



**Central Wyoming Regional Water System
Joint Powers Board**

FINANCIAL REPORT

JUNE 30, 2021

SKOGEN,
COMETTO *& Associates* ^{PC}
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Central Wyoming Regional Water System
Joint Powers Board
Casper, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Wyoming Regional Water System Joint Powers Board, a component unit of the City of Casper, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Central Wyoming Regional Water System Joint Powers Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Wyoming Regional Water System Joint Powers Board, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Accountants' Privity Notification

The accompanying financial statements, required supplementary information, other information, and our independent auditors' reports are for the purpose of meeting local, county, state, and federal requirements and for the use of those entities, the City of Casper as primary government, and the management and Board of Directors of the Central Wyoming Regional Water System Joint Powers Board and should not be used or relied upon by any other party for any purpose. Additional users of these financial statements, required supplementary information, other information, and independent auditors' reports are hereby advised that the liability of Skogen, Cometto & Associates, P.C. to third party users who use or rely on this information may be limited pursuant to 1995 Wyoming Session Laws, Chapter 155 creating Wyoming Statute §33-3-201.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021 on our consideration of the Central Wyoming Regional Water System Joint Powers Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Central Wyoming Regional Water System Joint Powers Board's internal control over financial reporting and compliance.

Skogen, Cometto & Associates, P.C.

Casper, Wyoming
December 21, 2021

Central Wyoming Regional Water System Joint Powers Board
Management Discussion and Analysis
As of and for the year ended June 30, 2021
Unaudited

As management of the Central Wyoming Regional Water System Joint Powers Board (Regional Water System), we offer readers of the Regional Water System's financial statement this narrative overview and analysis of the financial activities of the Regional Water System for the fiscal year ended June 30, 2021.

Financial Highlights

- The assets of the Regional Water System exceeded its liabilities at the close of the most recent fiscal year by \$38,734,405 (*net position*). Of this amount, \$6,599,418 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Regional Water System's total net assets increased by \$2,403,553 or 6.62%. The difference is attributable to a decrease in long-term liabilities and an increase in water sales revenue.
- The Regional Water System's total debt decreased by \$2,313,106 or 15.42%. This is the result of total principal payments in the amount of \$2,481,163 that were applied to the City Note; New Construction Note; Rehabilitation Note; Zone IIB Water Improvements Note; Backwash Water Supply Note; and the Water Treatment Plant Emergency Power Project Loan. New loan distributions for SCADA Improvements Project offset the decrease in indebtedness by \$168,057. The SCADA Improvement Project was completed in the fiscal year and no other debt acquisitions are expected in the new fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Regional Water System's financial statements. The Regional Water System maintains a single proprietary fund which is further classified as an enterprise fund. Enterprise funds are used to account for ongoing activities that are similar to those often found in the private sector. The Regional Water System's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). As such, revenues are recognized when earned, not when received, and expenses are recognized when incurred, not when paid. Capital assets are capitalized and depreciated (except land and construction in process) over their estimated useful lives.

Following this management discussion and analysis is the financial statements of the Regional Water System and the notes to the financial statements. The Regional Water System's financial statements are designed to provide the readers with a broad overview of the Regional Water System's finances, and the notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14-32 of this report.

The *Statement of Net Position* presents information on all the Regional Water System'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 Regional Water System is improving or deteriorating.

Central Wyoming Regional Water System Joint Powers Board
Management Discussion and Analysis
As of and for the year ended June 30, 2021
Unaudited

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Regional Water System's net position changed during the most recent 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some of the items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Regional Water System's cash accounts are recorded in this statement. Reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Regional Water System, assets exceeded liabilities by \$38,734,405 at the close of fiscal year 2021.

By far the largest portion of the Regional Water System's net position is the investment in capital assets (\$31,134,987 or 80.4%). This includes land, buildings, machinery, equipment, and construction in progress less any outstanding debt used to acquire those assets. Although the Regional Water System's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Regional Water System's net position is \$1,000,000 (2.6%) of resources that are subject to external restrictions on how they may be used. These restricted net assets represent resources that have been set aside by the Board and must be used to pay for certain building maintenance costs.

The balance of net position is \$6,599,418 (17.0%). These assets are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Of the unrestricted net position, \$5,047,718 has been designated, per the Regional Water System's policy: Operating Reserves (90 days) - \$905,052; Debt Service Reserves - \$2,185,389; Capital Improvements - \$1,957,277

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Analysis of Changes in Net Position

Regional Water System's Net Assets

	30-Jun-21	30-Jun-20	Increase/ Decrease	Percent Change
Current and other assets	\$ 8,903,818	\$ 7,570,368	\$ 1,333,450	17.61%
Capital assets	43,826,762	44,682,274	(855,512)	-1.91%
Total Assets	52,730,580	52,252,642	477,938	0.91%
Long-term liabilities outstanding	10,583,072	12,922,685	(2,339,613)	18.10%
Other liabilities	3,413,102	2,999,105	413,997	13.80%
Total Liabilities	13,996,174	15,921,790	(1,925,616)	12.09%
Net Assets				
Invested in capital assets, net of related debt	31,134,987	29,677,392	1,457,595	4.91%
Restricted	1,000,000	1,000,000	-	0.00%
Unrestricted	6,599,418	5,653,460	945,958	16.73%
Total net assets	\$ 38,734,405	\$ 36,330,852	\$ 2,403,553	6.62%

The Regional Water System's net position increased by \$2,403,553 during the current fiscal year. Key elements of this increase can be attributed to positive operating financial performance and subsequent investments in capital assets.

Budgetary Highlights

Operating revenues were \$741,113 (9.69%) higher than budgeted. This was primarily due to the area receiving below normal precipitation during the watering season resulting in higher water consumption and sales revenue. Operating expenditures were higher than budget expectations by \$299,960 (8.2%). Non-operating revenues and expense, which consist of interest income and interest expense only varied slightly. One attributable unbudgeted non-operating revenue was debt forgiveness for \$356,707 that offsets interest expense.

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The capital budget plan was reduced due to the 2.6 MG Backwash Tank Upgrade Project needing a structural evaluation which was discovered during the coating of the tank. This delayed the project into the next fiscal year. Other projects that were delayed into the fiscal year were contracted in FY2021 and will begin construction in FY2022.

Regional Water System's Revenues and Expenses				
	30-Jun-21	30-Jun-20	Increase/ Decrease	Percent Change
Operating Revenues				
Water Sales	\$ 8,077,249	\$ 7,590,765	\$ 486,484	6.41%
Other Revenues	308,778	368,880	(60,102)	-16.29%
Total Revenues	8,386,027	7,959,645	426,382	5.36%
Operating Expenses				
Operations and Maintenance	3,815,749	3,388,541	427,208	12.61%
Administrative Expense	145,616	180,168	(34,552)	-19.18%
Depreciation	1,957,277	2,026,703	(69,426)	-3.43%
Total Operating Expenses	5,918,642	5,595,412	323,230	5.78%
Net Non-Operating Expense	(63,832)	(389,431)	325,599	-83.61%
Capital Contribution	-	-	-	
Increase (Decrease) in Net Position	2,403,553	1,974,802	428,751	21.71%

Capital Asset Administration

The Regional Water System's capital assets decreased to \$43,826,762 net of accumulated depreciation. Capital assets include land, buildings, improvements, machinery, equipment, and construction projects in progress. The significant decrease to capital assets not being depreciated was due to transferring asset improvements from Construction in Progress (CIP) to the appropriate depreciable asset category. The depreciation for the fiscal year exceeded the additions and accounts for the decrease in total capital assets.

Central Wyoming Regional Water System Joint Powers Board
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Unaudited

Regional Water System's Capital Assets

	30-Jun-21	30-Jun-20	Increase/ Decrease	Percent Change
Capital Assets				
Land	\$ 580,874	\$ 580,874	\$ -	0.00%
Construction in Progress	1,231,306	4,926,995	(3,695,689)	-300.14%
Buildings	47,485,671	48,058,416	(572,745)	-1.21%
Improvements	42,616,524	37,922,916	4,693,608	11.01%
Machinery and Equipment	1,107,967	1,027,301	80,666	7.28%
Total Capital Assets	93,022,342	92,516,502	505,840	0.54%
Less Accumulated Depreciation				
Buildings	(37,105,467)	(36,938,997)	(166,470)	0.45%
Improvements	(11,234,944)	(10,152,196)	(1,082,748)	9.64%
Machinery and Equipment	(855,169)	(743,035)	(112,134)	13.11%
Total Accumulated Depreciation	(49,195,580)	(47,834,228)	(1,361,352)	2.77%
Total capital assets	\$ 43,826,762	\$ 44,682,274	(855,512)	-1.95%

Debt Administration

At the end of fiscal year 2021, the Regional Water System had total outstanding debt of \$12,691,776. Of this amount, \$3,356,160 (26.44%) represents a loan from the City of Casper, which was used to extinguish the debt of the Revenue Bonds. Of the remaining debt, \$4,405,347 (34.71%) represents notes to the Wyoming Water Development Commission (WWDC) that are secured by mortgages on the facilities constructed under the terms of the agreement. As part of those requirements, restricted funds in the amount of \$1,000,000 are maintained as part of the capital construction reserve fund. The Regional Water System is also using State Land and Investment Board (SLIB) funds for the Water Treatment Plant Emergency Power project, the Zone IIB Water Improvement project, the Backwash Water Supply project and the SCADA Improvement Project.

Central Wyoming Regional Water System Joint Powers Board
Management Discussion and Analysis
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The Zone IIB Water Improvement project was completed in fiscal year 2016 and has entered repayment status, with an outstanding balance of \$364,617 (2.87%) at year-end. The other two projects, WTP Emergency Power, and WTP Alternate Backwash Supply were completed in fiscal year 2019, and the loans to date for the improvements total \$3,537,788 (27.87%). The SCADA Improvement Project was completed in fiscal year 2021 and entered into repayment status with an outstanding balance of \$1,027,864 (8.10%) at year-end.

Regional Water System's Outstanding Debt

	30-Jun-21	30-Jun-20	Increase/ Decrease	Percent Change
Revenue Bonds	\$ -	\$ -	\$ -	-
WWDC New Construction	3,338,967	3,687,401	(348,434)	-9.45%
WWDC Rehabilitation	1,066,380	1,177,661	(111,281)	-9.45%
City of Casper Note	3,356,160	4,788,313	(1,432,153)	-29.91%
DWSRF #115 Emergency Power	2,089,048	2,187,631	(98,583)	-4.51%
DWSRF #129 Zone IIB Water	364,617	387,996	(23,379)	-6.03%
DWSRF #153 Backwash Water Supply	1,448,740	1,517,107	(68,367)	-4.51%
DWSRF #213 SCADA	<u>1,027,864</u>	<u>1,258,773</u>	<u>(230,909)</u>	-18.34%
Total Outstanding Debt	\$ 12,691,776	\$ 15,004,882	\$ (2,313,106)	-15.42%

Investment Portfolio

The Regional Water System invests funds in the Wyoming Government Investment Fund (WGIF), which was established pursuant to the Wyoming Statutory Trust Act and offered through U.S. Bank. Shares of the fund are offered exclusively to Wyoming governmental entities. WGIF invests in short-term commercial paper (maturity dates less than 90 days) and U.S. Government Agency Obligations. These investments are allowed under Wyoming Statutes. As of June of 2021, the Regional Water System had \$534,754 invested with WGIF. Also, the Regional Water System Board maintains a commercial checking account at Hilltop National Bank. As of June 2021, the balances in all the Hilltop National Bank accounts were \$6,409,034. Amounts held at Hilltop National Bank are insured for \$250,000 by the Federal Deposit Insurance Corporation as well as collateralized by the financial institution.

Economic Factors and Next Year's Budgets and Rates

Water production for fiscal year 2021, at 3.98 billion gallons, was 46 million gallons more than that of fiscal year 2020. Fiscal year 2021 water production was 334 million gallons more than the average of the previous five years. Hotter and drier weather in the months of July and August 2020 and June 2021 created high water demand and accounted for a large portion of the increased fiscal year 2021 water production.

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The FY22 Operations Budget is 3.8% greater than the FY21 Operations Budget. The increases are attributable to a slight increase in personnel costs, an increase in chemical costs, the addition of ozone monitor service to maintenance agreements, and an increase to refuse collection. New and replacement capital expenditures seen in the Agency budget are expected to follow the WTP Capital Improvement Plan (CIP). The total amount budgeted for FY22 capital expenditures is \$1,702,000, an increase of \$422,000 from FY21.

Increased revenue is expected to come from a 5% rate increase. The rate per thousand gallons of water was raised to \$2.03 for the fiscal year ended 2021 and has subsequently been approved to be increased to \$2.13 per thousand gallons for fiscal year 2022.

Requests for Information

This financial report is designed to provide citizens, customers, creditors, and others with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the office of the Central Wyoming Regional Water System Joint Powers Board.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020**

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ASSETS	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 5,943,787	\$ 4,827,901
Cash and cash equivalents, restricted	1,000,000	1,000,000
Receivables from water service:		
City of Casper	1,282,521	1,145,328
Others	170,190	154,937
Inventory	483,921	419,090
Prepaid items	<u>23,399</u>	<u>23,112</u>
Total Current Assets	<u>8,903,818</u>	<u>7,570,368</u>
Capital Assets		
Land	580,874	580,874
Construction in progress	1,231,306	4,926,995
Depreciable capital assets, (net of accumulated depreciation)	<u>42,014,582</u>	<u>39,174,405</u>
Total Capital Assets	<u>43,826,762</u>	<u>44,682,274</u>
Total Assets	<u>52,730,580</u>	<u>52,252,642</u>
 LIABILITIES		
Current Liabilities		
Accounts payable:		
City of Casper	691,200	379,330
Others	399,977	143,701
Accrued interest payable	113,302	125,561
Accrued expenses	42,037	55,507
Retainage payable	57,883	212,809
Current maturities of long-term debt	<u>2,108,703</u>	<u>2,082,197</u>
Total Current Liabilities	<u>3,413,102</u>	<u>2,999,105</u>
Noncurrent Liabilities		
Long-term debt	<u>10,583,072</u>	<u>12,922,685</u>
Total Noncurrent Liabilities	<u>10,583,072</u>	<u>12,922,685</u>
Total Liabilities	<u>13,996,174</u>	<u>15,921,790</u>
 NET POSITION		
Net investment in capital assets	31,134,987	29,677,392
Restricted:		
Construction Reserve Fund	1,000,000	1,000,000
Unrestricted	<u>6,599,418</u>	<u>5,653,460</u>
Total Net Position	<u>\$ 38,734,405</u>	<u>\$ 36,330,852</u>

See accompanying notes to financial statements.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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OPERATING REVENUES	2021	2020
Water sales	\$ 8,077,249	\$ 7,590,765
Other income	308,778	368,880
Total operating revenues	8,386,027	7,959,645
 OPERATING EXPENSES		
Water rate operations and maintenance:		
Repairs and maintenance, contracts and other costs	173,604	152,595
Operating expenses paid to City of Casper	3,642,145	3,235,946
Administrative expenses:		
Insurance	93,705	91,109
Legal	14,963	53,561
Office and other administrative expenses	36,948	35,498
Depreciation	1,957,277	2,026,703
Total operating expenses	5,918,642	5,595,412
OPERATING INCOME	2,467,385	2,364,233
 NONOPERATING REVENUE (EXPENSES)		
Forgiveness of debt	356,707	-
Interest income	2,237	76,972
Interest expense	(415,888)	(466,403)
Loss on disposal of assets	(6,888)	-
Net nonoperating income (expenses)	(63,832)	(389,431)
INCREASE IN NET POSITION	2,403,553	1,974,802
 NET POSITION		
Total net position - beginning	36,330,852	34,356,050
End of year	\$ 38,734,405	\$ 36,330,852

See accompanying notes to financial statements.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:	2021	2020
Cash received from water sales	\$ 8,051,996	\$ 7,004,002
Other cash receipts	181,585	335,228
Cash payments to suppliers	(318,680)	(334,543)
Cash payments to City of Casper	(3,408,576)	(3,325,577)
Net cash provided by operating activities	4,506,325	3,679,110
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid	(428,148)	(456,266)
Acquisition of capital assets	(1,008,129)	(2,562,778)
Proceeds from loan	168,057	1,258,211
Repayment of long-term debt	(2,124,456)	(2,024,607)
Net cash used in capital and related financing activities	(3,392,676)	(3,785,440)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	2,237	76,972
Net cash provided by investing activities	2,237	76,972
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	1,115,886	(29,358)
 CASH AND CASH EQUIVALENTS		
Beginning of year	5,827,901	5,857,259
End of year	\$ 6,943,787	\$ 5,827,901
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 2,467,385	\$ 2,364,233
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,957,277	2,026,703
(Increase) decrease in:		
Receivables from water service	(152,446)	(620,416)
Prepaid items	(286)	(1,739)
Inventory	(64,831)	72,172
Increase (decrease) in:		
Accounts payable	312,696	(160,353)
Accrued expenses	(13,470)	(1,490)
Net cash provided by operating activities	\$ 4,506,325	\$ 3,679,110
 NONCASH INVESTING AND CAPITAL RELATED FINANCING ACTIVITIES:		
Forgiveness of debt	\$ 356,707	\$ -

See accompanying notes to financial statements.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS**

1. The Reporting Entity, Nature of Operations, Description of Funds, and Significant Accounting Policies

This summary of significant accounting policies of the Central Wyoming Regional Water System Joint Powers Board (Regional Water System) is presented to assist in understanding the Regional Water System's financial statements. The financial statements and notes are representations of the Regional Water System's management, which is responsible for their accuracy and completeness. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements. The following is a summary of the more significant policies:

Reporting Entity and Nature of Operations

The Regional Water System is the result of a Joint Powers Agreement entered into in October 1995 between the following entities:

- * City of Casper
- * Brooks Water and Sewer District
- * Wardwell Water and Sewer District
- * Salt Creek Joint Powers Board
- * Natrona County

Amendments to the agreement added Pioneer Water and Sewer District in July 1996 and removed Brooks Water and Sewer District in November 1996.

The City of Casper has identified the Regional Water System as a component unit of the City of Casper, Wyoming. Though the City has no financial responsibility for the Regional Water System and does not exert direct control over the Regional Water System, governmental accounting standards require that an organization should be included as a component unit if the nature and significance of its relationship with the primary government (the City of Casper, Wyoming) is such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading.

The purpose of the Regional Water System is to develop, maintain, and provide safe, reliable, affordable water at wholesale for customers of the Central Wyoming Regional Water System. For the year ended June 30, 2021, the Regional Water System's major customer was the City of Casper whose revenues represent 87% of the operating revenue and 88% of the accounts receivable as of June 30, 2021.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Description of Funds, and Significant Accounting Policies (Continued)

The Regional Water System Joint Powers Board consists of eight members, with four members being representatives of the City of Casper. The other four members represent entities that contributed assets when the Regional Water System was originally formed.

Description of Funds

The accounts of the Regional Water System are organized on the basis of a proprietary or enterprise fund. Enterprise funds are used to account for ongoing activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income.

Significant Accounting Policies

The accounting policies of the Regional Water System conform to accounting principles generally accepted in the United States of America. Significant accounting policies followed by the Regional Water System are as follows:

Basis of Presentation

The Regional Water System reports its financial position, revenue and expenses, and cash flows as an enterprise fund. An enterprise fund accounts for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance, and improvement of the building and equipment to provide these services are financed from existing cash resources, notes and bonds payable, capital leases, and other Regional Water System funds. The governing body has determined that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting and Measurement Focus

The Regional Water System accounts for operations using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and become measurable, and expenses are recorded in the period in which they are incurred, if measurable. Substantially, all revenues and expenses are subject to accrual.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Description of Funds, and Significant Accounting Policies (Continued)

Budgetary Accounting

The Regional Water System adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the Regional Water System's plan to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. All unexpended appropriations remaining at the end of the year lapse.

Appropriated budgets are adopted on a basis consistent with GAAP with the following exceptions:

- Principal retired is budgeted as nonoperating expenses
- Depreciation is not budgeted
- Capital expenses are treated as nonoperating expenses
- Other miscellaneous nonoperating revenue (expenses) are not budgeted

Deposits and Cash

For purposes of the statement of cash flows, the Regional Water System considers cash on hand, demand deposits, certificates of deposit, and short-term investments, (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The Regional Water System's cash equivalents include funds in the Wyoming Government Investment Fund (WGIF), which was established pursuant to the Wyoming Statutory Trust Act and offered through U.S. Bank. Shares of the fund are offered exclusively to Wyoming governmental entities. WGIF invests in short-term commercial paper (maturity dates less than 90 days) and U.S. Government Agency Obligations. These investments are allowed under Wyoming Statutes. An annual report may be obtained for this entity at: 401 West 19th Street, Suite 300, Cheyenne, WY 82001.

Due to the short-term nature of the investments, WGIF reports their investments at amortized cost, which they believe approximates fair value.

Accounts Receivable

Accounts receivable are derived from water sales to member entities and are recorded and reported when revenue is earned. At the present time, all accounts are deemed collectible and no bad debt allowance is required.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Description of Funds, and Significant Accounting Policies (Continued)

Inventories

Inventories consist of chemicals used in operations and replacement parts for repair of the water transmission system and are recorded at the lower of cost (first in, first out) or market.

Prepaid Items

Prepaid items represent payments made to vendors for services that will benefit periods beyond June 30, 2021 and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than purchased.

Restricted Assets

Enterprise Funds, because of certain bond or notes payable covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt or facilitate construction costs with approval of the Wyoming Water Development Commission.

Capital Assets

Capital assets, including property, plant and equipment are reported at historical cost or estimated historical cost. Capital assets are defined by the Regional Water System as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. The Wyoming Water Development Commission charged no interest during construction; therefore, no interest has been capitalized.

Depreciation is provided over the following estimated useful lives of assets using the straight-line method as follows:

	<u>Years</u>
Buildings	7-50
Improvements	75
Machinery and Equipment	3-15

The costs of normal maintenance and repairs are charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties. Gains or losses on sales and retirements are included in non-operating gains and losses.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Description of Funds, and Significant Accounting Policies (Continued)

Accrued Compensated Absences

All employees of the Regional Water System are employees of the City of Casper. The City of Casper has a policy that allows employees to accumulate unused vacation benefits. Accumulated, unused vacation benefits are accrued when incurred. The liabilities for compensated absences are recorded in accordance with governmental accounting standards.

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted for capital activity and debt service; and unrestricted net position. Net investment in capital assets, consists of all capital assets, net of accumulated depreciation reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of these assets; debt related to unspent proceeds or other restricted cash and investments is excluded from determination. Restricted for capital activity and debt service consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net position not included in the above categories.

The Regional Water System applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and financing activities, noncapital financing, or investing activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Income Taxes

The Regional Water System is a political subdivision of the State of Wyoming; therefore, the Regional Water System is not subject to federal income tax.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Description of Funds, and Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments

Custodial Credit Risk – Deposits

Custodial risk for deposits is the risk that, in the event of the failure of a depository institution, the Board will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require that the Board's deposits in excess of the Federal depository insurance amount be collateralized.

Authorized deposits and assets limited as to use are controlled by State statute and included but are not limited to deposits in banks, sweep accounts, and certificates of deposit. The Regional Water System's deposits as of June 30, 2021 and 2020 are categorized as credit risk 1 category, which represents deposits which are insured or collateralized by securities held by the Regional Water System or its agent in the Regional Water System's name as further described below. Wyoming State statute §9-4-820 requires the Board to collateralize any bank deposits held in a financial institution in excess of amount insured by the Federal Deposit Insurance Corporation. Statutes also authorize the Regional Water System to invest in the Wyoming Government Investment Fund (WGIF), which was established pursuant to the Wyoming Statutory Trust Act. The degree of risk associated with the WGIF depends on the underlying portfolio.

The Regional Water System's deposits are maintained in commercial checking accounts which, as of June 30, 2021 and 2020, were insured for \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and were collateralized by the financial institution, pledging its securities under properly executed joint custody receipts in the Regional Water System's name.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

2. Deposits and Investments (Continued)

At year end, the carrying amount of investments, bank deposits and the bank balance, are further explained as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Checking accounts	\$ 28,617	\$ 28,106
Public Fund Investment Management Account	6,380,417	5,265,407
Wyoming Government Investment Fund	534,754	534,388
	<u>\$ 6,943,788</u>	<u>\$ 5,827,901</u>

Investments

As of June 30,2021, the Board has the following investments:

<u>Investment Type</u>	<u>Total</u>	<u>Maturity</u>		<u>Interest</u>	<u>S&P</u>
		<u>1 year or less</u>	<u>1-5 years</u>	<u>Rate</u>	<u>Rating</u>
Wyoming Government Investment Fund Pool (WGIF)					
Money Market Funds	\$ 534,754	\$ 534,754	\$ -	0.04%	AAAm
Public Fund Investment Management Account	6,380,417	6,380,417	-	0.02%	A-1+; AA+

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a formal policy to address interest rate risk.

The Board's investments are held in external pooled investment accounts with a focus on liquidity as a means of limiting its exposure to fair value losses arising from interest rates. With this investment focus, investments are expected to reach maturity with limited gains and losses.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law does not allow governments to invest in corporate bonds, stocks or mutual funds and limits investment in commercial paper to short-term maturities (not greater than 270 days) and to the top ratings issued by national recognized statistical rating organization (Moody's and Standard and Poor's.) The WGIF fund continues to hold an AAAm rating by Standard & Poor's (S&P) indicating that "safety is excellent," and the pool has "superior capacity to maintain principal value and limit exposure to loss." The rate of

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

2. Deposits and Investments (Continued)

return depends on the underlying portfolio. The Regional Water System attempts to match its investment maturities to expected cash flow needs. As of June 30, 2020, the 7-day yield of WGIF was .04%.

WGIF invests in short-term commercial paper (maturity dates less than 90 days) and U.S. Government Agency Obligations. These investments are allowed under Wyoming Statutes. Due to the short-term nature of the investments, WGIF reports their investments at amortized cost, which they believe approximates fair value.

The Public Fund Investment Management account is made up of government backed securities including U.S. Treasury Notes and Federal Farm Credit Bank Notes. As with WGIF, the rate of return depends on the underlying portfolio. As of June 30, 2021, the annual percentage yield earned on the Public Fund Investment Management account was .02%.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

Concentration of credit risk

The Board does not have a formal policy that allows for or limits an investment in any one issuer to a specified percentage of the Board's total investments. At June 30, 2021, the Board had 92% of its investments in the Public Fund Investment Management account and 8% in WGIF.

Custodial credit risk – investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board would not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Board has investments in the WGIF Liquid Asset Series, a money market investment rated AAAm by Standard and Poor's. WGIF is owned and operated by fund participants who also are on the board of directors. The Board also has investments in the Public Fund Investment Management program. The funds are insured by U.S. Treasury Notes rated A-1+ and Federal Farm Credit Bank Notes rated AA+ by Standard and Poor's. Therefore, management does not believe there is a custodial credit risk for these investments.

3. Capital Assets

In addition to the completion of many smaller dollar capital projects undertaken in FY21, the Regional Water System has several construction contracts for on-going projects including the following:

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. Capital Assets (Continued)

The Regional Water System Water Treatment Plant Emergency Power Project - In January 2011, the Regional Water System accepted a \$1.8 million, 2.5%, 20-year loan from the Wyoming Office of State Lands and Investments (OSLI) to finance a water treatment plant emergency power project. This project was bid in FY14 with the low bid well over the amount available. The project was downsized and an additional \$850,000, 2.5%, 20-year loan was obtained from the State in FY15. This revised project bid in FY16 and was awarded to Wyoming Machinery in the amount of \$2,357,279. Construction began in Spring 2017 with project completion expected to be November 2017. Numerous issues delayed completion of this project which wasn't finalized until February 2019. During the warranty period, the generator failed to perform as expected. Adjustments were made to the programming and the system was run through a test sequence. The system again failed to operate properly. A complete facility power outage, switch gear repairs, and testing took place in October 2020. Contracts with both the consulting engineer and Wyoming Machinery were closed in the year ended June 30, 2021.

The Regional Water System Water Treatment Plant SCADA/PLC Upgrade Project - This project was to replace/upgrade the SCADA and PLC systems located at the Regional Water Treatment Plant, wellfield, and remote water storage tanks and water booster stations. Design and construction administration costs will be paid from RWS rate revenue. The Regional Water System has secured a \$1,600,000 DWSRF loan for construction of this project. HDR Engineering has been retained to provide design, bidding and construction administration for this project. Construction of the project was awarded to HOA Solutions, Inc. in the amount of \$1,392,816 at the February 19, 2019 Board meeting. Substantial completion for the construction of this project was awarded in March 2020. The communication equipment for the Upper Rock Creek Reservoir was upgraded during the year ended June 30, 2021 and the warranty period for the project has ended. Contracts with both HDR Engineering and HOA Solutions Inc. have been closed.

The Regional Water System Water Treatment Plant 2.6 MG Backwash Tank Upgrade Project - At its May 21, 2019 meeting, the Board awarded a contract with Riley Industrial Services, Inc. in the amount of \$815,584, including \$100,000 contingency funding, for renovations to the 2.6 million gallon water storage tank located at the Water Treatment Plant. The project included sandblasting and recoating of both the interior and exterior of the tank as well as installation of two new vents and a new manway. Extensive roof and support column corrosion was identified while sandblasting the tank interior. A structural inspection completed in July 2019 by Lower and Co., P.C., confirmed that the roof and support columns required replacement. The Board entered into a contract with HDR Engineering for design, bidding and construction administration for this project in the amount of \$114,500. Construction of the project was awarded to Maguire Iron, Inc. in the amount of \$779,000, including \$100,000 in contingency funding, at a June 23, 2020 special meeting. The roof replacement was completed in July 2021. Riley Industrial Services, Inc. will remobilized to the site and complete sandblasting and recoating operations. Funding for this project is from the Regional Water System rate revenues.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. Capital Assets (Continued)

Engineering and construction contract remain open and project completion is anticipated to be October 2021.

The Regional Water System Water Treatment Plant Raw Water MCC & VFD Upgrade Project – This project includes replacement of the existing raw water building motor control centers and variable frequency drives. At its June 18, 2019 meeting, the Board entered into a contract in the amount of \$13,500 with West Plains Engineering for design, bidding and construction administration services for this project. A construction contract in the amount of \$130,020, including \$13,975 of contingency funding, was awarded to Automation and Electronics, Inc. at the July 21, 2020 Board meeting. Funding for this project will be from the Regional Water System rate revenues. Final completion for the project was awarded April 30, 2021. The project will be in the warranty period until April 29, 2022. Contracts remain open with both West Plains Engineering and Automation and Electronics, Inc.

The Regional Water System Water Treatment Plant Chiller Replacement Project – This project is to replace the existing chiller, HVAC building management system, and ancillary equipment for the main water plant building. At its January 19, 2021 meeting, the Board entered into a contract for engineering services in the amount of \$10,950 for this project with West Plains Engineering. At its April 20, 2021 meeting, the Board approved an amendment to the contract in the amount of \$10,600. This amendment included design services for the building management system replacement which wasn't included in the original scope of work. Design work is anticipated to be completed in September 2021 with construction for the project to be awarded by November 2021. Project completion is anticipated to be June 2022. Funding for the project is from Regional Water System rate revenues.

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**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. Capital Assets (Continued)

Capital asset activity during the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Deletions	Transfers In (Out)	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 580,874	\$ -	\$ -	\$ -	\$ 580,874
Construction in process	4,926,995	1,028,486	-	(4,724,175)	1,231,306
Total capital assets not being depreciated	<u>5,507,869</u>	<u>1,028,486</u>	<u>-</u>	<u>(4,724,175)</u>	<u>1,812,180</u>
Capital assets being depreciated:					
Buildings	48,058,417	-	(572,746)	-	47,485,671
Improvements	37,922,916	-	(30,567)	4,724,175	42,616,524
Machinery and equipment	1,027,301	80,666	-	-	1,107,967
Capital assets being depreciated	87,008,634	80,666	(603,313)	4,724,175	91,210,162
Less accumulated depreciation for:					
Buildings	(36,938,998)	(732,327)	565,858	-	(37,105,467)
Improvements	(10,152,196)	(1,113,315)	30,567	-	(11,234,944)
Machinery and equipment	(743,035)	(112,134)	-	-	(855,169)
Total	<u>(47,834,229)</u>	<u>(1,957,776)</u>	<u>596,425</u>	<u>-</u>	<u>(49,195,580)</u>
Total capital assets being depreciated, net	<u>39,174,405</u>	<u>(1,877,110)</u>	<u>(6,888)</u>	<u>4,724,175</u>	<u>42,014,582</u>
Total capital assets	<u>\$ 44,682,274</u>	<u>\$ (848,624)</u>	<u>\$ (6,888)</u>	<u>\$ -</u>	<u>\$ 43,826,762</u>

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**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. Capital Assets (Continued)

Capital asset activity during the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Deletions	Transfers In (Out)	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 580,874	\$ -	\$ -	\$ -	\$ 580,874
Construction in process	3,259,107	2,585,262	-	(917,374)	4,926,995
Total capital assets not being depreciated	3,839,981	2,585,262	-	(917,374)	5,507,869
Capital assets being depreciated:					
Buildings	48,058,417	-	-	-	48,058,417
Improvements	36,940,119	65,423	-	917,374	37,922,916
Machinery and equipment	931,373	95,928	-	-	1,027,301
Capital assets being depreciated	85,929,909	161,351	-	917,374	87,008,634
Less accumulated depreciation for:					
Buildings	(35,985,607)	(953,391)	-	-	(36,938,998)
Improvements	(9,229,047)	(923,149)	-	-	(10,152,196)
Machinery and equipment	(592,872)	(150,163)	-	-	(743,035)
Total	(45,807,526)	(2,026,703)	-	-	(47,834,229)
Total capital assets being depreciated, net	40,122,383	(1,865,352)	-	917,374	39,174,405
Total capital assets	\$ 43,962,364	\$ 719,910	\$ -	\$ -	\$ 44,682,274

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**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. Long-Term Obligations

Changes in long-term debt at June 30, 2021 were as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021
New Construction Note	\$ 3,687,401	\$ -	\$ (348,434)	\$ 3,338,967
Rehabilitation Note	1,177,661	-	(111,281)	1,066,380
City of Casper Note	4,788,313	-	(1,432,153)	3,356,160
WTP Emergency Power				
Project Loan	2,187,631	-	(98,583)	2,089,048
Zone IIB Water				
Improvement Project	387,996	-	(23,379)	364,617
Backwash Water Supply	1,517,107	-	(68,367)	1,448,740
WTP SCADA				
Improvements Project	1,258,773	168,057	(398,966)	1,027,864
	<u>\$ 15,004,882</u>	<u>\$ 168,057</u>	<u>\$ (2,481,163)</u>	<u>\$ 12,691,776</u>

Changes in long-term debt at June 30, 2020 were as follows:

	June 30, 2019	Additions	Reductions	June 30, 2020
New Construction Note	\$ 4,022,434	\$ -	\$ (335,033)	\$ 3,687,401
Rehabilitation Note	1,284,662	-	(107,001)	1,177,661
City of Casper Note	6,185,142	-	(1,396,829)	4,788,313
WTP Emergency Power				
Project Loan	2,283,841	-	(96,210)	2,187,631
Zone IIB Water				
Improvement Project	410,808	-	(22,812)	387,996
Backwash Water Supply	1,583,829	-	(66,722)	1,517,107
WTP SCADA				
Improvements Project	562	1,258,211	-	1,258,773
	<u>\$ 15,771,278</u>	<u>\$ 1,258,211</u>	<u>\$ (2,024,607)</u>	<u>\$ 15,004,882</u>

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. Long-Term Obligations (Continued)

Long-term obligations were as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Wyoming Water Development Commission, New Construction maturing December 1, 2028, 4% interest rate; annual payment \$495,930; original issue \$8,098,326, secured by mortgage on facilities constructed under the terms of the agreement and \$1,000,000 Construction Reserve Fund.	\$ 3,338,967	\$ 3,687,401
City of Casper, maturing October 1, 2023, 2.5% interest rate; monthly payment \$127,960; original issue \$15,905,000, secured by mortgage on Water Treatment Plant Property.	3,356,160	4,788,313
Office of State Loan and Investment Board for the funding of the Water Treatment Plant Emergency Power Project. Original commitment of \$1,750,000 with an additional commitment of \$850,000; \$13,016 was relinquished; \$209,246 of the principal was forgiven and the original note was amended resulting in a loan amount of \$2,377,738. The maturity date is March 15, 2038; annual payment \$152,525; 2.5% interest rate. Approximately 83% of the loan amount is federal funding. The loan is secured by pledge and assignment of revenues.	2,089,048	2,187,631
Office of State Loan and Investment Board for the funding of the Zone IIB Water Improvements. Original commitment of \$965,250; \$304,955 was relinquished; \$165,074 of the principal was forgiven and the original note was amended resulting in a loan amount of \$473,266. The maturity date is October 15, 2034; quarterly payment \$8,183; 2.5% interest rate. Approximately 83% of the loan amount is federal funding. The loan is secured by pledge and assignment of revenues.	364,617	387,996

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. Long-Term Obligations (Continued)

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Wyoming Water Development Commission, Rehabilitation, maturing December 1, 2028, 4% interest rate: annual payment \$158,387; original issue \$2,586,396, secured by mortgage on facilities constructed under the terms of the agreement.	1,066,380	1,177,661
Office of State Loan and Investment Board for the funding of the Backwash Water Supply Project. Original commitment of \$2,200,000; \$550,000 of the principal was forgiven and the original note was amended resulting in a loan amount of 1,648,945. The maturity date is July 15, 2038; annual payment \$105,775; 2.5% interest rate. Approximately 82% of the loan amount is federal funding. The loan is secured by pledge and assignment of revenues.	1,448,740	1,517,107
Office of State Loan and Investment Board for the funding of the Water Treatment Plant SCADA Improvements Project. Original commitment of \$1,600,000; \$356,707 of the principal was forgiven and the original note was amended resulting in a loan amount of \$1,070,122. The maturity date is March 1, 2040; annual payment \$68,645; 2.5% interest rate. Approximately 82% of the loan amount is federal funding. The loan is secured by pledge and assignment of revenues.	<u>1,027,864</u>	<u>1,258,773</u>
Total notes payable	12,691,776	15,004,882
Less current maturities	<u>2,108,703</u>	<u>2,082,197</u>
Long-term portion of notes payable	<u>\$ 10,583,073</u>	<u>\$ 12,922,685</u>

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. Long-Term Obligations (Continued)

Maturities on the notes payable for the years ending June 30, are as follows:

	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,108,703	\$ 326,857
2023	2,245,063	304,455
2024	1,147,717	250,157
2025	792,243	221,750
2026	820,035	193,958
2027 - 2031	3,219,159	542,244
2032 - 2036	1,529,143	214,063
2037 - 2040	829,713	40,345
	<u>\$ 12,691,776</u>	<u>\$ 2,093,829</u>

5. Net Position

Restricted Net Position

The Regional Water System has included in its restricted position amounts which are required by the Wyoming Water Development Commission to be held to pay the costs for certain capital improvements to the distribution system if necessary.

Unrestricted Net Position

As required by governmental accounting standards, net position has been classified according to guidelines established for restricted assets. However, the unrestricted assets, although not legally restricted, have been established pursuant to Board policy and are primarily composed of reserves for various purposes.

During the year ended June 30, 2021, the Board revised the Fund Reserve Policy. The Capital Improvement Reserve fund will include one year of annual depreciation expense taken from the most recent audit. The Debt Service fund will include the greater of one year of annual principal payments or as mandated through negotiated contractual agreements and/or terms of debt issuance agreements. Operating Reserves will include 90 days of budgeted operating expense as calculated from the most recent Board approved annual budget. The Water Rights Fund was eliminated.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

5. Net Position (Continued)

The unrestricted net position at June 30, 2021 includes the following designations:

	June 30, 2021
<i>Capital Improvement Reserve Fund</i> - one year annual depreciation expense	\$ 1,957,277
<i>Debt Service Fund</i> - greater of one year of principal payments or as mandated through agreements	2,185,389
<i>Operating Reserves</i> - 90 days of budgeted operating expense calculated from most recent budget	905,052
	\$ 5,047,718

The unrestricted net position at June 30, 2020 includes the following designations:

	June 30, 2020
<i>Capital Improvement Reserve Fund</i> - for capital purposes	\$ 833,228
<i>Water Rights Fund</i> - acquisition of future water rights	486,513
<i>Debt Service Fund</i> - deposit of additional contributions approved by Board to the debt service account to be used for future debt service payments	381,685
<i>General Operating Reserves</i> - 45 days of annual operating and maintenance expenditures	441,967
<i>Emergency Reserves</i> - 45 days of annual operations, primarily for purchase of additional water	441,967
	\$ 2,585,360

6. Risk Management and Contingencies

The Regional Water System is exposed to various risks of loss from torts: theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

6. Risk Management and Contingencies (Continued)

Subsequent to year end, the Regional Water System instituted suit against the City of Mills, Wyoming alleging the City instituted an illegal annual franchise fee upon the Regional Water System in the amount of \$150,000. The outcome is uncertain at the time of this report.

During the year ended June 30, 2020, the World Health Organization declared the outbreak of COVID-19 as a “Public Emergency of International Concern.” The COVID-19 outbreak continues to disrupt supply chains and impact individuals in the United States and the world. The extent of the impact of COVID-19 on the Board’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on taxpayers, state funding decisions, employees, and vendors.

7. Related Organization

The City of Casper provides the day-to-day operations, maintenance, and approved capital improvement of the plant facility under an operating agreement with the Regional Water System.

Under the operating agreement, the City of Casper provides billing services, collects income derived from the sale of the water from the plant, and incurs the costs for the operation of the plant. The operating costs are then reimbursed by the Regional Water System on a monthly basis. Employees associated with the direct daily operations of the Regional Water System are employees of the City of Casper, with all personnel costs being reimbursed.

The plant facility is the sole and separate property of the Regional Water System. The Regional Water System paid to the City of Casper \$3,408,576 and \$3,235,577 for operating costs as of June 30, 2021 and 2020, respectively. The Regional Water System also reimbursed the City during the year for capital construction costs. The Regional Water System owed the City of Casper as reimbursements for payroll and expenses \$691,200 and \$379,330 as of June 30, 2021 and 2020, respectively, as reported as accounts payable on the statements of net position.

During the year ending June 30, 2021 and 2020, the City of Casper was billed \$7,324,667 and \$6,912,208 for water sales. Of the system investment charges reported as other income, \$239,250 and \$265,059, flowed through the City for the years ended June 30, 2021 and 2020, respectively. The City of Casper owed the Regional Water System \$1,282,521 and \$1,145,328 for water and system investment charges as of June 30, 2021 and 2020, respectively.

8. Commitments

Construction Contracts

As of June 30, 2021, the Regional Water System had several construction projects in progress.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

8. Commitments (Continued)

The System had contracts with remaining commitments of approximately \$503,746 for completion of the projects. Also, see Note 3 for a detail of projects which are in the planning stages and will be going out for bid with open contracts in the coming year.

9. Subsequent Events

The Regional Water System evaluated subsequent events through December 21, 2021, the date at which the financial statements were available to be issued for events requiring disclosure in the financial statements for the year ended June 30, 2021. The Regional Water System had one subsequent event requiring disclosure. See Note 6.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Central Wyoming Regional Water System
Joint Powers Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Central Wyoming Regional Water System Joint Powers Board as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Central Wyoming Regional Water System Joint Powers Board's basic financial statements, and have issued our report thereon dated December 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Central Wyoming Regional Water System Joint Powers Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Central Wyoming Regional Water System Joint Powers Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Central Wyoming Regional Water System Joint Powers Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Wyoming Regional Water System Joint Powers Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Skogen, Cometto & Associates, P.C.

Casper, Wyoming
December 21, 2021