

**SOUTH METRO WATER SUPPLY AUTHORITY  
Arapahoe and Douglas Counties, Colorado**

**FINANCIAL STATEMENTS  
Year Ended December 31, 2019**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
South Metro Water Supply Authority  
Arapahoe and Douglas Counties, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the South Metro Water Supply Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the South Metro Water Supply Authority as of December 31, 2019, and the changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Metro Water Supply Authority's basic financial statements. The schedule of participation contract activity is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of participation contract activity is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 schedule of participation contract activity is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
May 26, 2020

## **BASIC FINANCIAL STATEMENTS**

**SOUTH METRO WATER SUPPLY AUTHORITY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>ASSETS</b>                          |                                    |
| Cash and investments                   | \$ 465,942                         |
| Accounts receivable                    | 92,552                             |
| Security deposit                       | 7,776                              |
| Prepaid items                          | 15,608                             |
| Total assets                           | 581,878                            |
| <b>LIABILITIES</b>                     |                                    |
| Accounts payable                       | 32,878                             |
| Noncurrent liabilities:                |                                    |
| Accrued compensated absences           | 44,816                             |
| Total liabilities                      | 77,694                             |
| <b>NET POSITION</b>                    |                                    |
| Restricted for participation contracts | 21,340                             |
| Unrestricted                           | 482,844                            |
| Total net position                     | \$ 504,184                         |

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

| <u>Functions/Programs</u> | <u>Expenses</u>     | <u>Program Revenues</u>             |   |   | <u>Net (Expense)</u>                               |
|---------------------------|---------------------|-------------------------------------|---|---|--|
|                           |                     | <u>Charges<br/>for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Revenue and<br/>Changes in<br/>Net Position</u> |
|                           |                     |                                     |   |   | <u>Governmental<br/>Activities</u>                 |
| Primary government:       |                     |                                     |   |   |  |
| Government activities:    |                     |                                     |   |   |  |
| General government        | \$ 1,278,917        | \$ 1,002,653                        | \$ -  | \$ -  | \$ (276,264)                                       |
| Participation contracts   | 33,023              | -                                   | 345,547   | -   | 312,524  |
|                           | <u>\$ 1,311,940</u> | <u>\$ 1,002,653</u>                 | <u>\$ 345,547</u>                                 | <u>\$ -</u>                                     | <u>36,260</u>                                      |
| General revenues:         |                     |                                     |   |   |  |
| Investment income         |                     |                                     |   |   | 6,492  |
| Total general revenues    |                     |                                     |   |   | <u>6,492</u>                                       |
| Change in net position    |                     |                                     |   |   | 42,752   |
| Net position - Beginning  |                     |                                     |   |   | <u>461,432</u>                                     |
| Net position - Ending     |                     |                                     |   |   | <u>\$ 504,184</u>                                  |

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2019**

|   | <b>General</b>    |
|---|-------------------|
| <b>ASSETS</b>   |                   |
| Cash and investments  | \$ 465,942        |
| Accounts receivable   | 92,552            |
| Security deposit  | 7,776             |
| Prepaid items   | 15,608            |
| <b>TOTAL ASSETS</b>   | <b>\$ 581,878</b> |
| <br><b>LIABILITIES AND FUND BALANCE</b>   |                   |
| <b>LIABILITIES</b>  |                   |
| Accounts payable  | \$ 32,878         |
| Total liabilities   | 32,878            |
| <br><b>FUND BALANCE</b>   |                   |
| Nonspendable:   |                   |
| Security deposit  | 7,776             |
| Prepaid amounts   | 15,608            |
| Restricted:   |                   |
| Participation contracts   | 21,340            |
| Assigned to:  |                   |
| Subsequent year's expenditures  | 223,667           |
| Unassigned  | 280,609           |
| Total fund balance  | 549,000           |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>   | <b>\$ 581,878</b> |
| <br>Amounts reported for governmental activities in the statement of net position are different because:  |                   |
| Total fund balance  | \$ 549,000        |
| Long-term liabilities, including accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | (44,816)          |
| Net position of governmental activities   | <b>\$ 504,184</b> |

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2019**

|  | <b>General</b> |
|--|----------------|
| <b>REVENUES</b>  |                |
| Dues from members  | \$ 356,000     |
| Participation contract fees  | 25,000         |
| Chatfield PS/WS  | 271,576        |
| Staff support/office reimbursement   | 646,653        |
| Conservation income  | 48,971         |
| Investment income  | 6,492          |
| Total revenues   | 1,354,692      |
| <b>EXPENDITURES</b>  |                |
| General government   | 1,255,109      |
| Participation contracts  | 33,023         |
| Total expenditures   | 1,288,132      |
| <b>NET CHANGE IN FUND BALANCE</b>  | 66,560         |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>  | 482,440        |
| <b>FUND BALANCE - END OF YEAR</b>  | \$ 549,000     |
| Amounts reported for governmental activities in the statement of activities are different because:   |                |
| Net change in fund balance   | \$ 66,560      |
| Some expenses reported in the statement of activities, including compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds. | (23,808)       |
| Change in net position of governmental activities  | \$ 42,752      |

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

|   | <b>Original<br/>and Final<br/>Budget</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|--|---------------------------|---|
| <b>REVENUES</b>   |  |                           |   |
| Dues from members                                       | \$ 356,000                               | \$ 356,000                | \$ -  |
| Staff support/office reimbursement                      | 718,000                                  | 646,653                   | (71,347)  |
| Project Reimbursements                                  | 442,464                                  | 345,547                   | (96,917)  |
| Investment income                                       | 2,000                                    | 6,492                     | 4,492   |
| Total revenues  | <u>1,518,464</u>                         | <u>1,354,692</u>          | <u>(163,772)</u>  |
| <b>EXPENDITURES</b>                                     |  |                           |   |
| General government                                      |  |                           |   |
| Accounting  | 12,500                                   | 9,967                     | 2,533   |
| Audit   | 5,500                                    | 5,500                     | -   |
| Consevation   | 59,000                                   | 81,312                    | (22,312)  |
| Dues/sponsorships                                       | 22,000                                   | 18,533                    | 3,467   |
| Engineering   | 64,000                                   | 14,585                    | 49,415  |
| Insurance   | 7,000                                    | 9,437                     | (2,437)   |
| IT support  | 9,000                                    | 8,357                     | 643   |
| Legal   | 30,000                                   | 19,636                    | 10,364  |
| Lobbying  | 48,000                                   | 44,000                    | 4,000   |
| Master plan   | 60,000                                   | 2,848                     | 57,152  |
| Office equipment  | 7,000                                    | 5,685                     | 1,315   |
| Office space/facilities                                 | 75,000                                   | 83,298                    | (8,298)   |
| Office/meeting expense                                  | 6,000                                    | 8,674                     | (2,674)   |
| Payroll tax expense                                     | 50,180                                   | 40,776                    | 9,404   |
| Public relations  | 35,000                                   | 33,925                    | 1,075   |
| Chatfield PS/West Side Alternate PA                     | 258,644                                  | 156,279                   | 102,365   |
| Salaries/benefits                                       | 781,287                                  | 696,914                   | 84,373  |
| Staff expenses  | 15,000                                   | 13,505                    | 1,495   |
| Staff training  | 9,000                                    | 1,878                     | 7,122   |
| Contingency   | 15,000                                   | -                         | 15,000  |
| Total general government                                | <u>1,569,111</u>                         | <u>1,255,109</u>          | <u>314,002</u>  |
| Project Costs   |  |                           |   |
| Aquifer Storage Grant Funding                           | 50,000                                   | -                         | 50,000  |
| Co/Wy Coalition   | 9,216                                    | -                         | 9,216   |
| Water Ambassadors                                       | 45,000                                   | 33,023                    | 11,977  |
| Total participation contracts                           | <u>104,216</u>                           | <u>33,023</u>             | <u>71,193</u>   |
| Total expenditures                                      | <u>1,673,327</u>                         | <u>1,288,132</u>          | <u>385,195</u>  |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | (154,863)                                | 66,560                    | 221,423   |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                 | 359,918                                  | 482,440                   | 122,522   |
| <b>FUND BALANCE - END OF YEAR</b>                       | <u>\$ 205,055</u>                        | <u>\$ 549,000</u>         | <u>\$ 343,945</u>   |

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

The South Metro Water Supply Authority (Authority) was formed in August 2004 and is operating under the First Amended and Restated South Metro Water Supply Authority Intergovernmental Agreement, which became effective January 1, 2006. The Authority is the successor-in-interest to the South Metro Water Supply Study Board (Study Board). The Study Board was formed in January 2000 as a separate legal entity by the Douglas County Water Resource Authority Project Participation Agreement authorized pursuant to Article XIV, Section 18(2) (a) of the Constitution of the State of Colorado and Section 29-1-201 of the 1973 Colorado Revised Statutes.

The Authority is governed by a five-member Board of Directors. Four directors are appointed by the governing bodies of the four largest participants. The fifth director is elected from delegates nominated by the remaining participants' governing bodies. The Authority has four employees.

As of December 31, 2019, the Authority consisted of thirteen members, who pay annual dues to operate the Authority based on the percentages defined in the First Amended and Restated South Metro Water Supply Authority Intergovernmental Agreement effective January 1, 2006. The members and their respective allocation of annual dues at December 31, 2019, were as follows:

|  |                |
|--|----------------|
| Arapahoe County Water and Wastewater Authority         | 3.71%          |
| Castle Pines North Metropolitan District               | 3.71%          |
| Centennial Water and Sanitation District               | 16.67%         |
| Cottonwood Water and Sanitation District               | 3.70%          |
| Dominion Water & Sanitation District                   | 3.70%          |
| East Cherry Creek Valley Water and Sanitation District | 16.67%         |
| Inverness Water and Sanitation District                | 3.70%          |
| Meridian Metropolitan District                         | 3.70%          |
| Parker Water and Sanitation District                   | 16.67%         |
| Pinery Water and Wastewater District                   | 3.70%          |
| Rangeview Metropolitan District                        | 3.70%          |
| Stonegate Village Metropolitan District                | 3.70%          |
| Town of Castle Rock                                    | 16.67%         |
|  | <u>100.00%</u> |

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

**SOUTH METRO WATER SUPPLY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all the activities of the Authority. Governmental activities are normally supported by intergovernmental revenues.

The statement of net position reports all financial and capital resources of the Authority. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are dues and project participation fees from participants. All other revenue items are measurable and available only when cash is received by the Authority. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred, or the long-term obligation is due.

The Authority reports the following major governmental fund:

The General Fund is the Authority's only fund. It accounts for all financial resources of the Authority.

**Budgets**

In accordance with the State Budget Law, the Authority'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 Authority'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. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

**SOUTH METRO WATER SUPPLY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the Authority's practice to use the most restrictive classification first.

**Compensated Absences**

The Authority allows employees to accumulate unused vacation benefits up to a maximum of 36 days and unused sick leave up to a maximum of 24 days. Sick leave is not paid upon termination. Compensated absences are accrued when earned in the government-wide financial statements. An analysis of the changes in compensated absences for the year ended December 31, 2019, follows:

|                                 | Balance at<br>December 31,<br>2018 | Additions | Reductions | Balance at<br>December 31,<br>2019 | Due<br>Within<br>One Year |
|---------------------------------|------------------------------------|-----------|------------|------------------------------------|---------------------------|
| <b>Governmental Activities:</b> |                                    |           |            |                                    |                           |
| Compensated absences            | \$ 21,008                          | \$ 44,274 | \$ 20,466  | \$ 44,816                          | \$ 44,816                 |

**SOUTH METRO WATER SUPPLY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of net position and balance sheet:

|                      |    |         |
|----------------------|----|---------|
| Cash and Investments | \$ | 465,942 |
|----------------------|----|---------|

Cash and Investments as of December 31, 2019 consist of the following:

|                                      |    |         |
|--------------------------------------|----|---------|
| Deposits with Financial Institutions | \$ | 228,053 |
| Investments                          |    | 237,889 |
|                                      | \$ | 465,942 |

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 more than 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 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, 2019, the Authority's cash deposits had a bank balance of \$229,803 and a carrying balance of \$228,053. All deposits held with financial institutions were collateralized by the Federal Deposit Insurance Corporation (FDIC).

**Investments**

The Authority makes investments pursuant to its investment policy and relevant State of Colorado Statutes.

The Authority generally limits its concentration of investments to those noted below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the Authority is not subject to concentration risk disclosure requirements for investments that are in the possession of another party.

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

**SOUTH METRO WATER SUPPLY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

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

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

As of December 31, 2019, the Authority had the following investments:

| <u>Investments</u>                                       | <u>Maturity</u>  | <u>Net Asset Value</u> |
|--|------------------|------------------------|
|  | Weighted average |                        |
| Colorado Local Government Liquid Asset Trust (ColoTrust) | under 53 days    | <u>\$ 237,889</u>      |

**ColoTrust**

The Authority invested in the Colorado Local Government Liquid Asset Trust (ColoTrust) (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 and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, ColoTrust Prime and ColoTrust Plus+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. ColoTrust Plus+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designed custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. ColoTrust is rated AAAM by Standard & Poor's. The Trust records its investments at fair value and the Authority records its investment in the Trust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**SOUTH METRO WATER SUPPLY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 - NET POSITION**

The Authority has net position consisting of two components - restricted and unrestricted.

The restricted component of net position includes assets that are restricted for the use either externally imposed by creditors, granters, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislations. At December 31, 2019, the District had \$21,340 of restricted net position for participation contracts.

The unrestricted component of net position as of December 31, 2019, totaled \$482,844.

**NOTE 5 - INTERGOVERNMENTAL AGREEMENTS**

The Authority has entered into various agreements with other governmental entities to study, educate, acquire water, and construct water related infrastructure. Individual members of the Authority have entered into participation agreements to provide funding of Authority agreements and to pursue projects, which do not include all the Authority membership.

**Personnel and Cost Sharing Agreement**

The Authority entered into an Agreement with South Metro WISE Authority (WISE) dated July 10, 2013. The Agreement allows the Authority and WISE to share the costs related to the hiring, management and compensation of personnel, and the costs of personnel-related overhead. The percentage allocation will be reviewed from time to time to determine the reasonableness of the allocation and amended upon agreement of the parties.

**NOTE 6 - RISK MANAGEMENT**

The Authority 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 Authority is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2019. 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 Authority pays annual premiums to the Pool for liability, property, workers compensation and public officials' liability. 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.

**SOUTH METRO WATER SUPPLY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 7 - RETIREMENT COMMITMENTS**

**Deferred Compensation Plan**

The Authority has established a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This Plan is administrated by Lincoln Financial Group. Eligible employees may participate in the Plan at their option. At December 31, 2019, five of the Authority's members were participants in the 457 Plan and their Contributions for the year ended December 31, 2019, totaled \$51,715.

**Defined Contribution Plan**

The employees of the Authority can participate in a money purchase pension plan and trust (401a Plan), which is a defined contribution plan which was established by the Authority and is administered by Lincoln Financial Group. At December 31, 2019, there were five plan members. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority will contribute up to 8% of an employee's compensation to match the amount the employee contributes to the 457 Plan. There is no liability for benefits under the plan beyond the Authority's payments. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Directors. Pension expense for the year ended December 31, 2019, totaled \$39,245.

**NOTE 8 TAX, SPENDING AND DEBT LIMITATIONS**

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The Authority's management believes it is in compliance with the provisions of TABOR.

However, TABOR is complex and subject to interpretation.

**NOTE 9 - COMMITMENTS**

On September 21, 2015, the Authority entered into a 63-month office space lease agreement, beginning December 1, 2015. Annual rent commitments are as follows:

|                           |    |               |
|---------------------------|----|---------------|
| Years ending December 31, |    |               |
| 2020                      | \$ | 74,407        |
| 2021                      |    | 12,441        |
| Total                     | \$ | <u>86,848</u> |

**SOUTH METRO WATER SUPPLY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 10 – SUBSEQUENT EVENT**

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Authority, COVID-19 may impact various parts of its 2020 operations and financial results, but the effects are currently unknown. Management believes the Authority is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

**SUPPLEMENTARY INFORMATION**

**SOUTH METRO WATER SUPPLY AUTHORITY  
SCHEDULE OF PARTICIPATION CONTRACT ACTIVITY  
YEAR ENDED DECEMBER 31, 2019**

|  | <b>Water<br/>Ambassadors</b> | <b>Co/WY Coalition</b> | <b>Total</b>     |
|--|------------------------------|------------------------|------------------|
| <b>REVENUES</b>                                  |                              |                        |                  |
| Arapahoe County Water & Wastewater Authority     | \$ -                         | \$ -                   | \$ -             |
| Castle Pines North Metro District                | -                            | -                      | -                |
| Centennial W&S District                          | 3,333                        | -                      | 3,333            |
| Cottonwood W&S District                          | 1,667                        | -                      | 1,667            |
| Dominion W&S District                            | -                            | -                      | -                |
| East Cherry Creek Valley W&S District            | 3,333                        | -                      | 3,333            |
| Inverness W&S District                           | 1,667                        | -                      | 1,667            |
| Meridian Metro District                          | 1,667                        | -                      | 1,667            |
| Northern Douglas County W&S                      | -                            | -                      | -                |
| Parker W&S District                              | 3,333                        | -                      | 3,333            |
| Pinery W&S District                              | 1,667                        | -                      | 1,667            |
| Rangeview Metro District                         | -                            | -                      | -                |
| Stonegate Village Metro District                 | -                            | -                      | -                |
| Town of Castle Rock                              | 3,333                        | -                      | 3,333            |
| Douglas County                                   | 5,000                        | -                      | 5,000            |
| State of Colorado                                | -                            | -                      | -                |
| Total revenues                                   | <u>25,000</u>                | <u>-</u>               | <u>25,000</u>    |
| <b>CONTRACT COSTS</b>                            |                              |                        |                  |
| Paid contract costs                              | <u>33,023</u>                | <u>-</u>               | <u>33,023</u>    |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) COSTS</b> | (8,023)                      | -                      | (8,023)          |
| <b>FUND BALANCE - BEGINNING<br/>OF YEAR</b>      | <u>32,153</u>                | <u>(2,790)</u>         | <u>29,363</u>    |
| <b>FUND BALANCE - END<br/>OF YEAR</b>            | <u>\$ 24,130</u>             | <u>\$ (2,790)</u>      | <u>\$ 21,340</u> |