurred for engineering design and bidding for the postponed CIPP project, the District also incurred \$54,307 of unexpected costs for additional work related to the 2020 capital improvements.
- Metro Water Recovery's (Metro) preliminary estimate for the District's sewage flows and related treatment charges for 2023 and 2022 were \$449,036 and \$417,162, respectively. The District sets its budget based on these preliminary estimates. The actual treatment costs for 2023 were \$475,078 as compared to the \$471,723 charges paid. The difference of \$3,355 increased the District's Metro treatment charge payable balance to \$24,750. For 2022, the actual treatment costs were \$428,580 as compared to the \$530,258 charges paid. The difference of \$101,678 decreased the District's Metro treatment charge payable to \$21,395 for 2022.
- The District's sewer rates for single family residences increased from 2021 to 2022 by only .6%, whereas from 2022 to 2023 the rates increased 7.6%. The multi-family rates stayed the same for 2021 and 2022, but increased approximately 5% for 2023. Non-residential rates decreased by approximately 12%, from 2021 to 2022, then increased approximately 7% in 2023. The rate differentials are a function of actual water usage as well as sewage loading factors calculated by Metro Water Recovery.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources less liabilities and deferred inflows of resources which equals net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2023 and 2022**

The *Statement of Revenues, Expenses and Changes in Net Position* reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

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

FINANCIAL SUMMARY AND ANALYSIS

NET POSITION

	December 31,		
	2023	2022	2021
ASSETS			
Current assets	\$ 2,768,231	\$ 2,704,602	\$ 2,999,627
Capital assets	2,622,302	2,535,596	2,594,087
Total assets	5,390,533	5,240,198	5,593,714
LIABILITIES			
Current liabilities	70,809	47,843	145,524
Total liabilities	70,809	47,843	145,524
NET POSITION			
Net investment in capital assets	2,622,302	2,535,596	2,594,087
Unrestricted	2,697,422	2,656,759	2,854,103
Total net position	\$ 5,319,724	\$ 5,192,355	\$ 5,448,190

As noted earlier, net position may serve as a useful indicator of the District's financial position. In the District's case, its net position decreased approximately 2.4% from 2021 to 2023, which was an improvement over the 4.2% decrease from 2020 to 2022. Much of the improvement was attributable to the increase in the fair value of the District's investments. The District normally holds its investments until maturity, so the fair value differential is eliminated as the investments mature. The District's net position also increased with additional service fees being charged to offset increased sewer treatment charges and capital expenditures.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2023 and 2022**

CHANGES IN NET POSITION

	Years Ended December 31,		
	2023	2022	2021
REVENUES			
OPERATING REVENUE			
Service fees	\$ 732,873	\$ 685,229	\$ 570,316
Delinquent fees	17,740	16,680	14,690
Other	13,840	13,909	12,939
Total operating revenue	<u>764,453</u>	<u>715,818</u>	<u>597,945</u>
NONOPERATING REVENUE (EXPENSE)			
Net investment income			
Interest	50,254	31,096	8,247
Net increase (decrease) in fair value of investments	67,478	(155,242)	(24,372)
Capital reserve fees	178,000	168,342	275,000
Loss on disposition of assets	-	-	(970)
Total nonoperating revenue (expense)	<u>295,732</u>	<u>44,196</u>	<u>257,905</u>
Total revenues	<u>1,060,185</u>	<u>760,014</u>	<u>855,850</u>
EXPENSES			
OPERATING AND GENERAL AND ADMINISTRATIVE			
Operating	780,296	825,134	683,237
General and administrative expenses	152,520	190,715	146,426
Total operating and general and administrative expenses	<u>932,816</u>	<u>1,015,849</u>	<u>829,663</u>
CHANGE IN NET POSITION	127,369	(255,835)	26,187
NET POSITION - BEGINNING OF YEAR	<u>5,192,355</u>	<u>5,448,190</u>	<u>5,422,003</u>
NET POSITION - END OF YEAR	<u>\$ 5,319,724</u>	<u>\$ 5,192,355</u>	<u>\$ 5,448,190</u>

Over the last three years, the fluctuations in the District's total revenues were caused by increases in service fees charged as well as fluctuations in interest earnings and changes in the fair value of the District's investments. Service and Capital Reserve fees together increased by almost 8% for the three-year period between 2021 and 2023.

The District's total operating and general expenses decreased from 2022 to 2023 by approximately \$83,000 even though its sewer treatment charges increased by almost \$50,000. The overall decrease in expenses was mainly due to the reduction in repairs of \$150,000 that was needed in 2022 to settle the construction warranty issues for the District's 2020 capital improvement project as well as a reduction of consulting expenses once the warranty issues were addressed.

The District's 2023 expenses were approximately \$100,000 more than the 2021 expenses due to an increase in the sewer treatment charges, insurance and additional repairs and maintenance costs.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2023 and 2022**

CAPITAL ASSETS

The District had capital assets as of December 31, 2023 and 2022 of \$2,622,302 and \$2,535,596 (net of accumulated depreciation/amortization). The District's investment in capital assets includes easements, sewer mains and equipment, a capital improvements study and a geographical information system (GIS). The analysis of changes in capital assets is as follows:

	<u>Balance at December 31, 2022</u>	<u>Changes</u>	<u>Balance at December 31, 2023</u>
Projects in progress	\$ 67,415	\$ (40,082)	\$ 27,333
Easements	3,273	-	3,273
Capital improvements study	36,255	-	36,255
Geographic information system	27,673	-	27,673
Sewer mains and equipment	5,322,023	246,894	5,568,917
Total assets	<u>5,456,639</u>	<u>206,812</u>	<u>5,663,451</u>
Accumulated depreciation	<u>(2,921,043)</u>	<u>(120,106)</u>	<u>(3,041,149)</u>
Total capital assets, net	<u>\$ 2,535,596</u>	<u>\$ 86,706</u>	<u>\$ 2,622,302</u>

	<u>Balance at December 31, 2021</u>	<u>Changes</u>	<u>Balance at December 31, 2022</u>
Projects in progress	\$ -	\$ 67,415	\$ 67,415
Easements	3,273	-	3,273
Capital improvements study	36,255	-	36,255
Geographic information system	27,673	-	27,673
Sewer mains and equipment	5,322,023	-	5,322,023
Total assets	<u>5,389,224</u>	<u>67,415</u>	<u>5,456,639</u>
Accumulated depreciation	<u>(2,795,137)</u>	<u>(125,906)</u>	<u>(2,921,043)</u>
Total capital assets, net	<u>\$ 2,594,087</u>	<u>\$ (58,491)</u>	<u>\$ 2,535,596</u>

In 2023, the District re-bid the cured-in-place pipe lining (CIPP) project it postponed from 2022. The total costs for the CIPP project was \$194,304. In addition, the District started the engineering design for a large sewer replacement project planned for 2024, the costs for which totaled \$27,333.

In 2022, the District incurred additional costs of \$54,307 to properly stabilize a section of sewer main that was installed as part of the 2020 capital improvements. The District also incurred engineering design and bidding costs for its 2023 cured-in-place pipe lining project.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2023 and 2022**

FUTURE ECONOMIC FACTORS AND RATES

- The 2024 sewage treatment charges estimated by Metro Water Recovery are \$469,615. Metro overestimated the actual 2022 charges and the estimated 2023 charges, so \$5,159 was subtracted from the 2024 estimated charges, resulting in a net treatment charge for 2024 of \$464,456. The District records any reduction in charges for future estimated charges as a treatment charge receivable. Based on the actual 2023 charges, which were underestimated, the District's treatment charge receivable was reduced to zero and the net treatment charge payable at the end of 2023 increased to \$24,750.
- A comparison of the District's sewer service fee rates including the pass-thru fees for Metro Water Recovery's sewage treatment charges for the past few years, as well as for 2024, is shown below.

Year	2024	2023	2022
Non-residential District Sewer Fee per 1,000 gallons	\$ 4.92	\$ 4.18	\$ 3.90
Non-residential Metro Pass-Thru Sewage Treatment Flow Fee per 1,000 gallons	\$ 1.36	\$ 1.29	\$ 1.22
Single Family Sewer Fee including Metro Pass-Thru Fees	\$ 365.00	\$ 339.00	\$ 315.00
Multi- Family Sewer Fee including Metro Pass-Thru Fees	\$ 266.00	\$ 240.00	\$ 229.00

- The District's capital project planned for 2024 includes the removal and replacement of 430 lineal feet of existing 8 inch sewer mains and the installation of approximately 500 lineal feet of new 8 inch sewer main.
- The monthly fee the District charges the few remaining sump pump customers will stay at \$150 a month for 2024.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 700,833	\$ 719,216
Investments	2,037,044	1,970,197
Accounts receivable	10,603	11,429
Accrued interest receivable	4,581	3,315
Prepaid expenses	15,170	445
Total current assets	2,768,231	2,704,602
CAPITAL ASSETS		
Projects in progress	27,333	67,415
Easements	3,273	3,273
Capital improvements study	36,255	36,255
Geographic information system	27,673	27,673
Sewer mains and equipment	5,568,917	5,322,023
	5,663,451	5,456,639
Less accumulated depreciation	(3,041,149)	(2,921,043)
Total capital assets, net	2,622,302	2,535,596
TOTAL ASSETS	\$ 5,390,533	\$ 5,240,198
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 31,949	\$ 13,785
Prepaid customer fees	14,110	12,663
Metro treatment charges payable	24,750	21,395
Total current liabilities	70,809	47,843
NET POSITION		
Net investment in capital assets	2,622,302	2,535,596
Unrestricted	2,697,422	2,656,759
Total net position	5,319,724	5,192,355
TOTAL LIABILITIES AND NET POSITION	\$ 5,390,533	\$ 5,240,198

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

SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUE		
Service fees	\$ 732,873	\$ 685,229
Delinquent fees	17,740	16,680
Inspection Fees	8,150	7,100
Other income	5,690	6,809
Total operating revenue	764,453	715,818
OPERATING EXPENSES		
Depreciation	120,106	125,906
Sewer treatment charges	475,078	428,580
Engineering	27,284	53,961
Repairs and maintenance	103,720	186,693
Other	54,108	29,994
Total operating expenses	780,296	825,134
Loss from operations	(15,843)	(109,316)
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit	5,700	5,500
Insurance	15,642	9,572
Election	360	271
Legal	3,589	42,008
Management fees	88,620	97,699
Directors' fees	3,660	5,060
Office and administration	34,949	30,605
Total general and administrative expenses	152,520	190,715
Net loss	(168,363)	(300,031)
NONOPERATING REVENUE (EXPENSES)		
Net investment income:		
Interest	50,254	31,096
Net increase (decrease) in fair value of investments	67,478	(155,242)
Capital reserve fees	178,000	168,342
Total nonoperating revenue (expenses)	295,732	44,196
CHANGE IN NET POSITION	127,369	(255,835)
NET POSITION - BEGINNING OF YEAR	5,192,355	5,448,190
NET POSITION - END OF YEAR	\$ 5,319,724	\$ 5,192,355

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

SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 766,726	\$ 719,512
Cash paid to vendors	(805,916)	(991,186)
Net cash required by operating activities	(39,190)	(271,674)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(206,812)	(67,415)
Capital reserve fees	178,000	168,342
Net cash provided (required) by capital financing activities	(28,812)	100,927
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(400,000)
Interest received	49,619	28,576
Net cash provided (required) by investing activities	49,619	(371,424)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,383)	(542,171)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	719,216	1,261,387
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 700,833	\$ 719,216
RECONCILIATION OF OPERATING GAIN TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net gain (loss)	\$ (168,363)	\$ (300,031)
Adjustments to reconcile gain to net cash provided by operating activities:		
Depreciation and amortization	120,106	125,906
Effects of changes in operating assets and liabilities:		
Account receivable	826	(8,969)
Prepaid expenses	(14,725)	-
Payables and prepaid customer accounts	22,966	(88,580)
Net cash provided (required) by operating activities	\$ (39,190)	\$ (271,674)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Changes in fair value of investments	\$ 67,478	\$ (155,242)

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

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Southwest Suburban Denver Water and Sanitation District (District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District was established to provide water and sewer service to property within its service area primarily through intergovernmental agreements.

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

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

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

The District has no authorized but unissued debt at December 31, 2023.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemptions of bonds and loans are recorded as reductions in liabilities. System development fees and contributed assets from developers are recorded as capital contributions when received.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

Operating Revenues and Expenses

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

Restricted resources

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

Budgets

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

Cash Equivalents

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

Capital Assets

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

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

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

System Development Fees and Contributed Lines

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

Reclassifications

For comparability, certain 2022 amounts have been reclassified where appropriate to conform with the 2023 financial statement presentation.

NOTE 3 - CASH AND INVESTMENTS

Cash equivalents and investments are reflected for the December 31, 2023 and 2022 statements of net position and statements of cash flows as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents:		
Deposits with financial institutions	\$ 97,247	\$ 242,659
COLOTRUST Plus+	390,301	274,252
COLOTRUST Edge	<u>213,285</u>	<u>202,305</u>
Total cash and cash equivalents	<u>700,833</u>	<u>719,216</u>
Investments:		
U.S. Agency Obligations	<u>2,037,044</u>	<u>1,970,197</u>
Total investments	<u>2,037,044</u>	<u>1,970,197</u>
Total cash equivalents and investments	<u><u>\$ 2,737,877</u></u>	<u><u>\$ 2,689,413</u></u>

Cash Deposits

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

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

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

At December 31, 2023, the District's cash deposits had a bank balance of \$150,751 and a carrying balance of \$97,247. At December 31, 2022, the District's cash deposits had a bank balance of \$313,223 and a carrying balance of \$242,659.

Investments

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

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

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

The District held the following investments as of December 31, 2023:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity</u>
COLOTRUST Plus+	\$ 390,301	Weighted avg. less than 60 days
COLOTRUST Edge	213,285	Weighted avg. over 60 days
U.S. Agency Obligations	2,037,044	1 - 5 years
Total investments	<u>\$ 2,640,630</u>	

The District held the following investments as of December 31, 2023:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity</u>
COLOTRUST Plus+	\$ 274,252	Weighted avg. less than 60 days
COLOTRUST Edge	202,305	Weighted avg. less over 60 days
U.S. Agency Obligations	1,970,197	1 - 5 years
Total investments	<u>\$ 2,446,754</u>	

SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
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Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2023 and 2022 the District's holdings of U.S. Government agency securities were rated AA+ by Standard and Poor's and AAA by Moody's.

At December 31, 2023 and 2022, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All 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+ and COLOTRUST Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+ portfolios are rated AAAM by Standard and Poor's and the Edge portfolio is rated AAAf/S1 by Fitch Ratings.

Valuation

The District has certain investments which are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District also has investments not categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The valuation of the District's investments are as follows at December 31, 2023:

	Amount	Level 1 Inputs
Investments measured at fair value:		
U.S. Agency Obligations	\$ 2,037,044	\$ 2,037,044
Total investments at fair value	2,037,044	\$ 2,037,044
Investments measured at NAV		
COLOTRUST Plus	390,301	
COLOTRUST Edge	213,285	
Total investments at NAV	603,586	
Total investments	\$ 2,640,630	

The valuation of the District's investments are as follows at December 31, 2022:

	Amount	Level 1 Inputs
Investments measured at fair value:		
U.S. Agency Obligations	\$ 1,970,197	\$ 1,970,197
Total investments at fair value	1,970,197	\$ 1,970,197
Investments measured at NAV		
COLOTRUST Plus+	274,252	
COLOTRUST Edge	202,305	
Total investments at NAV	476,557	
Total investments	\$ 2,446,754	

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

COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. Each share of Prime and Plus+ is equal in value to \$1.00 and the redemption frequency is daily with no redemption notice period. Edge's net asset value is managed to approximate a \$10.00 transactional share price and the redemption frequency is five business days. The principal value of an Edge investment may fluctuate and could be greater or less than \$10.00 per share at time of purchase, prior to redemption, and at the time of redemption. There are no unfunded commitments.

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer. Governmental Accounting Standards Board Statement No.

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
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40 *Deposit and Investment Risk Disclosures* require the District to disclose investments in single issuers that exceed five percent (5%) of the District's entire investment portfolio.

At December 31, 2023, the District had the following investments:

Investment Type	2023 Amount	Percent of Total Portfolio
COLOTRUST Plus+	\$ 390,301	Not subject to disclosure
COLOTRUST Edge	213,285	Not subject to disclosure
Federal Home Loan Bank	1,235,783	46.80%
Federal National Mortgage Association	290,297	10.99%
Federal Home Loan Mortgage Corp	231,674	8.77%
Freddie Mac	279,290	10.58%
	<u>\$ 2,640,630</u>	

At December 31, 2022, the District had the following investments:

Investment Type	2022 Amount	Percent of Total Portfolio
COLOTRUST Plus+	\$ 274,252	Not subject to disclosure
COLOTRUST Edge	202,305	Not subject to disclosure
Federal Home Loan Bank	1,200,290	49.06%
Federal National Mortgage Association	278,600	11.39%
Federal Home Loan Mortgage Corp	222,781	9.11%
Freddie Mac	268,526	10.97%
	<u>\$ 2,446,754</u>	

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	<u>Balance at January 1, 2023</u>	<u>Increases/ Reclasses</u>	<u>Decreases/ Reclasses</u>	<u>Balance at December 31, 2023</u>
Capital assets not being depreciated:				
Projects in progress	\$ 67,415	\$ 208,528	\$ 248,610	\$ 27,333
Easements	3,273	-	-	3,273
Capital assets, being depreciated:				
Capital improvements study	36,255	-	-	36,255
Geographic information system	27,673	-	-	27,673
Sewer mains and equipment	5,322,023	246,894	-	5,568,917
Total capital assets being depreciated	<u>5,456,639</u>	<u>455,422</u>	<u>248,610</u>	<u>5,663,451</u>
Less accumulated depreciation:				
Capital improvements study	20,848	2,767	-	23,615
Geographic information system	11,068	3,626	-	14,694
Sewer mains and equipment	2,889,127	113,713	-	3,002,840
Total accumulated depreciation	<u>2,921,043</u>	<u>120,106</u>	<u>-</u>	<u>3,041,149</u>
Total capital assets, net	<u>\$ 2,535,596</u>	<u>\$ 335,316</u>	<u>\$ 248,610</u>	<u>\$ 2,622,302</u>

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**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

	<u>Balance at January 1, 2022</u>	<u>Increases/ Reclasses</u>	<u>Decreases/ Reclasses</u>	<u>Balance at December 31, 2022</u>
Capital assets not being depreciated:				
Projects in progress	\$ -	\$ 67,415	\$ -	\$ 67,415
Easements	3,273	-	-	3,273
Capital assets, being depreciated:				
Capital improvements study	36,255	-	-	36,255
Geographic information system	27,673	-	-	27,673
Sewer mains and equipment	<u>5,322,023</u>	<u>-</u>	<u>-</u>	<u>5,322,023</u>
Total capital assets being depreciated	<u>5,389,224</u>	<u>67,415</u>	<u>-</u>	<u>5,456,639</u>
Less accumulated depreciation:				
Capital improvements study	17,222	3,626	-	20,848
Geographic information system	8,301	2,767	-	11,068
Sewer mains and equipment	<u>2,769,614</u>	<u>119,513</u>	<u>-</u>	<u>2,889,127</u>
Total accumulated depreciation	<u>2,795,137</u>	<u>125,906</u>	<u>-</u>	<u>2,921,043</u>
Total capital assets, net	<u>\$ 2,594,087</u>	<u>\$ (58,491)</u>	<u>\$ -</u>	<u>\$ 2,535,596</u>

NOTE 5 - NET POSITION

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

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2023 and 2022, the District had invested in capital assets of \$2,622,302 and \$2,535,596, respectively equal to its net capital assets as the District has no outstanding debt.

NOTE 6 – INTERGOVERNMENTAL AGREEMENTS

WATER SERVICE AGREEMENT

Denver Water Board

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

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
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water lines in the District have been conveyed to the Denver Water Board which is responsible for maintenance and repair of those lines.

SEWER SERVICE AGREEMENT

Metro Water Recovery

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

The composition of the charges for actual flows in 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Preliminary estimate for current year	\$ 449,036	\$ 417,162
Preliminary adjustment for current year	(3,867)	12,710
Final adjustment for current year	29,909	(1,292)
Total annual charges	<u>\$ 475,078</u>	<u>\$ 428,580</u>

NOTE 7 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2023. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

SUPPLEMENTAL INFORMATION

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2023**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUE			
Service fees	\$ 910,500	\$ 910,873	\$ 373
Delinquent fees	23,250	17,740	(5,510)
Inspection fees	8,000	8,150	150
Interest income	25,050	50,254	25,204
Increase (decrease) in fair value of investments	-	67,478	67,478
Miscellaneous	-	5,690	5,690
Total revenues	966,800	1,060,185	93,385
EXPENDITURES			
Sewer treatment and operations:			
Sewer treatment charges	449,000	475,078	(26,078)
Engineering maintenance	7,550	8,448	(898)
Repairs and maintenance	60,560	103,720	(43,160)
Utility locates and tap inspections	58,900	48,773	10,127
Grease trap inspection expense	8,500	4,234	4,266
Sump pump inspections	-	1,101	(1,101)
General operations:			
Audit	5,800	5,700	100
General engineering	28,800	18,836	9,964
Insurance	10,300	15,642	(5,342)
Election costs	1,000	360	640
Legal	3,200	3,589	(389)
Management and accounting fees	98,000	88,620	9,380
Directors' fees	5,000	3,660	1,340
Office and administrative	27,190	34,949	(7,759)
Capital outlay and reserve	257,525	206,812	50,713
Contingency	100,000	-	100,000
Total expenditures	1,121,325	1,019,522	101,803
REVENUES OVER (UNDER) EXPENDITURES	(154,525)	40,663	195,188
FUNDS AVAILABLE - BEGINNING OF YEAR	2,776,883	2,656,759	(120,124)
FUNDS AVAILABLE - END OF YEAR	\$ 2,622,358	\$ 2,697,422	\$ 75,064
Funds available is computed as follows:			
Current assets		\$ 2,768,231	
Current liabilities		(70,809)	
		\$ 2,697,422	

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2023**

Revenue (budgetary basis)	<u>\$ 1,060,185</u>
Revenues per Statements of Revenues, Expenses and Changes in Net Position	<u>1,060,185</u>
Expenditures (budgetary basis)	1,019,522
Depreciation	120,106
Capital outlay	<u>(206,812)</u>
Expenses per Statements of Revenues, Expenses and Changes in Net Position	<u>932,816</u>
Change in net position per Statements of Revenues, Expenses and Changes in Net Position	<u><u>\$ 127,369</u></u>