

SOUTHEAST METRO STORMWATER AUTHORITY
Arapahoe County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**SOUTHEAST METRO STORMWATER AUTHORITY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021**

| | |
|--|------------|
| INDEPENDENT AUDITOR’S REPORT | I |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | III |
| BASIC FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION | 1 |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | 2 |
| STATEMENT OF CASH FLOWS | 3 |
| NOTES TO BASIC FINANCIAL STATEMENTS | 4 |
| SUPPLEMENTARY INFORMATION | |
| STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) | 16 |

INSERT INDEPENDENT AUDITOR'S REPORT

**SOUTHEAST METRO STORMWATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

As management of the Southeast Metro Stormwater Authority (the Authority), we are providing this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2021. Readers should consider the information presented in the Authority's basic financial statements in addition to that presented in this analysis.

Background

The Southeast Metro Stormwater Authority (the Authority) was formed pursuant to Section 29-1-204.2, C.R.S. by an intergovernmental agreement dated September 19, 2006, among Arapahoe County (the County), the city of Centennial (the City), the Arapahoe County Water and Wastewater Authority (ACWWA), the East Cherry Creek Valley Water and Sanitation District (ECCV), and the Inverness Water and Sanitation District (IWS). The purpose of the agreement is to plan, fund, construct, acquire, operate, and maintain drainage and flood control facilities within the Authority's boundaries. By resolution of the Board of Directors, the Authority serves as an enterprise, as such term is defined in Article X, Section 20 of the Colorado Constitution, and in furtherance thereof, to serve as a government-owned business, engaged in water enterprise activities.

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 include the following components: 1) statement of net position; 2) statement of revenues, expenses, and changes in net position; 3) statement of cash flows; 4) schedule of revenues and expenditures – budget and actual (non-GAAP budgetary basis); and 5) notes to the financial statements.

Statement of Net Position: The statement of net position presents information on the Authority's assets and liabilities, with the difference between the two 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.

Statement of Revenues, Expenses, and Changes in Net Position: The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net position changed during the period. 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 (primarily receivables and payables).

Statement of Cash Flows: The statement of cash flows presents the Authority's cash flows from operating, non-capital financing, capital and related financing, and investing activities.

Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis): The Authority adopted an appropriated budget for the year ended December 31, 2021. The budgetary comparison schedule has been provided to demonstrate compliance with the Local Government Budget Law.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**SOUTHEAST METRO STORMWATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Financial Analysis

The following is a condensed statement of net position for the Authority as of December 31, 2021, along with comparative information as of December 31, 2020.

| | December 31, | | Increase (Decrease) |
|----------------------------------|-----------------------|-----------------------|------------------------|
| | 2021 | 2020 | |
| ASSETS | | | |
| Current Assets | \$ 12,225,350 | \$ 13,487,507 | \$ (1,262,157) |
| Capital Assets | 142,111,944 | 143,788,595 | (1,676,651) |
| Total Assets | 154,337,294 | 157,276,102 | (2,938,808) |
| LIABILITIES | | | |
| Short-Term Liabilities | 6,335,195 | 5,354,681 | 980,514 |
| Long-Term Liabilities | 4,391,972 | 5,532,826 | (1,140,854) |
| Total Liabilities | 10,727,167 | 10,887,507 | (160,340) |
| NET ASSETS | | | |
| Net Investment in Capital Assets | 136,154,720 | 136,123,487 | 31,233 |
| Unrestricted | 7,455,407 | 10,265,108 | (2,809,701) |
| Total Net Position | <u>\$ 143,610,127</u> | <u>\$ 146,388,595</u> | <u>\$ (2,778,468)</u> |

The Authority's principal current asset at December 31, 2021, is cash and cash equivalents of \$11,623,808. Capital assets net of accumulated depreciation amount to \$142,111,944 as of December 31, 2021. The Authority's liabilities as of December 31, 2021, include accounts payable and accrued expenses of \$1,590,328, unearned revenue of \$607,978, collateral held of \$2,817,629, reimbursement agreements of \$447,306, a loan for the Authority's buildings of \$3,137,635, and a loan for the Piney Creek Project in the amount of \$2,126,291.

**SOUTHEAST METRO STORMWATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

The following is a condensed statement of revenues, expenses, and changes in net position for the Authority for the years ended December 31, 2021 and 2020.

| | December 31, | | Increase (Decrease) |
|--|-----------------------|-----------------------|------------------------|
| | 2021 | 2020 | |
| OPERATING REVENUES | | | |
| Storm Drainage Utility Fees | \$ 12,384,853 | \$ 12,048,080 | \$ 336,773 |
| OPERATING EXPENSES | | | |
| Expenses Except Depreciation | 8,349,633 | 7,588,948 | 760,685 |
| Depreciation | 7,967,863 | 7,982,307 | (14,444) |
| Total Operating Expenses | 16,317,496 | 15,571,255 | 746,241 |
| OPERATING LOSS | (3,932,643) | (3,523,175) | (409,468) |
| OTHER NONOPERATING REVENUE (EXPENSES) | | | |
| Net Operating Revenue | 356,672 | 299,150 | 57,522 |
| CAPITAL CONTRIBUTIONS | | | |
| Governmental and Other | 797,503 | 985,162 | (187,659) |
| CHANGE IN NET POSITION | (2,778,468) | (2,238,863) | (539,605) |
| Net Position - Beginning of Year | 146,388,595 | 148,627,458 | (2,238,863) |
| NET POSITION - END OF YEAR | <u>\$ 143,610,127</u> | <u>\$ 146,388,595</u> | <u>\$ (2,778,468)</u> |

As shown above, net position decreased by \$2,778,468 in 2021 and decreased by \$2,238,863 in 2020. Operating revenues in 2021 were \$12,384,853 and \$12,048,080 in 2020 – a difference of \$336,773. Operating expenses in 2021 included \$4,222,056 of personal services, \$4,012,522 of contractual services, and \$115,055 of commodities. Nonoperating revenues and expenses in 2021 included interest revenue of \$8,880, nonoperating revenue of \$527,896, and interest expense of \$180,104.

**SOUTHEAST METRO STORMWATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

The following is a condensed statement of budget and actual revenue and expenditures for 2021. Both the budget and the actual amounts are presented on the modified accrual basis. The modified accrual basis is not in accordance with generally accepted accounting principles (GAAP). The principal departures from GAAP are the inclusion of proceeds from the issuance of debt, expenditures for capital outlay and debt principal reduction, and the recording of revenues when received rather than when earned.

| | Budget Amounts | | Actual | Variance with |
|---|-----------------------|-----------------------|-----------------------|--|
| | Original | Final | Amounts | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Stormwater Utility Fees | \$ 12,128,222 | \$ 12,128,222 | \$ 12,327,517 | \$ 199,295 |
| Other | 715,232 | 715,232 | 1,712,245 | 997,013 |
| Total Revenues | 12,843,454 | 12,843,454 | 14,039,762 | 1,196,308 |
| EXPENDITURES | | | | |
| Program Expenses | 7,098,938 | 7,098,938 | 6,671,460 | 427,478 |
| Building and Capital Equipment | 1,612,609 | 1,612,609 | 813,312 | 799,297 |
| Debt Service | 1,164,478 | 1,164,478 | 1,193,941 | (29,463) |
| Capital Improvement Program/Asset Maintenance | 4,888,887 | 9,718,107 | 7,483,578 | 2,234,529 |
| Total Expenditures | 14,764,912 | 19,594,132 | 16,162,291 | 3,431,841 |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$ (1,921,458)</u> | <u>\$ (6,750,678)</u> | <u>\$ (2,122,529)</u> | <u>\$ 4,628,149</u> |

The most significant variance between the final budget and actual expenditures were for capital improvement program/asset maintenance with expenditures less than budget by \$2,234,529. This variance is typical since expenditures frequently lag behind budget due to the length of time required to plan, design, build, and complete a project.

Capital Assets

The Authority held \$228,210,698 of capital assets at December 31, 2021. \$154,188,804 of these capital assets are drainage improvements acquired from the City, ECCV, IWS, and ACWWA during 2008, 2009 and 2011, and \$65,086,420 are drainage improvements constructed by the Authority.

Long-Term Debt

The Authority borrowed \$7,000,000 during 2017 for the construction of its Piney Creek Project. In addition, the Authority has a loan for its administration and maintenance buildings.

The reimbursement agreements assumed from ACWWA call for the payment of system development fees to the developers upon receipt of such fees by the Authority. Future payments are contingent upon development within the Authority's service area and the collection of system development fees.

**SOUTHEAST METRO STORMWATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Economic Factors and Next Year's Budget

Economic conditions have been factored into the development of the 2022 budget. Modifications to the budget were made in February 2022 for the carryover of unfinished capital projects.

The 2022 budget was completed and modified during the ongoing global health crisis created by the COVID-19 (coronavirus) outbreak, in which the duration and consequences are still largely unknown. While the disruption is currently expected to be temporary, there is some uncertainty around the duration. Therefore, while the Authority expects this matter to have some negative impact on its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

Requests for Information

This report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided or requests for additional information should be addressed to the Executive Director for Southeast Metro Stormwater Authority, 7437 S. Fairplay St. Centennial, CO 80112.

BASIC FINANCIAL STATEMENTS

SOUTHEAST METRO STORMWATER AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS

Current Assets:

| | |
|---------------------------|-------------------|
| Cash and Cash Equivalents | \$ 11,623,808 |
| Fees Receivable | 516,464 |
| Prepaid Expenses | 85,078 |
| Total Current Assets | <u>12,225,350</u> |

Capital Assets:

| | |
|---|---------------------|
| Land | 47,870 |
| Buildings | 6,150,796 |
| Tenant Improvements | 314,988 |
| Vehicles and Related Equipment | 1,086,166 |
| Maintenance Equipment | 451,404 |
| Office Furniture, Fixtures, and Equipment | 496,323 |
| Computer Software and Hardware | 435,797 |
| Drainage Improvements | 65,086,420 |
| Contributed Drainage Improvements | 154,188,804 |
| Construction in Progress | 9,180,238 |
| Total Capital Assets | <u>237,438,806</u> |
| Less: Accumulated Depreciation | <u>(95,326,862)</u> |
| Net Capital Assets | <u>142,111,944</u> |

Total Assets 154,337,294

LIABILITIES

Current Liabilities:

| | |
|-------------------------------|------------------|
| Accounts Payable | 561,013 |
| Accrued Salaries and Benefits | 134,225 |
| Accrued Compensated Absences | 396,261 |
| Accrued Interest Payable | 12,982 |
| Accrued Fee Refund | 485,847 |
| Unearned Revenue | 607,978 |
| Collateral Held | 2,817,629 |
| Reimbursement Agreements | 70,000 |
| Piney Creek Loan | 1,049,370 |
| Building Loan | 199,890 |
| Total Current Liabilities | <u>6,335,195</u> |

Noncurrent Liabilities:

| | |
|------------------------------|------------------|
| Reimbursement Agreements | 377,306 |
| Piney Creek Loan | 1,076,921 |
| Building Loan | 2,937,745 |
| Total Noncurrent Liabilities | <u>4,391,972</u> |

Total Liabilities 10,727,167

NET POSITION

| | |
|----------------------------------|------------------------------|
| Net Investment in Capital Assets | 136,154,720 |
| Unrestricted | 7,455,407 |
| Total Net Position | <u><u>\$ 143,610,127</u></u> |

See accompanying Notes to Basic Financial Statements.

SOUTHEAST METRO STORMWATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2021

OPERATING REVENUES

| | |
|-----------------------------|---------------|
| Storm Drainage Utility Fees | \$ 12,384,853 |
|-----------------------------|---------------|

OPERATING EXPENSES

| | |
|--------------------------|------------|
| Personnel Services | 4,222,056 |
| Contractual Services | 4,012,522 |
| Commodities | 115,055 |
| Depreciation | 7,967,863 |
| Total Operating Expenses | 16,317,496 |

| | |
|-----------------------|-------------|
| OPERATING LOSS | (3,932,643) |
|-----------------------|-------------|

NONOPERATING REVENUES (EXPENSES)

| | |
|----------------------------|-----------|
| Interest Income | 8,880 |
| Other Revenue | 527,896 |
| Interest Expense | (180,104) |
| Total Nonoperating Revenue | 356,672 |

| | |
|--|-------------|
| LOSS BEFORE CAPITAL CONTRIBUTIONS | (3,575,971) |
|--|-------------|

| | |
|--|---------|
| CAPITAL CONTRIBUTIONS - INTERGOVERNMENTAL | 166,879 |
|--|---------|

| | |
|--------------------------------------|---------|
| CAPITAL CONTRIBUTIONS - OTHER | 630,624 |
|--------------------------------------|---------|

| | |
|-------------------------------|-------------|
| CHANGE IN NET POSITION | (2,778,468) |
|-------------------------------|-------------|

| | |
|----------------------------------|-------------|
| Net Position - Beginning of Year | 146,388,595 |
|----------------------------------|-------------|

| | |
|-----------------------------------|----------------|
| NET POSITION - END OF YEAR | \$ 143,610,127 |
|-----------------------------------|----------------|

See accompanying Notes to Basic Financial Statements.

SOUTHEAST METRO STORMWATER AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Receipts from Customers | \$ 12,330,257 |
| Payments to and on Behalf of Employees | (4,221,939) |
| Payments to Providers and Suppliers | (4,175,918) |
| Other Receipts | 1,145,672 |
| Net Cash Provided by Operating Activities | <u>5,078,072</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--|----------|
| Principal Payments on Reimbursement Agreements | (99,464) |
|--|----------|

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|--------------------|
| Intergovernmental and Other Contributions Received | 1,175,481 |
| Principal Payments on Building Loan | (193,195) |
| Principal Payments on Piney Creek Project Loan | (1,022,524) |
| Interest Payments | 55,575 |
| Acquisition of Capital Assets | (6,322,345) |
| Net Cash Used by Capital and Related Financing Activities | <u>(6,307,008)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|------------------------------------|--------------|
| Interest on Short-Term Investments | <u>8,880</u> |
|------------------------------------|--------------|

NET DECREASE IN CASH AND CASH EQUIVALENTS

(1,319,520)

Cash and Cash Equivalents - Beginning of Year

12,943,328

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 11,623,808

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|---|----------------------------|
| Operating Income (Loss) | \$ (3,932,643) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Other Nonoperating Revenue | 527,896 |
| Depreciation | 7,967,863 |
| Changes in Assets and Liabilities: | |
| Accounts Receivable | (54,596) |
| Other Current Assets | (2,767) |
| Accounts Payable | (531,421) |
| Accrued Expenses and Other Liabilities | 1,103,740 |
| Net Cash Provided by Operating Activities | <u><u>\$ 5,078,072</u></u> |

See accompanying Notes to Basic Financial Statements.

SOUTHEAST METRO STORMWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

The Southeast Metro Stormwater Authority (the Authority) was formed pursuant to Section 29-1-204.2, C.R.S. by an intergovernmental agreement dated September 19, 2006, among Arapahoe County (the County), the city of Centennial (the City), the Arapahoe County Water and Wastewater Authority (ACWWA), the East Cherry Creek Valley Water and Sanitation District (ECCV), and the Inverness Water and Sanitation District (IWS). The purpose of the agreement is to plan, fund, construct, acquire, operate, and maintain drainage and flood control facilities within the Authority's boundaries. By resolution of the Board of Directors (the Board), the Authority serves as an enterprise, as such term is defined in Article X, Section 20 of the Colorado Constitution, and in furtherance thereof, to serve as a government-owned business, engaged in water enterprise activities.

The Authority is a separate stand-alone governmental entity. The Authority's Board of Directors consists of two voting members appointed by the Arapahoe County Board of County Commissioners, three voting members appointed by the City of Centennial City Council, and one ex-officio nonvoting member jointly appointed by ACWWA, ECCV, and IWS.

The Authority follows 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 government organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's reporting entity. Financial accountability includes, but is not limited to, appointment of a majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority is accounted for as an enterprise fund. The Enterprise fund is used since the Authority's powers are related to those operated in a manner similar to a private utility system where the cost of providing services to the general public on a continuing basis be financed through the imposition of fees and charges. The Authority's 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.

The Authority's activities are accounted for, and reported on, in accordance with all Governmental Accounting Standards Board (GASB) pronouncements.

SOUTHEAST METRO STORMWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The financial statements present the financial position of the Authority as of December 31, 2021, and the results of its operations and cash flows for the year ended December 31, 2021. The statement of revenues, expenses, and changes in net position distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations.

Budget

An annual budget is established for the Authority. Budgetary comparisons are included in the appropriate financial statements and schedules as required by law. The legal level of budgetary control is at the enterprise level. All appropriations unexpended at the end of the year lapse.

The 2021 budget, as revised, was prepared on the modified accrual basis of accounting. The modified accrual basis is not in accordance with generally accepted accounting principles (GAAP). The principal departures from GAAP are the inclusion of proceeds from the issuance of debt, expenditures for capital outlay and debt principal reduction, and the recording of revenues when received rather than when earned.

The following is a summary of the procedures used in establishing budgetary data reflected in the financial statements:

1. The Authority's Executive Director submits to the Board of Directors a proposed budget for the next year.
2. A public hearing is conducted to obtain citizen comments.
3. Prior to December 31, the Board adopts the budget and passes the appropriation resolution.
4. After commencement of the fiscal year, the appropriation resolution is irrevocable. However, the Board may adopt supplemental appropriations by resolution due to circumstances which could not be foreseen at the time of adoption of the original budget.

Investments

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The Authority has no investments required to be reported under the fair value hierarchy.

**SOUTHEAST METRO STORMWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows

For purposes of the statement of cash flows, the Authority considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables

Accounts receivable are expressed net of allowances for doubtful accounts. As of December 31, 2021, there is no allowance for doubtful accounts.

Utility Fees

The Authority has an agreement with Arapahoe County (the County) to bill and collect stormwater fees. Under the agreement, the Authority's stormwater utility fees are billed with the County's property tax bills. The County collects the determined fees during the calendar year, which are payable by April or if in equal installments, at the taxpayer's election, February and June. The County remits the taxes collected monthly to the Authority.

Capital Assets

Capital assets, which include property, plant, equipment, and drainage improvements, are reported in the financial statements. Capital assets are defined by the Authority as assets with an estimated useful life greater than one year. The Authority follows the guidelines set forth in Chapter 9, Section 1.4.1 of the Fiscal Procedures Manual promulgated by the State Controller with regard to dollar thresholds for the capitalization of capital assets. The applicable capitalization guidelines are as follows:

| | |
|---------------------------------|---|
| Land | All Purchases are Capitalized, Regardless of Cost |
| Land Improvements | \$50,000 |
| Building | \$50,000 |
| Leasehold Improvements | \$50,000 |
| Furniture and Equipment | \$5,000 per item |
| Software (Purchased) | \$5,000 |
| Software (Internally Developed) | \$50,000 |

For capitalization purposes, drainage improvements are deemed to be land improvements and, consistent with the State Controller's guidelines, such improvements costing \$50,000 or more are capitalized.

Purchased or constructed capital assets are recorded at cost. Contributed capital assets are recorded at the estimated fair value on the date contributed.

Property, plant, equipment, and drainage improvements are depreciated using the straight-line method over the following estimated useful lives:

| | |
|---|-------------|
| Tenant Improvements | 7 Years |
| Vehicles and Related Equipment | 5-7 Years |
| Office Furniture, Fixtures, and Equipment | 7 Years |
| Computer Software and Hardware | 7 Years |
| Drainage Improvements | 25-50 Years |

SOUTHEAST METRO STORMWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Authority's policy is to accrue as an expense and liability employee vacation, sick leave, and compensatory time when the employee vests in such benefits.

Net Position

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position consists of amounts that do not meet the definition of "restricted" or "net investment in capital assets."

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

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

| | |
|----------------------------|----------------------|
| Cash and Investments | \$ 11,623,808 |
| Total Cash and Investments | <u>\$ 11,623,808</u> |

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

| | |
|--------------------------------------|----------------------|
| Deposits with Financial Institutions | \$ 2,702,730 |
| Investments | 8,921,078 |
| Total Cash and Investments | <u>\$ 11,623,808</u> |

SOUTHEAST METRO STORMWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by the statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2021, the Authority's cash deposit had a bank balance and a carrying balance of \$2,702,730, of which \$250,000 per banking institution is insured through FDIC, and the balance is collateralized in single institution pool, pursuant to PDPA, as described above.

Investments

Investment policies are governed by Colorado statute and the Authority's own investment policies. Investments of the Authority may include the following (certain limitations apply):

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

As of December 31, 2021, the Authority's investment in COLOTRUST was as follows:

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|--|-----------------------------------|---------------------|
| Colorado Local Government Liquid Asset Trust (COLOTRUST) | Weighted-Average Under 60 Days | <u>\$ 8,921,078</u> |

SOUTHEAST METRO STORMWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The Authority invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) the Trust), an investment vehicle established for local governmental 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, COLOSTRUST 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 C.R.S. 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 is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the Authority records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

SOUTHEAST METRO STORMWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

| | Balance - December 31, 2020 | Increases | Decreases | Balance - December 31, 2021 |
|---|-----------------------------------|---------------------|---------------------|-----------------------------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 47,870 | \$ - | \$ - | \$ 47,870 |
| Construction in Progress | 7,363,425 | 6,077,587 | 4,260,774 | 9,180,238 |
| Total Capital Assets, Not Being Depreciated | 7,411,295 | 6,077,587 | 4,260,774 | 9,228,108 |
| Capital Assets, Being Depreciated: | | | | |
| New Building | 6,105,926 | 44,870 | - | 6,150,796 |
| Building Improvements | 314,988 | - | - | 314,988 |
| Vehicles and Related Equipment | 1,086,166 | - | - | 1,086,166 |
| Maintenance Equipment | 289,962 | 161,442 | - | 451,404 |
| Office Furniture, Fixtures, and Equipment | 496,323 | - | - | 496,323 |
| Computer Software and Hardware | 396,808 | 38,989 | - | 435,797 |
| Drainage Improvements | 60,825,646 | 4,260,774 | - | 65,086,420 |
| Contributed Drainage Improvements | 154,188,804 | - | - | 154,188,804 |
| Total Capital Assets, Being Depreciated | 223,704,623 | 4,506,075 | - | 228,210,698 |
| Less Accumulated Depreciation For: | | | | |
| New Building | (1,551,864) | (265,103) | - | (1,816,967) |
| Building Improvements | (171,533) | (39,094) | - | (210,627) |
| Vehicles and Related Equipment | (595,244) | (132,285) | - | (727,529) |
| Maintenance Equipment | (153,689) | (31,836) | - | (185,525) |
| Office Furniture, Fixtures, and Equipment | (423,701) | (37,083) | - | (460,784) |
| Computer Software and Hardware | (332,890) | (13,008) | - | (345,898) |
| Drainage Improvements | (7,140,896) | (1,282,433) | - | (8,423,329) |
| Contributed Drainage Improvements | (76,957,506) | (6,167,552) | - | (83,156,203) |
| Total Accumulated Depreciation | (87,327,323) | (7,968,394) | - | (95,326,862) |
| Net Capital Assets, Being Depreciated | 136,377,300 | (3,462,319) | - | 132,883,836 |
| Capital Assets, Net | <u>\$ 143,788,595</u> | <u>\$ 2,615,268</u> | <u>\$ 4,260,774</u> | <u>\$ 142,111,944</u> |

SOUTHEAST METRO STORMWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATION

The following is an analysis of changes in the Authority's long-term obligations for the year ended December 31, 2021:

| | Balance - December 31, 2020 | Additions | Reductions | Balance - December 31, 2021 | Due in one year |
|---|-----------------------------------|-------------------|---------------------|-----------------------------------|---------------------|
| Loans from Direct Borrowings and Direct Placements: | | | | | |
| Piney Creek Loan | \$ 3,148,815 | \$ - | \$ 1,022,524 | \$ 2,126,291 | \$ 1,049,370 |
| Building Loan | 3,330,830 | - | 193,195 | 3,137,635 | 199,890 |
| Subtotal of Loans from Direct Borrowings and Direct Placements | 6,479,645 | - | 1,215,719 | 5,263,926 | 1,249,260 |
| Other Debts: | | | | | |
| Reimbursement Agreements | 338,900 | 207,870 | 99,464 | 447,306 | 70,000 |
| Compensated Absences | 402,827 | 35,605 | 42,171 | 396,261 | 396,261 |
| Subtotal of Other Debts | 741,727 | 243,475 | 141,635 | 843,567 | 466,261 |
| Total | <u>\$ 7,221,372</u> | <u>\$ 243,475</u> | <u>\$ 1,357,354</u> | <u>\$ 6,107,493</u> | <u>\$ 1,715,521</u> |

ACWWA Reimbursement Agreement

On January 1, 2011, developer reimbursement agreements in the amount of \$1,865,566 were assumed from ACWWA (see Note 1) as a result of the transfer of ACWWA's stormwater permit to the Authority. The various agreements call for the payment of excess capacity fees to the developers upon receipt of such fees by the Authority. Future payments are contingent upon development within the Authority's service area and the collection of excess capacity fees. The Authority believes that the payment of these obligations is likely. However, there is no debt service schedule relating to the various agreements, and the date of future payments is unknown. The Authority has estimated that \$70,000 of the balance as of December 31, 2021, is a current liability.

Piney Creek Loan

On March 29, 2016, the Authority closed on a loan agreement with Colorado Business Bank in the amount of \$7,000,000 for construction of the Piney Creek Project. The loan is secured by fees and charges of the Authority. The term of the loan is seven years and the interest rate is 2.60%. The Authority covenants to maintain a minimum balance of \$1,000,000 in unrestricted cash and investments.

Future debt service requirements for the Piney Creek loan are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|------------------|---------------------|
| 2022 | \$ 1,049,370 | \$ 45,107 | \$ 1,094,477 |
| 2023 | 1,076,921 | 17,556 | 1,094,477 |
| Total | <u>\$ 2,126,291</u> | <u>\$ 62,663</u> | <u>\$ 2,188,954</u> |

SOUTHEAST METRO STORMWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Building Loan

On August 26, 2014, the Authority closed on a loan in the amount of \$4,400,000 with Colorado Business Bank for the construction of its new Administration and Maintenance buildings. The loan bears interest at the rate of 3.421% and is payable in quarterly installments of \$76,170 over a period of 20 years. The loan is secured by fees and charges of the Authority. Prepayment of the loan is subject to a prepayment fee.

Future debt service requirement for the Building Loan are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 199,890 | \$ 104,792 | \$ 304,682 |
| 2023 | 206,816 | 97,866 | 304,682 |
| 2024 | 213,983 | 90,699 | 304,682 |
| 2025 | 221,397 | 83,285 | 304,682 |
| 2026 | 229,069 | 75,613 | 304,682 |
| 2027-2031 | 1,270,054 | 253,355 | 1,523,409 |
| 2032-2034 | 796,426 | 41,448 | 837,874 |
| Total | <u>\$ 3,137,635</u> | <u>\$ 747,058</u> | <u>\$ 3,884,693</u> |

NOTE 6 NET POSITION

The Authority has net position consisting of two components – net investment in capital assets and unrestricted.

Net investment in capital assets consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of long-term obligations that are attributable to the acquisition, construction, or improvements of those asset. As of December 31, 2021, the Authority had net investment in capital assets calculated as follows:

| | |
|--|-----------------------|
| Capital Assets, Net | \$ 142,111,944 |
| Loans and Reimbursement Payable | |
| Due Within a Year | (1,319,260) |
| Due in More Than One Year | (4,391,972) |
| Capital Related Accounts and Retainage Payable | <u>(245,992)</u> |
| Depreciation Adjustment | |
| Net Investment in Capital Assets | <u>\$ 136,154,720</u> |

The Authority's unrestricted net position as of December 31, 2021 totaled \$7,455,407.

SOUTHEAST METRO STORMWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority is a member of the Colorado Special Districts Property and Liability Pool (the Pool). 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.

The Authority pays annual premiums to the Pool for liability, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceeded 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 8 PENSION PLAN

The Authority contributes to the Colorado Retirement Association (CRA) pension plan on behalf of all full-time employees. Employees are required to participate in the plan beginning on the first day of employment.

The plan is a defined contribution plan through which contributions of employers are combined with contributions of employees and invested in income earning instruments for the benefit of plan participants. Any county, municipality or special district of the state of Colorado may, with the consent of the Association become a member and participate in the plan by adopting it for its officers and employees. During 2021, the Authority and participating employees each contributed amounts equal to 6% of compensation to the plan. The dollar amount of employer contributions was \$268,494 and \$268,494 was contributed by the employees. Forfeitures were not used to offset employer contributions during 2021. Employee contributions must match employer contributions. Participants are immediately vested 100% in their own contributions and earnings. Vesting in employer contributions and earnings occurs at the rate of 25% per year. Copies of the Plan's financial statements may be obtained from CRA.

NOTE 9 DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets under this plan are no longer considered property of the Authority and are held by the Authority's third-party administrator for the exclusive benefit of the plan participants and their beneficiaries. The Authority's plan is administered by the Colorado Retirement Association (CRA). The Authority has little administrative involvement and does not perform the investing function for this plan. The assets of the plan are not considered assets of the Authority and are not included in the financial statements.

SOUTHEAST METRO STORMWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, also known as the TABOR Amendment, which has several limitations, including those for revenue, expenditures, property taxes, and issuance of debt. 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.

Section 37-45.1-101, C.R.S., *et seq.* authorizes governmental entities such as the Authority to establish water activity enterprises. On September 28, 2006, the Board of Directors passed a resolution creating the Southeast Metro Stormwater Authority (SEMSWA) Water Activity Enterprise. Therefore, TABOR is not applicable to the Authority.

NOTE 11 INTERGOVERNMENTAL AGREEMENT FOR THE COLLECTION OF STORMWATER FEES

In 2006, the Authority entered into an intergovernmental agreement with the County for the billing and collection of stormwater utility fees. Under the agreement, the Authority's stormwater utility fees are billed with the County's property tax bills. Beginning in 2009, tax-exempt organizations were billed directly by the Authority.

NOTE 12 COMMITMENTS

The Authority had commitments of \$1,913,492 for capital projects at December 31, 2021. Future expenditures for these commitments are expected to be financed through available resources and future revenues.

SUPPLEMENTARY INFORMATION

SOUTHEAST METRO STORMWATER AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(NONGAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2021

| | Budget Amounts | | Actual | Variance with |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES | | | | |
| Storm Drainage Utility Fees | \$ 12,128,222 | \$ 12,128,222 | \$ 12,327,517 | \$ 199,295 |
| Interest Income | 40,000 | 40,000 | 8,868 | (31,132) |
| Intergovernmental Revenue | - | - | 544,857 | 544,857 |
| Other Revenue | 675,232 | 675,232 | 1,158,520 | 483,288 |
| Total Revenues | 12,843,454 | 12,843,454 | 14,039,762 | 1,196,308 |
| EXPENDITURES | | | | |
| Administration | 1,935,246 | 1,935,246 | 1,709,414 | 225,832 |
| Maintenance and Inspections | 2,901,677 | 2,901,677 | 2,698,779 | 202,898 |
| Environmental Resources | 607,368 | 607,368 | 512,435 | 94,933 |
| Building and Space | 656,232 | 656,232 | 616,563 | 39,669 |
| Capital Purchases | 956,377 | 956,377 | 196,749 | 759,628 |
| Debt Service | 1,164,478 | 1,164,478 | 1,193,941 | (29,463) |
| Engineering and Construction | 1,654,647 | 1,654,647 | 1,750,832 | (96,185) |
| Asset Maintenance | 1,500,000 | 3,080,434 | 1,688,641 | 1,391,793 |
| Capital Improvement Program | 3,388,887 | 6,637,673 | 5,794,937 | 842,736 |
| Total Expenditures | 14,764,912 | 19,594,132 | 16,162,291 | 3,431,841 |
| NET CHANGE IN FUNDS AVAILABLE | (1,921,458) | (6,750,678) | (2,122,529) | 4,628,149 |
| Funds available - Beginning of Year | 9,973,133 | 9,968,000 | 9,968,000 | - |
| FUNDS AVAILABLE - END OF YEAR | <u>\$ 8,051,675</u> | <u>\$ 3,217,322</u> | <u>\$ 7,845,471</u> | <u>\$ 4,628,149</u> |

ADJUSTMENTS TO RECONCILE BUDGET BASIS TO GAAP BASIS

| | |
|--|-----------------------|
| Excess of Revenues Over (Under) Expenditures (Budgetary Basis) | \$ (2,122,529) |
| Capital Outlay | 6,322,345 |
| Depreciation | (7,968,394) |
| Loan Principal Payments | 1,215,719 |
| Reimbursement Agreement Payments | 99,464 |
| Accrued Drainage Utility Fees | 57,336 |
| Deferred Revenues | (377,978) |
| Accrued Compensated Absences | (7,767) |
| Accrued Interest on Loans | 3,336 |
| Change in Net Position - GAAP Basis | <u>\$ (2,778,468)</u> |

SOUTHEAST METRO STORMWATER AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (CONTINUED)
(NONGAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2021

FUNDS AVAILABLE ARE DEFINED AS FOLLOWS:

| | |
|--|----------------------------|
| Total Current Assets | \$ 12,225,350 |
| Adjustment for: | |
| Fees Receivable | (516,464) |
| Less: Total Current Liabilities | (6,335,195) |
| Adjustment for: | |
| Accrued Salaries, Benefits, and | |
| Compensated Absences | 530,486 |
| Deferred Revenues | 607,978 |
| Current Portion of Long-Term Obligations | <u>1,333,316</u> |
| Total | <u><u>\$ 7,845,471</u></u> |