

**SOUTH METRO WATER SUPPLY AUTHORITY
ARAPAHOE AND DOUGLAS COUNTIES, COLORADO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023



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YEAR ENDED DECEMBER 31, 2023**

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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, 2023, 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, 2023, 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.

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.

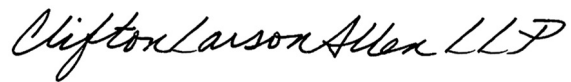
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting 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.

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.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
July 29, 2024

**SOUTH METRO WATER SUPPLY AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 189,129
Accounts Receivable	72,270
Security Deposit	7,776
Prepaid Items	32,721
Capital Assets Net of Accumulated Amortization:	
Right-to-Use Lease Building	20,385
Total Assets	322,281
LIABILITIES	
Accounts Payable	34,106
Long-Term Liabilities:	
Due Within One Year	100,207
Total Liabilities	134,313
NET POSITION	
Net Investment in Capital Assets	(8,950)
Restricted for Participation Contracts	11,367
Unrestricted	185,551
Total Net Position	\$ 187,968

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental Activities:				
General Government	\$ 1,330,930	\$ 1,330,317	\$ -	\$ (613)
Participation Contracts	118,573	-	102,216	(16,357)
Interest on Long-Term Liabilities	5,072	-	-	(5,072)
	<u>\$ 1,454,575</u>	<u>\$ 1,330,317</u>	<u>\$ 102,216</u>	<u>(22,042)</u>
GENERAL REVENUES				
				13,441
				<u>13,441</u>
CHANGE IN NET POSITION				
				(8,601)
				196,569
				<u>\$ 187,968</u>

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2023**

	General
ASSETS	
Cash and Investments	\$ 189,129
Accounts Receivable	72,270
Security Deposit	7,776
Prepaid Items	32,721
Total Assets	301,896
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	34,106
Total Liabilities	34,106
FUND BALANCE	
Nonspendable:	
Security Deposit	7,776
Prepaid Amounts	32,721
Restricted:	
Participation Contracts	11,367
Assigned to:	
Subsequent Year's Expenditures	75,917
Unassigned	140,009
Total Fund Balance	267,790
Total Liabilities and Fund Balance	\$ 301,896
Total Fund Balance	\$ 267,790
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	20,385
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated Absences	(70,872)
Lease Payable	(29,335)
Net Position of Governmental Activities	\$ 187,968

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, 2023**

	General
REVENUES	
Dues from Members	\$ 480,000
Participation Contract Fees	5,000
Staff Support/Office Reimbursement	850,317
Conservation Income	25,000
Grant Funding	72,216
Investment Income	13,441
Total Revenues	1,445,974
EXPENDITURES	
General Government	1,252,324
Participation Contracts	118,573
Debt Service:	
Principal	66,105
Interest	5,072
Total Expenditures	1,442,074
NET CHANGE IN FUND BALANCE	3,900
Fund Balance - Beginning of Year	263,890
FUND BALANCE - END OF YEAR	\$ 267,790
Net Change in Fund Balance	\$ 3,900
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Amortization Expense	(67,952)
<p>Repayment of lease principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position.</p>	
	66,105
<p>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.</p>	
Compensated Absences	(10,654)
Change in Net Position of Governmental Activities	\$ (8,601)

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Dues from Members	\$ 480,000	\$ 480,000	\$ -
Staff Support/Office Reimbursement	841,610	850,317	8,707
Conservation Income	30,000	30,000	-
CWCB Grant Income	165,026	72,216	(92,810)
Investment Income	4,000	13,441	9,441
Total Revenues	<u>1,520,636</u>	<u>1,445,974</u>	<u>(74,662)</u>
EXPENDITURES			
General Government:			
Accounting	16,000	14,616	1,384
Audit	11,150	11,099	51
Conservation	-	17,918	(17,918)
Contingency	10,000	-	10,000
Dues/Sponsorships	35,000	37,256	(2,256)
Engineering	40,000	-	40,000
Insurance	10,000	10,175	(175)
IT Support	20,000	26,012	(6,012)
Legal	25,000	21,638	3,362
Lobbying	36,000	36,000	-
Master Plan	50,000	30,498	19,502
Office Equipment	10,000	9,635	365
Office Space/Facilities	75,000	73,614	1,386
Office Supplies/Meeting Expense	10,000	8,640	1,360
Payroll Tax Expense	65,000	59,215	5,785
Public Relations/Regional Messaging	25,000	18,950	6,050
Employee Training	10,000	3,189	6,811
Salaries/Benefits	937,000	929,509	7,491
Staff Expenses	12,000	15,537	(3,537)
Total General Government	<u>1,397,150</u>	<u>1,323,501</u>	<u>73,649</u>
Participation Contracts:			
CWCB - Aquifer Storage Grant	153,026	83,364	69,662
CWCB - Water Ambassador Grant	12,000	-	12,000
Co/Wy Refund To Participants	17,584	11,737	5,847
Water Ambassadors	21,650	23,472	(1,822)
Total Participation Contracts	<u>204,260</u>	<u>118,573</u>	<u>85,687</u>
Total Expenditures	<u>1,601,410</u>	<u>1,442,074</u>	<u>159,336</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(80,774)	3,900	84,674
Fund Balance - Beginning of Year	<u>208,790</u>	<u>263,890</u>	<u>55,100</u>
FUND BALANCE - END OF YEAR	<u>\$ 128,016</u>	<u>\$ 267,790</u>	<u>\$ 139,774</u>

See accompanying Notes to Financial Statements.

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 DEFINITION OF REPORTING ENTITY

The South Metro Water Supply Authority (the 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 (the 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, 2023, 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, 2023, 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
Total	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, 2023**

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.

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

Net Position

Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets - Consists of capital assets, net of accumulated amortization and reduced by outstanding balances of leases payable that are attributable to the acquisition of those assets.

Restricted Net Position - Is reported when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grants, laws or regulations of other governments.

Unrestricted Net Position - Is the amount of net position that does not meet the definition of the two preceding categories.

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.

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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, 2023, follows:

	Balance - December 31, 2022	Additions	Reductions	Balance - December 31, 2023	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 60,218	\$ 47,749	\$ 37,095	\$ 70,872	\$ 70,872

Adoption of New Accounting Standards

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The Authority adopted the requirements of the guidance effective January 1, 2023. The implementation of this standard resulted in no impact on the Authority's financial statements.

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position and Balance Sheet:

Cash and Investments	<u>\$ 189,129</u>
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Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 75,437
Investments	<u>113,692</u>
Total	<u>\$ 189,129</u>

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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, 2023, the Authority's cash deposits had a bank balance of \$83,057 and a carrying balance of \$75,437. 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. 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, and
- Local government investment pools.

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2023, the Authority had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Net Asset Value</u>
Colorado Local Government Liquid Asset Trust (ColoTrust)	Weighted Average Under 53 Days	<u>\$ 113,692</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.

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2023, is as follows:

	Balance - December 31, 2022	Additions	Reductions	Balance - December 31, 2023
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)	-	(135,904)
Total Accumulated Amortization	(67,952)	(67,952)	-	(135,904)
Total Capital Assets Being Amortized, Net	<u>\$ 88,337</u>	<u>\$ (67,952)</u>	<u>\$ -</u>	<u>\$ 20,385</u>

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS

Leases Payable

The changes in long-term debt for the year ended December 31, 2023, are as follows:

	Balance - December 31, 2022	Additions	Reductions	Balance - December 31, 2023	Due Within One Year
Governmental Activities:					
Lease Payable	\$ 95,440	\$ -	\$ 66,105	\$ 29,335	\$ 29,335
Total	<u>\$ 95,440</u>	<u>\$ -</u>	<u>\$ 66,105</u>	<u>\$ 29,335</u>	<u>\$ 29,335</u>

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:

<u>Year Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 29,335	\$ 571	\$ 29,906
Total	<u>\$ 29,335</u>	<u>\$ 571</u>	<u>\$ 29,906</u>

NOTE 6 NET POSITION

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

Net investment in capital assets as of December 31, 2023 totaled (\$8,950), consisting of capital assets, net of accumulated amortization and reduced by outstanding balances of leases payable that are attributable to the acquisition of those assets.

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, 2023, the District had \$11,367 of restricted net position for participation contracts.

The unrestricted component of net position as of December 31, 2023, totaled \$185,551.

**SOUTH METRO WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023, WISE owes the Authority \$9,211.

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, 2023. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The 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, 2023**

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, 2023, six of the Authority's members were participants in the 457 Plan and contributions for the year ended December 31, 2023, totaled \$69,955.

Defined Contribution Plan

The employees of the Authority can participate in a money purchase pension plan and trust (the 401a Plan), which is a defined contribution plan which was established by the Authority and is administered by Lincoln Financial Group. At December 31, 2023, 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, 2023, totaled \$53,457.

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.

**SOUTH METRO WATER SUPPLY AUTHORITY
SCHEDULE OF PARTICIPATION CONTRACT ACTIVITY
YEAR ENDED DECEMBER 31, 2023**

	<u>Water Ambassadors</u>	<u>CO/WY Coalition</u>	<u>Total</u>
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	5,000	-	5,000
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>5,000</u>	<u>-</u>	<u>5,000</u>
CONTRACT COSTS			
Paid Contract Costs	<u>23,472</u>	<u>11,737</u>	<u>35,209</u>
DEFICIENCY OF REVENUES UNDER CONTRACT COSTS	(18,472)	(11,737)	(30,209)
Fund Balance - Beginning of Year	<u>44,366</u>	<u>(2,790)</u>	<u>41,576</u>
FUND BALANCE - END OF YEAR	<u>\$ 25,894</u>	<u>\$ (14,527)</u>	<u>\$ 11,367</u>



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