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

## FINANCIAL STATEMENTS
## DECEMBER 31, 2024 and 2023

**Table of Contents**

SCHILLING & COMPANY, INC.
Certified Public Accountants

P.O. Box 631579
Highlands Ranch, CO 80163

Phone: 720.348.1086
Fax: 720.348.2920

# Independent Auditor's Report

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

### *Opinion*

We have audited the accompanying financial statements of the Southwest Suburban Denver Water and Sanitation District (District) as of and for the years ended December 31, 2024 and 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Suburban Denver Water and Sanitation District, as of December 31, 2024 and 2023, 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. 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 opinion.

### *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 generally accepted auditing standards 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 generally accepted auditing standards, 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 financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information as listed in the table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 15, 2025

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**Years Ended December 31, 2024 and 2023**

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, 2024 and 2023. Please read it in conjunction with the District's basic financial statements which begin on page 1.

## FINANCIAL HIGHLIGHTS

- In 2024, the District removed and replaced approximately 927 lineal feet (lf) of 8 inch sewer main, the total cost for which was $791,600. It 2023, the District completed cured in place pipe lining (CIPP) of 3,500 lf, totaling $194,304.

- Metro Water Recovery's (Metro) preliminary estimate for the District's sewage flows and related treatment charges for 2024 and 2023 were $469,615 and $449,036, respectively. The District sets its budget based on these preliminary estimates. The actual treatment costs for 2024 were $447,031 as compared to the $464,456 charges paid. The difference of $17,425 decreased the District's Metro treatment charge payable balance to $7,325.

- The District's sewer rates for single family residences increased from 2022 to 2023 by 7.6%, the 2023 to 2024 the rate increase remained the same at 7.6%. The multi-family rates increased approximately 5% for 2023 and also increased approximately 11% in 2024. Non-residential rates increased by approximately 7%, in 2023, then increased and additional 15% in 2024. 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.

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, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| **ASSETS** | | | |
| Current assets | $ 2,334,827 | $ 2,768,231 | $ 2,704,602 |
| Capital assets | 3,235,732 | 2,622,302 | 2,535,596 |
| Total assets | 5,570,559 | 5,390,533 | 5,240,198 |
| **LIABILITIES** | | | |
| Current liabilities | 38,465 | 70,809 | 47,843 |
| Total liabilities | 38,465 | 70,809 | 47,843 |
| **NET POSITION** | | | |
| Net investment in capital assets | 3,235,732 | 2,622,302 | 2,535,596 |
| Unrestricted | 2,296,362 | 2,697,422 | 2,656,759 |
| Total net position | $ 5,532,094 | $ 5,319,724 | $ 5,192,355 |

As noted earlier, net position may serve as a useful indicator of the District's financial position. In the District's case, its net position increased 6.5% from 2022 to 2024. This increase is primarily due to an 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 due to additional service fees being charged to offset capital expenditures.

## CHANGES IN NET POSITION

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| **REVENUES** | | | |
| **OPERATING REVENUE** | | | |
| Service fees | $ 736,356 | $ 732,873 | $ 685,229 |
| Delinquent fees | 15,120 | 17,740 | 16,680 |
| Inspection fees / other | 18,109 | 13,840 | 13,909 |
| Total operating revenue | 769,585 | 764,453 | 715,818 |
| **NONOPERATING REVENUE (EXPENSE)** | | | |
| Net investment income | | | |
| Interest | 47,002 | 50,254 | 31,096 |
| Net increase (decrease) in fair value of investments | 71,190 | 67,478 | (155,242) |
| Capital reserve fees | 250,000 | 178,000 | 168,342 |
| Loss on disposition of assets | (28,695) | - | - |
| Total nonoperating revenue (expense) | 339,497 | 295,732 | 44,196 |
| Total revenues | 1,109,082 | 1,060,185 | 760,014 |
| **EXPENSES** | | | |
| **OPERATING AND GENERAL AND ADMINISTRATIVE** | | | |
| Operating | 749,771 | 780,296 | 825,134 |
| General and administrative expenses | 146,941 | 152,520 | 190,715 |
| Total operating and general and administrative expenses | 896,712 | 932,816 | 1,015,849 |
| **CHANGE IN NET POSITION** | 212,370 | 127,369 | (255,835) |
| **NET POSITION - BEGINNING OF YEAR** | 5,319,724 | 5,192,355 | 5,448,190 |
| **NET POSITION - END OF YEAR** | $ 5,532,094 | $ 5,319,724 | $ 5,192,355 |

Over the last three years, the fluctuations in the District's total revenues were a result of 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 15.3% for the three-year period between 2022 and 2024.

Expenses for Utility Locates increased more than $25K while the overall total of operating and general expenses decreased slightly from 2023 to 2024 due to lower Sewer Treatment charges and maintenance expenses. Capital reserve fees were up 40% from 2023 to 2024 to increase the District's reserves and plan for future capital improvement projects and to fund the upgrades to the Sewer Mains.

## CAPITAL ASSETS

The District had capital assets as of December 31, 2024 and 2023 of $3,235,732 and $2,622,302 (net of accumulated depreciation/amortization). The District's investment in capital assets includes easements, sewer mains and equipment, a capital improvements study and a geographical information system (GIS). The analysis of changes in capital assets is as follows:

| | Balance at December 31, 2023 | Changes | Balance at December 31, 2024 |
|---|---|---|---|
| Projects in progress | $ 27,333 | $ (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 | 5,568,917 | 740,913 | 6,309,830 |
| Total assets | 5,663,451 | 713,580 | 6,377,031 |
| Accumulated depreciation | (3,041,149) | (100,150) | (3,141,299) |
| Total capital assets, net | $ 2,622,302 | $ 613,430 | $ 3,235,732 |

| | Balance at December 31, 2022 | Changes | Balance at December 31, 2023 |
|---|---|---|---|
| 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 | 5,456,639 | 206,812 | 5,663,451 |
| Accumulated depreciation | (2,921,043) | (120,106) | (3,041,149) |
| Total capital assets, net | $ 2,535,596 | $ 86,706 | $ 2,622,302 |

In 2024, the District completed the planned construction of Sewer Mains. The total costs for the project were $791,600 with the net book value of the sewer lines and manholes replaced was $28,695, resulting in a net increase of $740,913.

## FUTURE ECONOMIC FACTORS AND RATES

- The 2025 sewage treatment charges estimated by Metro Water Recovery are $533,299. Metro underestimated the actual 2023 charges and the estimated 2024 charges, therefore, $59,240 was added to the 2025 estimated charges, resulting in a net treatment charge for 2025 of $592,539. The District records any reduction in charges for future estimated charges as a treatment charge receivable and any increases in charges for future estimated charges as treatment charges payable. Based on the final actual 2024 charges, which were overestimated, the District's treatment charge payable was reduced to $7,325 at the end of 2024.

- 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 two years, as well as for 2025, is shown below.

| Year | 2025 | 2024 | 2023 |
|---|---|---|---|
| Non-residential District Sewer Fee per 1,000 gallons | $ 5.34 | $ 4.92 | $ 4.18 |
| Non-residential Metro Pass-Thru Sewage Treatment Flow Fee per 1,000 gallons | $ 1.49 | $ 1.36 | $ 1.29 |
| Single Family Sewer Fee including Metro Pass-Thru Fees | $ 398.00 | $ 365.00 | $ 339.00 |
| Multi- Family Sewer Fee including Metro Pass-Thru Fees | $ 289.00 | $ 266.00 | $ 240.00 |

- The District plans to remove and replace a sewer main in 2025 as well as complete cured-in-place pipe lining for approximately 4 mains.

- The monthly fee the District charges for the few remaining sump pump customers will remain at $150 a month for 2025.

## 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.

## FINANCIAL STATEMENTS

**SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT**
**STATEMENTS OF NET POSITION**
**December 31, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 916,333 | $ 700,833 |
| Investments | 1,408,226 | 2,037,044 |
| Accounts receivable | 8,722 | 10,603 |
| Accrued interest receivable | 1,101 | 4,581 |
| Prepaid expenses | 445 | 15,170 |
| Total current assets | 2,334,827 | 2,768,231 |
| **CAPITAL ASSETS** | | |
| Projects in progress | - | 27,333 |
| Easements | 3,273 | 3,273 |
| Capital improvements study | 36,255 | 36,255 |
| Georgraphic information system | 27,673 | 27,673 |
| Sewer mains and equipment | 6,309,830 | 5,568,917 |
| | 6,377,031 | 5,663,451 |
| Less accumulated depreciation | (3,141,299) | (3,041,149) |
| Total capital assets, net | 3,235,732 | 2,622,302 |
| **TOTAL ASSETS** | $ 5,570,559 | $ 5,390,533 |
| **LIABILITIES AND NET POSITION** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 18,437 | $ 31,949 |
| Prepaid customer fees | 12,703 | 14,110 |
| Metro treatment charges payable | 7,325 | 24,750 |
| Total current liabilities | 38,465 | 70,809 |
| **NET POSITION** | | |
| Net investment in capital assets | 3,235,732 | 2,622,302 |
| Unrestricted | 2,296,362 | 2,697,422 |
| Total net position | 5,532,094 | 5,319,724 |
| **TOTAL LIABILITIES AND NET POSITION** | $ 5,570,559 | $ 5,390,533 |

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, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **OPERATING REVENUE** | | |
| Service fees | $ 736,356 | $ 732,873 |
| Delinquent fees | 15,120 | 17,740 |
| Inspection Fees | 12,800 | 8,150 |
| Other income | 5,309 | 5,690 |
| Total operating revenue | 769,585 | 764,453 |
| **OPERATING EXPENSES** | | |
| Depreciation | 122,142 | 120,106 |
| Sewer treatment charges | 447,031 | 475,078 |
| Engineering | 41,743 | 27,284 |
| Repairs and maintenance | 56,732 | 103,720 |
| Other | 82,123 | 54,108 |
| Total operating expenses | 749,771 | 780,296 |
| Gain (loss) from operations | 19,814 | (15,843) |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | |
| Audit | 5,700 | 5,700 |
| Insurance | 15,170 | 15,642 |
| Election | - | 360 |
| Legal | 525 | 3,589 |
| Management fees | 84,750 | 88,620 |
| Directors' fees | 3,700 | 3,660 |
| Office and administration | 37,096 | 34,949 |
| Total general and administrative expenses | 146,941 | 152,520 |
| Net loss | (127,127) | (168,363) |
| **NONOPERATING REVENUE (EXPENSES)** | | |
| Net investment income: | | |
| Interest | 47,002 | 50,254 |
| Net increase (decrease) in fair value of investments | 71,190 | 67,478 |
| Capital reserve fees | 250,000 | 178,000 |
| Loss on disposition of assets | (28,695) | - |
| Total nonoperating revenue (expenses) | 339,497 | 295,732 |
| **CHANGE IN NET POSITION** | 212,370 | 127,369 |
| **NET POSITION - BEGINNING OF YEAR** | 5,319,724 | 5,192,355 |
| **NET POSITION - END OF YEAR** | $ 5,532,094 | $ 5,319,724 |

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, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from customers | $ 770,059 | $ 766,726 |
| Cash paid to vendors | (790,782) | (805,916) |
| Net cash required by operating activities | (20,723) | (39,190) |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | |
| Purchase of capital assets | (764,267) | (206,812) |
| Capital reserve fees | 250,000 | 178,000 |
| Net cash required by capital financing activities | (514,267) | (28,812) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Maturity of investments | 700,000 | - |
| Interest received | 50,490 | 49,619 |
| Net cash provided by investing activities | 750,490 | 49,619 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 215,500 | (18,383) |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** | 700,833 | 719,216 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 916,333 | $ 700,833 |
| **RECONCILIATION OF OPERATING GAIN TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES** | | |
| Net loss | $ (127,127) | $ (168,363) |
| Adjustments to reconcile gain to net cash required by operating activities: | | |
| Depreciation and amortization | 122,142 | 120,106 |
| Effects of changes in operating assets and liabilities: | | |
| Account receivable | 1,881 | 826 |
| Prepaid expenses | 14,725 | (14,725) |
| Payables and prepaid customer accounts | (32,344) | 22,966 |
| Net cash required by operating activities | $ (20,723) | $ (39,190) |
| **NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES** | | |
| Changes in fair value of investments | $ 71,190 | $ 67,478 |

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

## 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, 2024.

## 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.

**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 |

**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 2023 amounts have been reclassified where appropriate to conform with the 2024 financial statement presentation.

## NOTE 3 - CASH AND INVESTMENTS

Cash equivalents and investments are reflected for the December 31, 2024 and 2023 statements of net position and statements of cash flows as follows:

| | 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents: | | |
| Deposits with financial institutions | $ 187,140 | $ 97,247 |
| COLOTRUST Plus+ | 504,351 | 390,301 |
| COLOTRUST Edge | 224,842 | 213,285 |
| Total cash and cash equivalents | 916,333 | 700,833 |
| Investments: | | |
| U.S. Agency Obligations | 1,408,226 | 2,037,044 |
| Total investments | 1,408,226 | 2,037,044 |
| Total cash equivalents and investments | $ 2,324,559 | $ 2,737,877 |

**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.

At December 31, 2024, the District's cash deposits had a bank balance of $203,950 and a carrying balance of $187,140. At December 31, 2023, the District's cash deposits had a bank balance of $150,751 and a carrying balance of $97,247.

**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, 2024:

| Investment Type | Amount | Maturity |
|---|---|---|
| COLOTRUST Plus+ | $ 504,351 | Weighted avg. less than 60 days |
| COLOTRUST Edge | 224,842 | Weighted avg. over 60 days |
| U.S. Agency Obligations | 1,408,226 | 1 - 5 years |
| Total investments | $ 2,137,419 | |

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

| Investment Type | Amount | Maturity |
|---|---|---|
| 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 | $ 2,640,630 | |

**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, 2024 and 2023 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, 2024 and 2023, 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.

The valuation of the District's investments are as follows at December 31, 2024:

| | Amount | Level 1 Inputs |
|---|---|---|
| **Investments measured at fair value:** | | |
| U.S. Agency Obligations | $ 1,408,226 | $ 1,408,226 |
| Total investments at fair value | 1,408,226 | $ 1,408,226 |
| **Investments measured at NAV** | | |
| COLOTRUST Plus | 504,351 | |
| COLOTRUST Edge | 224,842 | |
| Total investments at NAV | 729,193 | |
| Total investments | $ 2,137,419 | |

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 | |

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.

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, 2024, the District had the following investments:

| Investment Type | 2024 Amount | Percent of Total Portfolio |
|---|---|---|
| COLOTRUST Plus+ | $ 504,351 | Not subject to disclosure |
| COLOTRUST Edge | 224,842 | Not subject to disclosure |
| Federal Home Loan Bank | 876,800 | 41.02% |
| Federal Home Loan Mortgage Corp | 240,627 | 11.26% |
| Freddie Mac | 290,799 | 13.61% |
| | $ 2,137,419 | |

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% |
| | $ 2,640,630 | |

## NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2024 follows:

| | Balance at January 1, 2024 | Increases/ Reclasses | Decreases/ Reclasses | Balance at December 31, 2024 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Projects in progress | $ 27,333 | $ 764,267 | $ 791,600 | $ - |
| 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 | 5,568,917 | 791,600 | 50,687 | 6,309,830 |
| Total capital assets being depreciated | 5,663,451 | 1,555,867 | 842,287 | 6,377,031 |
| Less accumulated depreciation: | | | | |
| Capital improvements study | 23,615 | 2,767 | - | 26,382 |
| Geographic information system | 14,694 | 3,626 | - | 18,320 |
| Sewer mains and equipment | 3,002,840 | 115,749 | 21,992 | 3,096,597 |
| Total accumulated depreciation | 3,041,149 | 122,142 | 21,992 | 3,141,299 |
| Total capital assets, net | $ 2,622,302 | $ 1,433,725 | $ 820,295 | $ 3,235,732 |

THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK

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

| | Balance at January 1, 2023 | Increases/ Reclasses | Decreases/ Reclasses | Balance at December 31, 2023 |
|---|---|---|---|---|
| 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 | 5,456,639 | 455,422 | 248,610 | 5,663,451 |
| 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 | 2,921,043 | 120,106 | - | 3,041,149 |
| Total capital assets, net | $ 2,535,596 | $ 335,316 | $ 248,610 | $ 2,622,302 |

## 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, 2024 and 2023, the District had invested in capital assets of $3,235,732 and $2,622,302, 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 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 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|---|---|
| Preliminary estimate for current year | $ 469,615 | $ 449,036 |
| Preliminary adjustment for current year | 29,331 | (3,867) |
| Final adjustment for current year | (51,915) | 29,909 |
| Total annual charges | $ 447,031 | $ 475,078 |

## 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, 2024. 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.

## 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.

## 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, 2024**

| | Original and Final Budgeted Amounts | Actual | Variance with Final Budget - |
|---|---|---|---|
| **REVENUE** | | | |
| Service fees | $ 984,670 | $ 986,356 | $ 1,686 |
| Delinquent fees | 10,000 | 15,120 | 5,120 |
| Inspection fees | 8,000 | 12,800 | 4,800 |
| Interest income | 36,500 | 47,002 | 10,502 |
| Increase (decrease) in fair value of investments | - | 71,190 | 71,190 |
| Miscellaneous | 10,000 | 5,309 | (4,691) |
| Total revenues | 1,049,170 | 1,137,777 | 88,607 |
| **EXPENDITURES** | | | |
| Sewer treatment and operations: | | | |
| Sewer treatment charges | 469,615 | 447,031 | 22,584 |
| Engineering maintenance | 1,790 | 23,649 | (21,859) |
| Repairs and maintenance | 37,760 | 56,732 | (18,972) |
| Utility locates and tap inspections | 51,180 | 77,375 | (26,195) |
| Grease trap inspection expense | 3,230 | 4,512 | (1,282) |
| Sump pump inspections | 1,920 | 236 | 1,684 |
| General operations: | | | |
| Audit | 5,800 | 5,700 | 100 |
| General engineering | 29,900 | 18,094 | 11,806 |
| Insurance | 16,075 | 15,170 | 905 |
| Legal | 3,400 | 525 | 2,875 |
| Management and accounting fees | 102,500 | 84,750 | 17,750 |
| Directors' fees | 5,000 | 3,700 | 1,300 |
| Office and administrative | 36,000 | 37,096 | (1,096) |
| Capital outlay and reserve | 900,000 | 764,267 | 135,733 |
| Contingency | 100,000 | - | 100,000 |
| Total expenditures | 1,764,170 | 1,538,837 | 225,333 |
| **REVENUES OVER (UNDER) EXPENDITURES** | (715,000) | (401,060) | 313,940 |
| **FUNDS AVAILABLE - BEGINNING OF YEAR** | 2,654,457 | 2,697,422 | 42,965 |
| **FUNDS AVAILABLE - END OF YEAR** | $ 1,939,457 | $ 2,296,362 | $ 356,905 |

Funds available is computed as follows:

| | |
|---|---|
| Current assets | $ 2,334,827 |
| Current liabilities | (38,465) |
| | $ 2,296,362 |

**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, 2024**

| | |
|---|---|
| Revenue (budgetary basis) | $ 1,137,777 |
| Revenues per Statements of Revenues, Expenses and Changes in Net Position | 1,137,777 |
| Expenditures (budgetary basis) | 1,538,837 |
| Depreciation | 122,142 |
| Capital outlay | (764,267) |
| Loss on disposition of assets | 28,695 |
| Expenses per Statements of Revenues, Expenses and Changes in Net Position | 925,407 |
| Change in net position per Statements of Revenues, Expenses and Changes in Net Position | $ 212,370 |