

SOUTH METRO WATER SUPPLY AUTHORITY
Arapahoe and Douglas Counties, Colorado

FINANCIAL STATEMENTS
Year Ended December 31, 2022



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of South Metro Water Supply Authority, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise South Metro Water Supply Authority'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 respective financial position of the governmental activities and the major fund of South Metro Water Supply Authority, as of December 31, 2022, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 South Metro Water Supply 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 opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective January 1, 2022, South Metro Water Supply Authority adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all lease with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

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 South Metro Water Supply 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Metro Water Supply 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 Water Supply 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 principal 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.

Supplementary 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. 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 schedule of participation contract activity is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenwood Village, Colorado
May 11, 2023

BASIC FINANCIAL STATEMENTS

**SOUTH METRO WATER SUPPLY AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities
ASSETS	
Cash and investments	\$ 143,268
Accounts receivable	96,346
Security deposit	7,776
Prepaid items	26,328
Capital Assets Net of Accumulated Amortization:	
Right-to-Use Lease Building	88,337
Total assets	362,055
LIABILITIES	
Accounts payable	9,828
Long-Term liabilities:	
Due Within One Year	126,323
Due in More Than One Year	29,335
Total liabilities	165,486
NET POSITION	
Restricted for participation contracts	41,576
Unrestricted	154,993
Total net position	\$ 196,569

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Change in Net Position</u>
					<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 1,258,079	\$ 1,059,441	\$ -	\$ -	\$ (198,638)
Participation contracts	3,073	-	10,000	-	6,927
Interest on long-term liabilities	8,892	-	-	-	(8,892)
	<u>\$ 1,270,044</u>	<u>\$ 1,059,441</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>(200,603)</u>
General revenues:					
Investment income					<u>3,293</u>
Total general revenues					<u>3,293</u>
Change in net position					(197,310)
Net position - Beginning					<u>393,879</u>
Net position - Ending					<u>\$ 196,569</u>

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2022**

	General
ASSETS	
Cash and investments	\$ 143,268
Accounts receivable	96,346
Security deposit	7,776
Prepaid items	26,328
TOTAL ASSETS	\$ 273,718
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 9,828
Total liabilities	9,828
 FUND BALANCE	
Nonspendable:	
Security deposit	7,776
Prepaid amounts	26,328
Restricted:	
Participation contracts	41,576
Assigned to:	
Subsequent year's expenditures	80,774
Unassigned	107,436
Total fund balance	263,890
TOTAL LIABILITIES AND FUND BALANCE	\$ 273,718
 Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance	\$ 263,890
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	88,337
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated Absences	(60,218)
Lease Payable	(95,440)
Net position of governmental activities	\$ 196,569

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, 2022**

	General
REVENUES	
Dues from members	\$ 270,000
Staff support/office reimbursement	789,441
Conservation income	10,000
Investment income	3,293
Total revenues	1,072,734
EXPENDITURES	
General government	1,199,440
Participation contracts	3,073
Debt service:	
Principal	60,849
Interest	8,892
Total expenditures	1,272,254
NET CHANGE IN FUND BALANCE	(199,520)
FUND BALANCE - BEGINNING OF YEAR	463,410
FUND BALANCE - END OF YEAR	\$ 263,890

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance	\$ (199,520)
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Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization expense. Also, in the statement of activities, only the gain/loss on the sale of capital assets is reported.

Amortization expense	(67,952)
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Repayment of lease principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position.

	60,849
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds.

Compensated Absences	9,313
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Change in net position of governmental activities	\$ (197,310)
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**SOUTH METRO WATER SUPPLY AUTHORITY
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Dues from members	\$ 270,000	\$ 270,000	\$ -
Staff support/office reimbursement	832,479	789,441	(43,038)
Conservation income	230,000	10,000	(220,000)
Investment income	250	3,293	3,043
Total revenues	<u>1,332,729</u>	<u>1,072,734</u>	<u>(259,995)</u>
EXPENDITURES			
General government			
Accounting	22,500	16,949	5,551
Audit	7,500	9,205	(1,705)
Conservation	15,000	4,648	10,352
Contingency	10,000	-	10,000
Dues/sponsorships	42,000	35,450	6,550
Engineering	40,000	-	40,000
Insurance	12,000	8,598	3,402
IT support	15,000	20,346	(5,346)
Legal	25,000	48,001	(23,001)
Lobbying	36,000	37,000	(1,000)
Master plan	30,000	22,395	7,605
Office equipment	10,000	10,543	(543)
Office lease	80,000	71,441	8,559
Office supplies / meeting expense	10,000	9,896	104
Payroll tax expense	59,041	56,103	2,938
Public relations	25,000	25,288	(288)
Employee training	10,000	14,390	(4,390)
Salaries/benefits	910,000	861,089	48,911
Staff expenses	10,000	17,839	(7,839)
Total general government	<u>1,369,041</u>	<u>1,269,181</u>	<u>99,860</u>
Participation contracts			
Chatfield PS/West Side Alternate PA	200,000	-	200,000
Water Ambassadors	16,650	3,073	13,577
Total participation contracts	<u>216,650</u>	<u>3,073</u>	<u>213,577</u>
Total expenditures	<u>1,585,691</u>	<u>1,272,254</u>	<u>313,437</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(252,962)	(199,520)	53,442
FUND BALANCE - BEGINNING OF YEAR	461,752	463,410	1,658
FUND BALANCE - END OF YEAR	<u>\$ 208,790</u>	<u>\$ 263,890</u>	<u>\$ 55,100</u>

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 six employees.

As of December 31, 2022, the Authority consisted of 13 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, 2022, were as follows:

Arapahoe County Water and Wastewater Authority	3.71%
Centennial Water and Sanitation District	16.68%
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%
Roxborough Water & Sanitation District	3.70%
Stonegate Village Metropolitan District	3.70%
Town of Castle Rock	16.67%
	100.00%

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, or 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, 2022**

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, 2022**

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.

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022, follows:

	<u>Balance at December 31, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2022</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 69,531	\$ 42,951	\$ 52,264	\$ 60,218	\$ 60,218

Adoption of New Accounting Standards

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. The Authority adopted the requirements of the guidance effective January 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption.

Leases

The Authority determines if an arrangement is a lease at inception. For leasing arrangements where the Authority is the lessee, leases are included in capital assets and lease liabilities in the statement of net position.

Lease assets represent the Authority's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date on the initial measurement of the lease liabilities, plus any payment made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Leased assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000.

Lease liabilities represent the Authority's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Authority will exercise that option.

For individual lease contracts where information about the discount rate implicit in the lease is not included, the Authority has elected to use the incremental borrowing rate to calculate the present value of expected lease payments.

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of net position and balance sheet:

Cash and Investments	<u>\$ 143,268</u>
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Cash and Investments as of December 31, 2021 consist of the following:

Deposits with Financial Institutions	\$ 92,810
Investments	<u>50,458</u>
	<u>\$ 143,268</u>

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, 2022, the Authority's cash deposits had a bank balance of \$97,310 and a carrying balance of \$92,810. 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, 2022**

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, 2022, the Authority had the following investments:

Investments	Maturity	Net Asset Value
Colorado Local Government Liquid Asset Trust (ColoTrust)	Weighted average under 53 days	<u>\$ 50,458</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, 2022**

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2022 is as follows:

	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022
Capital Assets, Being Amortized:				
Lease Assets:				
Right-to-Use Lease Building	\$ 156,289	\$ -	\$ -	\$ 156,289
Total Capital Assets Being Amortized	156,289	-	-	156,289
Accumulated Amortization:				
Lease Assets:				
Right-to-Use Lease Building	-	(67,952)	-	(67,952)
Total Accumulated Amortization	-	(67,952)	-	(67,952)
Total Capital Assets Being Amortized, Net	\$ 156,289	\$ (67,952)	\$ -	\$ 88,337

As a result of implementation of GASB Statement No. 87 (GASB 87), *Leases*, \$156,289 in lease assets for leases of buildings has been added to the beginning balance presented above. As the adjustment to the beginning balance for this asset is offset by an equal amount of lease liabilities, the Authority did not report a restatement of beginning net position for the implementation of GASB 87.

NOTE 5 – LONG-TERM OBLIGATIONS

Leases Payable

The changes in long-term debt for the year ended December 31, 2022 are as follows:

	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
Governmental Activities:					
Leases Payable	\$ 156,289	\$ -	\$ 60,849	\$ 95,440	\$ 66,105
Total	\$ 156,289	\$ -	\$ 60,849	\$ 95,440	\$ 66,105

As a result of implementation of GASB Statement No. 87 (GASB 87), *Leases*, \$156,289 in leases payable has been added to the beginning balance presented above. As the adjustment to the beginning balance for this liability is offset by an equal amount of right-to-use lease assets, the Authority did not report a restatement of beginning net position for the implementation of GASB 87.

The Authority has a lease agreement with Hanover Resources, Inc. for a building through May 31, 2024.

The principal and interest requirements to maturity of the leases are as follows:

Year Ended December 31,	Principal	Interest	Total
2023	\$ 66,105	\$ 5,072	\$ 71,177
2024	29,335	571	29,906
Total	\$ 95,440	\$ 5,643	\$ 101,083

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 - 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, 2022, the District had \$41,576 of restricted net position for participation contracts.

The unrestricted component of net position as of December 31, 2022, totaled \$154,993.

NOTE 7 - 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. WISE is a related party of the Authority, as the two entities have the same management. As of December 31, 2022, WISE owes the Authority \$83,893.

NOTE 8 - 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, 2022. 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, 2022**

NOTE 9 - 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, 2022, six of the Authority's members were participants in the 457 Plan and contributions for the year ended December 31, 2022, totaled \$65,855.

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, 2022, there were six 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, 2022, totaled \$48,471.

NOTE 10 - 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.

SUPPLEMENTARY INFORMATION

**SOUTH METRO WATER SUPPLY AUTHORITY
SCHEDULE OF PARTICIPATION CONTRACT ACTIVITY
YEAR ENDED DECEMBER 31, 2022**

	Water Ambassadors	Co/WY Coalition	Total
REVENUES			
Arapahoe County Water & Wastewater Authority	\$ -	\$ -	\$ -
Castle Pines North Metro District	-	-	-
Centennial W&S District	-	-	-
Cottonwood W&S District	-	-	-
Dominion W&S District	-	-	-
East Cherry Creek Valley W&S District	-	-	-
Inverness W&S District	-	-	-
Meridian Metro District	-	-	-
Northern Douglas County W&S	-	-	-
Parker W&S District	-	-	-
Pinery W&S District	-	-	-
Rangeview Metro District	-	-	-
Stonegate Village Metro District	-	-	-
Town of Castle Rock	-	-	-
Douglas County	-	-	-
State of Colorado	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
CONTRACT COSTS			
Paid contract costs	<u>3,073</u>	<u>-</u>	<u>3,073</u>
EXCESS OF REVENUES OVER (UNDER) COSTS	(3,073)	-	(3,073)
FUND BALANCE - BEGINNING OF YEAR	<u>47,439</u>	<u>(2,790)</u>	<u>44,649</u>
FUND BALANCE - END OF YEAR	<u>\$ 44,366</u>	<u>\$ (2,790)</u>	<u>\$ 41,576</u>



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