

**SOUTH METRO WISE AUTHORITY
Arapahoe and Douglas Counties, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
Year Ended December 31, 2021**



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of South Metro WISE Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the entity's basic 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 business-type activities of South Metro WISE Authority, as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Metro WISE Authority 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 South Metro WISE Authority'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.

Auditors' Responsibilities 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 auditors' report that includes our opinion. 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 South Metro WISE Authority'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 South Metro WISE Authority'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

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 operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Board of Directors
South Metro WISE Authority

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Metro WISE Authority's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
May 11, 2022

BASIC FINANCIAL STATEMENTS

**SOUTH METRO WISE AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	2021
ASSETS	
Cash and Investments	\$ 17,717,072
Accounts Receivable	1,804,763
Prepaid Items	31,457
Capital Assets, Not Being Depreciated	42,389,178
Capital Assets, Net	39,151,211
Total Assets	101,093,681
LIABILITIES	
Accounts Payable and Retainage Payable	4,608,302
Due to SMWSA	20,971
Operations Deposit	2,340,337
Total Liabilities	6,969,610
NET POSITION	
Net Investment in Capital Assets	78,220,990
Restricted for Capital Projects	9,731,215
Unrestricted	6,171,866
Total Net Position	\$ 94,124,071

See accompanying Notes to Financial Statements.

**SOUTH METRO WISE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2021**

	2021
OPERATING REVENUES	
Members Fees	\$ 950,000
Operations & Maintenance	225,000
Reimbursed Costs	146,654
Water Sales	6,405,362
Total Operating Revenues	7,727,016
OPERATING EXPENSES	
Accounting & Audit	8,768
Engineering	169,410
Insurance & Bonds	36,368
Legal	27,120
Supplies/Meetings/Dues	2,496
Public Relations	14,700
SMWSA Staffing/Office	743,532
System Operations & Operations Split	206,844
Water Purchase	6,408,186
Easement & Pipeline Protection	2,167
Minor Repairs	9,130
General 3-Party	6,692
WISE Pipeline Operations	114,278
Depreciation	983,835
Total Operating Expenses	8,733,526
OPERATING LOSS	(1,006,510)
NONOPERATING REVENUE AND EXPENSES	
Investment Income	12,186
Total Nonoperating Revenue and Expenses	12,186
CAPITAL CONTRIBUTIONS	
Contributions from Members - Binney Connection	618,800
Total Capital Contributions	618,800
CHANGE IN NET POSITION	(375,524)
NET POSITION - BEGINNING OF YEAR	94,499,595
NET POSITION - END OF YEAR	\$ 94,124,071

See accompanying Notes to Financial Statements.

**SOUTH METRO WISE AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Members and Others	\$ 7,230,061
Payments to Suppliers	<u>(7,336,824)</u>
Net Cash Used by Operating Activities	(106,763)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Contributions	682,818
Payments Related to Acquisition of Capital Assets	<u>(28,446,494)</u>
Net Cash Used by Capital and Related Financing Activities	(27,763,676)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>12,186</u>
Net Cash Provided by Investing Activities	<u>12,186</u>
 NET DECREASE IN CASH AND INVESTMENTS	 (27,858,253)
 CASH AND INVESTMENTS - BEGINNING OF YEAR	 <u>45,575,325</u>
 CASH AND INVESTMENTS - END OF YEAR	 <u><u>\$ 17,717,072</u></u>

See accompanying Notes to Financial Statements.

**SOUTH METRO WISE AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	2021
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	\$ (1,006,510)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	983,835
(Increase) Decrease in Assets:	
Accounts Receivable	(497,857)
Prepaid Expenses	4,598
Increase (Decrease) in Liabilities:	
Accounts Payable	423,378
Due to SMWSA	(15,109)
Operations Deposit	902
Net Cash Used by Operating Activities	\$ (106,763)

See accompanying Notes to Financial Statements.

**SOUTH METRO WISE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 - DEFINITION OF REPORTING ENTITY

The South Metro WISE Authority (Authority) was formed July 10, 2013. The Authority was formed to implement the Water Infrastructure and Supply Efficiency Project (WISE) and help maximize the use of the water resources available to the members. The Authority's members are 10 local governments located in the southern Denver metropolitan areas of south-central Arapahoe and northern Douglas Counties.

The Authority, on behalf of its members, participates in the WISE Partnership. The WISE Partnership provides a projected annual average total of 10,000 acre feet of renewable water. The WISE Partnership-Water Delivery Agreement (WDA) is an agreement between the City and County of Denver, acting by and through its Board of Water Commissioners (Denver), the City of Aurora, acting by and through its Utility Enterprise (Aurora), and the Authority. The WDA is the overarching agreement that defines the terms under which Denver and Aurora deliver water to the Authority for subsequent delivery to the Authority members. Engineering, design, and construction contracts required to transport water were entered into by the Authority during 2015 in order to begin taking deliveries of water in 2017.

The Authority has no employees and is governed by a 5 member Board of Directors. Three directors are elected from delegates nominated by the governing bodies of the three largest members (plus ties) and two directors are elected from delegates nominated by the remaining members' governing bodies. The Authority contracts for all of its professional services.

As of December 31, 2021, the Authority consisted of ten members who pay annual dues to operate the Authority based on the percentage defined in the South Metro WISE Authority Formation and Organizational Intergovernmental Agreement. The members and their respective allocation of annual dues at December 31, 2021, were as follows:

Centennial Water and Sanitation District	10.00%
Cottonwood Water and Sanitation District	4.00%
Dominion Water & Sanitation District	13.25%
Inverness Water and Sanitation District	5.00%
Meridian Metropolitan District	7.75%
Parker Water and Sanitation District	16.00%
Pinery Water and Wastewater District	5.00%
Rangeview Metropolitan District	9.00%
Stonegate Village Metropolitan District	10.00%
Town of Castle Rock	20.00%
	<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.

**SOUTH METRO WISE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the Authority 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 Authority'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.

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

Basis of Accounting

The Authority'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 redemption of bonds and loans is recorded as a reduction in liabilities. Membership fees billed as capital will be recorded as capital contributions at the time they become due. Capital grants from the State of Colorado are recognized as capital contributions when received.

Operating Revenues and Expenses

The Authority distinguishes between operating revenues and expenses and nonoperating items in the Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's purpose of providing water services to its members. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

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 includes each fund on its basis of accounting unless otherwise indicated.

**SOUTH METRO WISE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

For purposes of the statement of cash flows, the Authority 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, which include land, easements, water rights, pipeline capacity, buildings, distribution systems, and machinery and equipment, are reported by the Authority. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

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 over the remaining useful lives of the related capital assets, as applicable. Any construction in process that will be dedicated to another entity is not depreciated. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of 5-65 years.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 17,717,072
Total	<u>\$ 17,717,072</u>

Cash and investments as of December 31, 2021 consist of the following:

Deposits with Financial Institutions	\$ 609,186
Investments	<u>17,107,886</u>
Total Cash and Investments	<u>\$ 17,717,072</u>

Deposits with Financial Institutions

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 102% of the aggregate uninsured deposits.

**SOUTH METRO WISE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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, 2021, the Authority's cash deposits had a bank balance of \$896,551 and a carrying balance of \$609,186.

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 with an asterisk (*) 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 or subject to investment custodial credit risk 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.

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, 2021, the Authority had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 14,767,331
Colorado Statewide Investment Pool (CSIP)	Weighted average under 60 days	<u>2,340,555</u>
Total		<u>\$ 17,107,886</u>

**SOUTH METRO WISE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Colorado Statewide Investment Program (CSIP)

As of December 31, 2021, the Authority invested in the Colorado Statewide Investment Program (CSIP), 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 CSIP. CSIP operates similarly to a money market fund and each share is equal in value to \$1.00. CSIP is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72, *Fair Value Measurement and Application*.

Colorado Surplus Asset Fund Trust (CSAFE)

As of December 31, 2021, the Authority invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE operates similar to a money market fund, with each share valued at \$1.00. CSAFE is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

	Balance at December 31, 2020	Additions	Deletions	Balance at December 31, 2021
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 12,671,266	\$ 29,717,912	\$ -	\$ 42,389,178
Total Capital Assets, Not Being Depreciated	12,671,266	29,717,912	-	42,389,178
Infrastructure	42,384,255	-	-	42,384,255
Vehicles and Equipment	1,146,300	-	-	1,146,300
Total Capital Assets, Being Depreciated	43,530,555	-	-	43,530,555
Infrastructure	(3,093,853)	(965,822)	-	(4,059,675)
Vehicles and Equipment	(301,656)	(18,013)	-	(319,669)
Total Accumulated Depreciation	(3,395,509)	(983,835)	-	(4,379,344)
Total Capital Assets, Being Depreciated, Net	40,135,046	(983,835)	-	39,151,211
Total Capital Assets, Net	\$ 52,806,312	\$ 28,734,077	\$ -	\$ 81,540,389

**SOUTH METRO WISE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 - NET POSITION

The Authority has net position consisting of three components – investment in capital assets, restricted for capital projects, and unrestricted.

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 attributed to the acquisition, construction, or improvement of those assets. As of December 31, 2021, the Authority had a net investment in capital assets of \$78,220,990.

Restricted for capital projects consists of capital contributions received for the Binney Connection project, including the amounts billed for 5% contingency costs, net of amounts spent on the project through December 31, 2021. Restrictions are imposed by the individual contributors, which consist of the members outlined in Note 1, plus Denver Water, who specify the contributions are only to be spent on the Binney Connection project and are not to be used for any other purpose. As of December 31, 2021, the restricted for capital projects balance totaled \$9,731,215.

The unrestricted component of net position as of December 31, 2021 totaled \$6,171,866.

NOTE 6 - INTERGOVERNMENTAL AGREEMENTS

Personnel and Cost Sharing Agreement

The Authority entered into an Agreement with South Metro Water Supply Authority (SMWSA) dated July 10, 2013. The Agreement allows the Authority and SMWSA 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 mutual agreement of the parties.

NOTE 7 - 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, 2021. 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 WISE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 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 - AGREEMENT REGARDING MODIFICATIONS TO SHARED INFRASTRUCTURE
(Modifications Agreement)**

The Modifications Agreement was entered into by East Cherry Creek Valley Water & Sanitation District (ECCV), the South Metro Wise Authority (Wise Authority), and the City and County of Denver acting by and through its Board of Water Commissioners (Denver Water) on October 21, 2014. The Parties agreed that modifications are needed to make the pipeline suitable for joint-use, and that Design-Build Construction is necessary to accomplish their individual and mutual objectives. The Parties agreed to share the costs of the Design-Build Construction as with the understanding that Denver Water and ECCV will contribute no more than \$3,454,980 each towards the Design-Build Construction. However, the Parties understand that actual costs may be higher.

The Parties acknowledge that such payments shall secure each Party a significant equitable interest in the Design-Build Construction. However, in the interest of efficient construction and operation of the facilities, not all three Parties will be *title* owners of each facility constructed. The WISE Authority will grant Denver Water and ECCV a joint use license for the Design-Build Construction upon completion. Denver Water shall provide the WISE Authority a joint-use license for use of its ownership interest in the Western Pipeline. Such licenses shall be mutually agreed upon by the Parties. The Parties anticipate that the WISE Authority will hold the contracts and act as "Owner" for the construction of the Design-Build Construction. Notwithstanding that, Denver Water and ECCV shall have the right to review contracts, plans, specifications, drawings, etc. for the construction of the Design-Build Construction.

SUPPLEMENTARY INFORMATION

SOUTH METRO WISE AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Subscription Member Fees	\$ 950,000	\$ 950,000	\$ -
Operations and Maintenance	225,000	225,000	-
DIA Connection	7,056,418	-	(7,056,418)
Investment Income	54,000	12,186	(41,814)
Rangeview Service Extension	618,800	618,800	-
Water Sales	9,765,340	6,405,362	(3,359,978)
Water Sales - Contingency	1,948,493	-	(1,948,493)
Binney Connection	2,736,478	-	(2,736,478)
Reimbursed - DW & ECCV	-	146,654	146,654
Transfers In	1,007,678	-	(1,007,678)
Total Revenues	24,362,207	8,358,002	(16,004,205)
EXPENDITURES			
Operations:			
Accounting	20,000	-	20,000
Audit	15,000	8,768	6,232
Dues and Subscriptions	3,000	854	2,146
Engineering	550,000	169,410	380,590
Insurance and Bonds	56,908	36,368	20,540
Legal	100,000	27,120	72,880
Public Relations	50,000	14,700	35,300
Supplies/Meetings	10,000	1,642	8,358
SMWSA Staffing/Office	755,497	743,532	11,965
Contingency	160,000	-	160,000
System Operations	150,000	112,635	37,365
Training/Travel Expenses	7,500	-	7,500
WISE Pipeline Operations	185,000	114,278	70,722
Easement & Pipeline Protection	25,000	2,167	22,833
QSWTP Operations	100,000	94,209	5,791
Minor Repairs	80,000	9,130	70,870
Contract Operations	75,000	-	75,000
Chemical Costs	50,000	-	50,000
Pumping Electrical	100,000	-	100,000
General	93,000	6,692	86,308
Reimbursed Expenditures from ECCV & DW	(124,656)	-	(124,656)
DIA Connection Cost	7,056,418	-	7,056,418
Water Purchase	9,765,340	6,408,186	3,357,154
Water Purchase Contingent	1,948,493	-	1,948,493
Capital Projects:			
Binney Connection	40,358,500	28,994,386	11,364,114
Rangeview Service Extension	618,800	618,800	-
Other Capital Projects	1,120,000	104,726	1,015,274
Other Project Costs 3-Party	225,000	-	225,000
Reimbursed from ECCV & DW	(371,663)	-	(371,663)
Transfers Out	1,007,678	-	1,007,678
Total Expenditures	64,189,815	37,467,603	26,722,212
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(39,827,608)	(29,109,601)	10,718,007
FUNDS AVAILABLE - BEGINNING OF YEAR	16,042,574	46,640,735	30,598,161
FUNDS AVAILABLE - END OF YEAR	\$ (23,785,034)	\$ 17,531,134	\$ 41,316,168

**SOUTH METRO WISE AUTHORITY
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2021**

	Actual
Funds Available are Defined as Follows:	
Current Assets	\$ 19,553,292
Less Current Liabilities	<u>(2,022,158)</u>
Funds Available	<u><u>\$ 17,531,134</u></u>
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses, and Changes in Net Position:	
Revenues (Budgetary Basis)	<u>\$ 8,358,002</u>
Total Revenues per Statement of Revenues, Expenses, and Changes in Net Position	<u>8,358,002</u>
Expenditures (Budgetary Basis)	37,467,603
Capital Outlay	(29,717,912)
Depreciation	<u>983,835</u>
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>8,733,526</u>
Change in Net Position per Statement of Revenues, Expenses, and Changes in Net Position	<u><u>\$ (375,524)</u></u>



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

We have audited the financial statements of the business-type activities of South Metro WISE Authority (the Authority) as of and for the year ended December 31, 2021, and have issued our report thereon dated May 11, 2022. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit in our planning communication dated March 9, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by South Metro WISE Authority are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2021.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of depreciation expense is based on the straight-line method over the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated May 11, 2022.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Supplementary information in relation to the financial statements as a whole

With respect to the supplementary information accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated May 11, 2022.

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This communication is intended solely for the information and use of the Board of Directors and management of South Metro WISE Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
May 11, 2022