SOUTH METRO WATER SUPPLY AUTHORITY
ARAPAHOE AND DOUGLAS COUNTIES, COLORADO

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025



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SOUTH METRO WATER SUPPLY AUTHORITY
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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 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, 2025, 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 accompanying 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, 2025, 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.

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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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

CliftonLarsonAllen LLP

Denver, Colorado
August 4, 2026

SOUTH METRO WATER SUPPLY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2025

As management of the South Metro Water Supply Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2025 and 2024.

Financial Highlights

- The Authority's governmental activities' assets exceeded liabilities by $263,452 and $188,986 at December 31, 2025 and 2024, respectively.
- As December 31, 2025 and 2024, the Authority's governmental fund reported an ending fund balance of $410,342 and $321,430, respectively.
- Total net position increased by $74,466 in 2025 and by $28,869 in 2024.
- General government expenses increased by $34,563, or 2.7%, as compared to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the governmental fund was $257,430.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Overview of the Financial Statements (Continued)

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The Authority maintains one governmental fund - the general fund. The Authority adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Authority's schedule of participation contract activity.

STATEMENT OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Current Assets	$ 449,723	$ 343,063
Capital Assets	241,959	302,702
Total Assets	691,682	645,765
LIABILITIES		
Current Liabilities	200,223	168,475
Long-Term Liabilities	228,007	288,304
Total Liabilities	428,230	456,779
NET POSITION		
Investment in Capital Assets	(46,345)	(18,716)
Restricted Net Position	1,746	5,082
Unrestricted Net Position	308,051	202,620
Total Net Position	$ 263,452	$ 188,986

Overview of the Financial Statements (Continued)

As noted earlier, net position may serve as a useful indicator for the Authority's financial position. In the Authority's case, 2025 and 2024 ended with total net position valued at $263,452 and $188,986, respectively, with outstanding liabilities of $428,230 and $456,779 respectively. Approximately 65% of the Authority's assets consist of cash, investments, current receivables and prepaid items. The remaining assets primarily represent the current value of the Authority's capital assets less accumulated amortization.

STATEMENT OF CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
REVENUES		
Charges for Services	$ 1,380,324	$ 1,321,858
Operating Grants and Contributions	85,585	200,245
Investment Income	10,294	10,957
Total Revenues	1,476,203	1,533,060
EXPENSES		
General Government	1,318,568	1,284,005
Participation Contracts	58,962	209,119
Interest on Long-Term Liabilities	24,207	11,067
Total Expenses	1,401,737	1,504,191
CHANGE IN NET POSITION	74,466	28,869
Net Position - Beginning of Year, as Originally Reported	188,986	187,968
Restatement	-	(27,851)
Net Position - Beginning, As Restated	188,986	160,117
NET POSITION END OF YEAR	$ 263,452	$ 188,986

Governmental activities. Governmental activities increased the Authority's net position by $74,466 in 2025 and by $28,869 in 2024. Key elements of these changes in net position were as follows:

- General government expenses increased by $34,563 (2.7%) from 2024 to 2025.
- Beginning net position was restated as of January 1, 2024 as a result of adopting GASB Statement No. 101, *Compensated Absences*.

Financial Analysis of the Government's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General Fund Budgetary Highlights

The difference between the final budgeted revenue of $1,815,911 and the actual revenue of $1,476,203 was ($339,708). Actual expenditures of $1,262,404 were below the final budgeted expenditures of $1,546,290 by $283,886.

Capital Assets and Long-Term Liabilities

As of December 31, 2025, the right-to-use lease asset, net of accumulated amortization, and lease payable amounted to $241,959 and $288,304, respectively.

Next Year's Budgets and Rates

Government Funds. The 2026 budget reflects a decrease in CWCB grant revenue of $37,242. General fund expenditures are expected to decrease comparably in 2026 given a reduction in grant activity.

Requests for Information

This financial report is designed to provide a general overview of the South Metro Water Supply Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

South Metro Water Supply Authority
116 Inverness Drive East #270
Englewood, CO 80112

SOUTH METRO WATER SUPPLY AUTHORITY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and Investments	$ 269,258
Accounts Receivable	30,350
Security Deposit	9,757
Prepaid Items	23,655
Due from South Metro WISE Authority	116,703
Capital Assets Net of Accumulated Amortization:	
Right-to-Use Lease Building	241,959
Total Assets	691,682
LIABILITIES	
Accounts Payable	39,381
Accrued Interest	1,891
Long-Term Liabilities:	
Due Within One Year	158,951
Due in More than One Year	228,007
Total Liabilities	428,230
NET POSITION	
Net Investment in Capital Assets	(46,345)
Restricted for Participation Contracts	1,746
Unrestricted	308,051
Total Net Position	$ 263,452

See accompanying Notes to Financial Statements.

SOUTH METRO WATER SUPPLY AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Position: Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	$ 1,318,568	$ 1,380,324	$ -	$ -	$ 61,756
Participation Contracts	58,962	-	85,585	-	26,623
Interest on Long-Term Liabilities	24,207	-	-	-	(24,207)
Total Governmental Activities	$ 1,401,737	$ 1,380,324	$ 85,585	$ -	64,172
GENERAL REVENUES					
Investment Income					10,294
Total General Revenues					10,294
CHANGE IN NET POSITION					74,466
Net Position - Beginning of Year					188,986
NET POSITION - END OF YEAR					$ 263,452

See accompanying Notes to Financial Statements.

SOUTH METRO WATER SUPPLY AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2025

	General
ASSETS	
Cash and Investments	$ 269,258
Accounts Receivable	30,350
Security Deposit	9,757
Due from South Metro WISE Authority	116,703
Prepaid Items	23,655
Total Assets	449,723
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	39,381
Total Liabilities	39,381
FUND BALANCE	
Nonspendable:	
Security Deposit	9,757
Prepaid Amounts	23,655
Restricted:	
Participation Contracts	1,746
Assigned to:	
Subsequent Year's Expenditures	117,754
Unassigned	257,430
Total Fund Balance	410,342
Total Liabilities and Fund Balance	$ 449,723
Total Fund Balance	$ 410,342
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.	241,959
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated Absences	(98,654)
Accrued Interest	(1,891)
Lease Payable	(288,304)
Net Position of Governmental Activities	$ 263,452

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, 2025

	General
REVENUES	
Dues from Members	$ 500,000
Participation Contract Fees	5,000
Staff Support/Office Reimbursement	880,324
Conservation	25,000
Grant Funding	55,585
Investment Income	10,294
Total Revenues	1,476,203
EXPENDITURES	
General Government	1,262,404
Participation Contracts	58,962
Debt Service:	
Principal	33,114
Interest	32,811
Total Expenditures	1,387,291
NET CHANGE IN FUND BALANCE	88,912
Fund Balance - Beginning of Year	321,430
FUND BALANCE - END OF YEAR	$ 410,342
Net Change in Fund Balance	$ 88,912
Amounts reported for governmental activities in the statement of activities are different because:	
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	(60,743)
Repayment of lease principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position.	33,114
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.	
Accrued Interest	8,604
Compensated Absences	4,579
Change in Net Position of Governmental Activities	$ 74,466

See accompanying Notes to Financial Statements.

SOUTH METRO WATER SUPPLY AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Dues from Members	$ 525,000	$ 500,000	$ (25,000)
Staff Support/Office Reimbursement	935,003	880,324	(54,679)
Conservation	25,000	25,000	-
Participation Contract Fees	5,000	5,000	-
CWCB Grant Income	315,908	55,585	(260,323)
Investment Income	10,000	10,294	294
Total Revenues	1,815,911	1,476,203	(339,708)
EXPENDITURES			
General Government:			
Accounting/Audit	35,000	30,335	4,665
Conservation	10,000	9,568	432
Water Festival	25,000	21,822	3,178
Contingency	10,000	-	10,000
Dues/Sponsorships	36,000	40,620	(4,620)
Engineering	35,000	-	35,000
Insurance	11,000	12,203	(1,203)
IT Support	26,000	27,570	(1,570)
Legal	25,000	8,828	16,172
Lobbying	36,000	39,000	(3,000)
Master Plan	60,000	-	60,000
Office Equipment	10,000	13,713	(3,713)
Office Space/Facilities	82,290	8,736	73,554
Office Supplies/Meeting Expense	9,000	12,192	(3,192)
Payroll Tax Expense	68,000	63,198	4,802
Public Relations/Regional Messaging	30,000	4,925	25,075
Employee Training	5,000	1,034	3,966
Salaries/Benefits	1,012,000	946,263	65,737
QWEL	1,000	-	1,000
Staff Expenses	20,000	22,397	(2,397)
Total General Government	1,546,290	1,262,404	283,886
Participation Contracts:			
CWCB - Aquifer Storage Grant	200,000	-	200,000
CWCB - Water Ambassador Grant	16,000	-	16,000
CWCB - SPROWG	103,000	50,626	52,374
CWCB - Lawn Replacement	25,000	-	25,000
Water Ambassadors	-	8,336	(8,336)
Total Participation Contracts	344,000	58,962	285,038
Debt Service:			
Principal	-	33,114	(33,114)
Interest	-	32,811	(32,811)
Total Debt service	-	65,925	(65,925)
Total Expenditures	1,890,290	1,387,291	502,999
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(74,379)	88,912	163,291
OTHER FINANCING SOURCES			
Lease Issuance	-	-	-
Total Other Financing Sources	-	-	-
NET CHANGE IN FUND BALANCES	(74,379)	88,912	163,291
Fund Balance - Beginning of Year	305,426	321,430	16,004
FUND BALANCE - END OF YEAR	$ 231,047	$ 410,342	$ 179,295

See accompanying Notes to Financial Statements.

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, 2025, 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, 2025, 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.

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.

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).

Accounts Receivable

All trade and other receivables are shown net of allowances for uncollectible amounts. Receivables are analyzed for their collectability based on the terms and conditions of agreements, as well as current economic conditions and consideration of the creditors' ability to pay. There was no allowance for uncollectible amounts as of December 31, 2025.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Costs are allocated during the periods benefited. In the governmental fund, reported prepaid items are classified as nonspendable fund balance.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 be used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

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

Compensated Absences

The Authority allows employees to accumulate unused vacation benefits up to a maximum of 36 days and unused sick leave up to a maximum of 24 days. The liability for compensated absences reported in the government-wide statements consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

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 based 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, 2025, are classified in the accompanying financial statements as follows:

Statement of Net Position and Balance Sheet:	
Cash and Investments	$ 269,258

Cash and investments as of December 31, 2025, consist of the following:

Deposits with Financial Institutions	$ 59,631
Investments	209,627
Total	$ 269,258

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, 2025, the Authority's cash deposits had a bank balance of $68,695 and a carrying balance of $59,631. 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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2025, the Authority had the following investments:

Investments	Maturity	Net Asset Value
Colorado Local Government Liquid Asset Trust Plus+ (ColoTrust Plus+)	Weighted Average Under 60 Days	$ 209,627

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 three portfolios: ColoTrust Prime, ColoTrust Plus+, and ColoTrust Edge. Each portfolio 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, the highest rated commercial paper and any security allowed under CRS 24-75-601. A designated 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 Plus+ 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, 2025, is as follows:

	Balance - December 31, 2024	Additions	Reductions	Balance - December 31, 2025
Capital Assets Being Amortized:				
Lease Assets:				
Right-to-Use Lease Building	$ 328,012	$ -	$ -	$ 328,012
Total Capital Assets Being Amortized	328,012	-	-	328,012
Accumulated Amortization:				
Lease Assets:				
Right-to-Use Lease Building	(25,310)	(60,743)	-	(86,053)
Total Accumulated Amortization	(25,310)	(60,743)	-	(86,053)
Total Capital Assets Being Amortized, Net	$ 302,702	$ (60,743)	$ -	$ 241,959

NOTE 5 LONG-TERM OBLIGATIONS

Leases Payable

The changes in long-term debt for the year ended December 31, 2025, are as follows:

	Balance - December 31, 2024	Additions	Reductions	Balance - December 31, 2025	Due Within One Year
Governmental Activities:					
Lease Payable	$ 321,418	$ -	$ 33,114	$ 288,304	$ 60,297
Compensated Absences	103,233	-	4,579	98,654	98,654
Total	$ 424,651	$ -	$ 37,693	$ 386,958	$ 158,951

The change in compensated absences liability is presented as a net change.

In June 2024, the Authority entered into a new building lease agreement through January 2030. The right-to-use lease asset and the related amortization are detailed in Note 4.

Certain leases require lessees to guarantee minimum residual values. Payments required by residual value guarantees are recognized in the period in which the obligation is paid. There are no residual value guarantees associated with the building lease.

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. During the year ended December 31, 2025, the Authority made no variable lease payments.

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

Year Ending December 31,	Principal	Interest	Total
2026	$ 60,297	$ 20,156	$ 80,453
2027	66,638	15,279	81,917
2028	73,454	9,929	83,383
2029	80,882	3,966	84,848
2030	7,033	46	7,079
Total	$ 288,304	$ 49,376	$ 337,680

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, 2025 totaled ($46,345), 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.

NOTE 6 NET POSITION (CONTINUED)

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. At December 31, 2025, the District had $1,746 of restricted net position for participation contracts.

The unrestricted component of net position as of December 31, 2025, totaled $308,051.

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 Authority members.

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, 2025, WISE owed the Authority $116,703.

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, 2025. 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.

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 administered by Lincoln Financial Group. Eligible employees may participate in the Plan at their option. At December 31, 2025, the Authority's members were participants in the 457 Plan and contributions for the year ended December 31, 2025, totaled $71,104.

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 established by the Authority and is administered by Lincoln Financial Group. At December 31, 2025, there were five plan members. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority will contribute up to 8% of an employee's compensation to match the amount the employee contributes to the 457 Plan. There is no liability for benefits under the plan beyond the Authority's payments. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Directors. The Authority's contributions for the year ended December 31, 2025, totaled $51,666.

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, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	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	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	5,000	-	5,000
CONTRACT COSTS			
Paid Contract Costs	8,336	-	8,336
DEFICIENCY OF REVENUES UNDER CONTRACT COSTS	(3,336)	-	(3,336)
Fund Balance - Beginning of Year	19,609	(14,527)	5,082
FUND BALANCE - END OF YEAR	$ 16,273	$ (14,527)	$ 1,746



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