



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

FINANCIAL REPORT

JUNE 30, 2022

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 Audit of the Financial Statements

Opinion

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, 2022 and 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 as listed in the table of contents.

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, as of June 30, 2022 and June 30, 2021, and the 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Central Wyoming Regional Water System Joint Powers Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Wyoming Regional Water System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Wyoming Regional Water System Joint Powers Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Wyoming Regional Water System Joint Powers Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

We have applied certain limited procedures to the required supplementary information in accordance with 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, 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.

Auditors' 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 November 9, 2022 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
November 9, 2022

Central Wyoming Regional Water System Joint Powers Board
Management Discussion and Analysis
As of and for the year ended June 30, 2022
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, 2022.

Financial Highlights

- The assets of the Regional Water System exceeded its liabilities at the close of the most recent fiscal year by \$40,328,759 (*net position*). Of this amount, \$6,989,149 (*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 \$1,594,353 or 4.12%. The difference is attributable to a decrease in long-term liabilities.
- The Regional Water System's total debt decreased by \$2,197,626 or (17.32%). This is the result of total principal payments in the amount of \$2,197,626 that were applied to the New Construction Note; Rehabilitation Note; City Note; Water Treatment Plant Emergency Power Project Loan; Zone IIB Water Improvements Note; Backwash Water Supply Note; and WTP SCADA Improvements Project loan. No new debt was issued during the 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.

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

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Management Discussion and Analysis
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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 \$40,328,759 at the close of fiscal year 2022.

By far the largest portion of the Regional Water System's net position is the investment in capital assets (\$32,339,610 or 80.2%). 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 (2.5%) 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 \$6,989,149 (17.3%). These assets are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Of the unrestricted net position, \$5,293,101 has been designated, per the Regional Water System's policy: Operating Reserves (90 days) - \$992,783; Debt Service Reserves - \$2,225,115; Capital Improvements - \$2,045,203.

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Analysis of Changes in Net Position

Regional Water System's Net Assets				
	30-Jun-22	30-Jun-21	Increase/ Decrease	Percent Change
Current and other assets	\$ 8,669,720	\$ 8,903,818	\$ (234,098)	-2.63%
Capital assets	42,833,760	43,826,762	(993,002)	-2.27%
Total Assets	51,503,480	52,730,580	(1,227,100)	-2.33%
Long-term liabilities outstanding	8,318,989	10,583,072	(2,264,083)	-21.39%
Other liabilities	2,855,732	3,413,102	(557,370)	-16.33%
Total Liabilities	11,174,721	13,996,174	(2,821,453)	-20.16%
Net Assets:				
Invested in capital assets, net of related debt	32,339,610	31,134,987	1,204,623	3.87%
Restricted	1,000,000	1,000,000	-	0.00%
Unrestricted	6,989,149	6,599,419	389,730	5.91%
Total net assets	\$ 40,328,759	\$ 38,734,406	\$ 1,594,353	4.12%

The Regional Water System's net position increased by \$1,594,353 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 \$47,649 or 0.6% less than the amount budgeted while operating expenditures were \$172,702 or 4.7% less than budgeted. Non-operating revenues and expenses, which consist of interest income and interest expense only varied slightly. One attributable unbudgeted non-operating revenue was debt forgiveness of \$356,707 in FY2021 while there was no debt forgiveness in FY2022.

The fiscal year 2023 capital budget plan increased by \$270,000 from the fiscal year 2022 budget to \$1,972,000. The majority of the capital plan expenditures are related to smaller dollar equipment replacements. Roof replacement continues to be a focus and \$300,000 has been included in the fiscal

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year 2023 budget for this project. Two previous years projects, chiller replacement and well rehabilitation, received higher than anticipated bids and the fiscal year 2023 capital budget includes an additional \$785,000 for completion of those projects.

Regional Water System's Revenues and Expenses				
	30-Jun-22	30-Jun-21	Increase/ Decrease	Percent Change
Operating Revenues				
Water Sales	\$ 7,656,339	\$ 8,077,249	\$ (420,910)	-5.21%
Other Revenues	304,473	308,778	(4,305)	-1.39%
Total Revenues	7,960,812	8,386,027	(425,215)	-5.07%
Operating Expenses				
Operations and Maintenance	3,689,424	3,815,749	(126,325)	-3.31%
Administrative Expense	153,767	145,616	8,151	5.60%
Depreciation	2,045,203	1,957,277	87,926	4.49%
Total Operating Expenses	5,888,394	5,918,642	(30,248)	-0.51%
Net Non-Operating Expense	(478,065)	(63,832)	(414,233)	648.94%
Capital Contribution	-	-	-	
Increase (Decrease) in Net Position	1,594,353	2,403,553	(809,200)	-33.67%

Capital Asset Administration

The Regional Water System's capital assets decreased to \$42,833,760 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.

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Regional Water System's Capital Assets

	30-Jun-22	30-Jun-21	Increase/ Decrease	Percent Change
Capital Assets				
Land	\$ 580,874	\$ 580,874	\$ -	0.00%
Construction in Progress	179,179	1,231,306	(1,052,127)	-587.19%
Buildings	47,485,671	47,485,671	-	0.00%
Improvements	44,467,210	42,616,524	1,850,686	4.16%
Machinery and Equipment	1,361,609	1,107,967	253,642	18.63%
Total Capital Assets	94,074,543	93,022,342	1,052,201	1.12%
Less Accumulated Depreciation				
Buildings	(37,831,005)	(37,105,467)	(725,538)	1.92%
Improvements	(12,462,708)	(11,234,944)	(1,227,764)	9.85%
Machinery and Equipment	(947,070)	(855,169)	(91,901)	9.70%
Total Accumulated Depreciation	(51,240,783)	(49,195,580)	(2,045,203)	3.99%
Total capital assets	\$ 42,833,760	\$ 43,826,762	(993,002)	-2.32%

Debt Administration

At the end of fiscal year 2022, the Regional Water System had total outstanding debt of \$10,494,150. Of this amount, \$1,887,790 or 17.99% represents a loan from the City of Casper, which was used to extinguish the debt of the Revenue Bonds. Of the remaining debt, \$3,914,420 (37.30%) 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.

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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 \$340,656 (3.25%) 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 \$3,366,721 (32.08%). The SCADA Improvement Project was completed in fiscal year 2021 and entered into repayment status with an outstanding balance of \$984,563 (9.38%) at year-end.

Regional Water System's Outstanding Debt

	<u>30-Jun-22</u>	<u>30-Jun-21</u>	<u>Increase/ Decrease</u>	<u>Percent Change</u>	<u>Percent of Debt</u>
Revenue Bonds	\$ -	\$ -	\$ -	-	
WWDC New Construction	2,963,772	3,338,967	(375,195)	-11.24%	28.24%
WWDC Rehabilitation	950,648	1,066,380	(115,732)	-10.85%	9.06%
City of Casper Note	1,887,790	3,356,160	(1,468,370)	-43.75%	17.99%
DWSRF #115 Emergency Power	1,988,034	2,089,048	(101,014)	-4.84%	18.94%
DWSRF #129 Zone IIB Water	340,656	364,617	(23,961)	-6.57%	3.25%
DWSRF #153 Backwash Water Supply	1,378,687	1,448,740	(70,053)	-4.84%	13.14%
DWSRF #213 SCADA	984,563	1,027,864	(43,301)	-4.21%	9.38%
Total Outstanding Debt	\$ 10,494,150	\$ 12,691,776	\$ (2,197,626)	-17.32%	

Investment Portfolio

During most of FY2022 the Regional Water System invested 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. During the month of March, 2022 the Regional Water System switched to investing with the State Treasurer's WYO-STAR program. The Wyoming State Treasurer has established an investment pool in which all WYO-STAR monies are co-mingled for investment purposes. Each participant has an individual interest in the pool based on the ratio of that participant's cash balance as a percentage of the total cash balance of the pool. Income is distributed to participants based on each entity's average daily cash balance in the pool. Interest is calculated and credited monthly. The Pool does not have a guaranteed rate of return, and Participants expose their investments to market losses as well as gains. WYO-STAR I is short term investments that remain liquid while WYO-STAR II is a long-term investment pool with a minimum transaction size of \$1,500 and the funds must be invested for a minimum of three months or be subject to early withdrawal penalties.

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As of June of 2022, the Regional Water System had \$1,984,920 invested with WYO-STAR 1 and \$3,344,061 invested in WYO-STAR II. Also, the Regional Water System Board maintains a commercial checking account at Hilltop National Bank. As of June 2022, the balances in all the Hilltop National Bank accounts were \$1,563,921. 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 2022, at 3.6 billion gallons, was approximately 360 million gallons less than that of fiscal year 2021. Fiscal year 2022 water production was 112 million gallons less than the average of the previous five years. Decreased water usage for the fiscal year was largely due to water conservation efforts in July and August 2021 brought on by chemical supply chain issues.

The FY23 budget is 7.2% greater than the FY22 budget. In large part, the increases are attributable to increases in personnel costs, a significant increase in chemical costs, an increase to non-contract maintenance repair services, and an increase in machinery repair supplies. Record high inflation, continued supply chain issues, and labor shortages are all attributing to across the board expenditure increases. The total amount budgeted for FY23 capital expenditures is \$1,972,000, an increase of \$270,000 from FY22.

Increased revenue is expected to come from a 5% rate increase. The rate per thousand gallons of water was raised to \$2.13 for the fiscal year ended 2022 and has subsequently been approved to be increased to \$2.24 per thousand gallons for fiscal year 2023.

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, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 574,826	\$ 5,943,787
Cash and cash equivalents, restricted	1,000,000	1,000,000
Investments	5,328,981	-
Receivables from water service:		
City of Casper	1,055,388	1,282,521
Others	88,035	170,190
Inventory	598,327	483,921
Prepaid items	24,163	23,399
Total Current Assets	<u>8,669,720</u>	<u>8,903,818</u>
Capital Assets		
Land	580,874	580,874
Construction in progress	179,179	1,231,306
Depreciable capital assets, (net of accumulated depreciation)	42,073,707	42,014,582
Total Capital Assets	<u>42,833,760</u>	<u>43,826,762</u>
Total Assets	<u>51,503,480</u>	<u>52,730,580</u>
LIABILITIES		
Current Liabilities		
Accounts payable:		
City of Casper	471,213	691,200
Others	52,902	399,977
Accrued interest payable	109,018	113,302
Accrued expenses	43,847	42,037
Retainage payable	3,591	57,883
Current maturities of long-term debt	2,175,161	2,108,703
Total Current Liabilities	<u>2,855,732</u>	<u>3,413,102</u>
Noncurrent Liabilities		
Long-term debt	8,318,989	10,583,072
Total Noncurrent Liabilities	<u>8,318,989</u>	<u>10,583,072</u>
Total Liabilities	<u>11,174,721</u>	<u>13,996,174</u>
NET POSITION		
Net investment in capital assets	32,339,610	31,134,987
Restricted:		
Construction Reserve Fund	1,000,000	1,000,000
Unrestricted	6,989,149	6,599,419
Total Net Position	<u>\$ 40,328,759</u>	<u>\$ 38,734,406</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, 2022 AND 2021**

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OPERATING REVENUES	<u>2022</u>	<u>2021</u>
Water sales	\$ 7,656,339	\$ 8,077,249
Other income	304,473	308,778
Total operating revenues	<u>7,960,812</u>	<u>8,386,027</u>
OPERATING EXPENSES		
Water rate operations and maintenance:		
Repairs and maintenance, contracts and other costs	577,861	173,604
Operating expenses paid to City of Casper	3,111,563	3,642,145
Administrative expenses:		
Insurance	97,963	93,705
Legal	21,183	14,963
Office and other administrative expenses	34,621	36,948
Depreciation	<u>2,045,203</u>	<u>1,957,277</u>
Total operating expenses	<u>5,888,394</u>	<u>5,918,642</u>
OPERATING INCOME	<u>2,072,418</u>	<u>2,467,385</u>
NONOPERATING REVENUE (EXPENSES)		
Forgiveness of debt	-	356,707
Interest income	15,836	2,237
Interest expense	(347,608)	(415,888)
Loss on investments	(146,293)	-
Loss on disposal of assets	<u>-</u>	<u>(6,888)</u>
Net nonoperating income (expenses)	<u>(478,065)</u>	<u>(63,832)</u>
INCREASE IN NET POSITION	1,594,353	2,403,553
NET POSITION		
Total net position - beginning	<u>38,734,406</u>	<u>36,330,853</u>
End of year	<u>\$ 40,328,759</u>	<u>\$ 38,734,406</u>

See accompanying notes to financial statements.

**CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2022</u>	<u>2021</u>
Cash received from water sales	\$ 7,883,472	\$ 8,051,996
Other cash receipts	386,628	181,585
Cash payments to suppliers	(595,493)	(318,680)
Cash payments to City of Casper	<u>(3,444,146)</u>	<u>(3,408,576)</u>
Net cash provided by operating activities	<u>4,230,461</u>	<u>4,506,325</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid	(351,892)	(428,148)
Acquisition of capital assets	(1,590,466)	(1,008,129)
Proceeds from loan	-	168,057
Repayment of long-term debt	<u>(2,197,626)</u>	<u>(2,124,456)</u>
Net cash used in capital and related financing activities	<u>(4,139,984)</u>	<u>(3,392,676)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(5,328,981)	-
Investment loss	(146,293)	-
Interest income	<u>15,836</u>	<u>2,237</u>
Net cash (used in) provided by investing activities	<u>(5,459,438)</u>	<u>2,237</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
	(5,368,961)	1,115,886
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>6,943,787</u>	<u>5,827,901</u>
End of year	<u>\$ 1,574,826</u>	<u>\$ 6,943,787</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 2,072,418	\$ 2,467,385
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,045,203	1,957,277
Construction in progress abandoned	128,506	-
(Increase) decrease in:		
Receivables from water service	309,288	(152,446)
Prepaid items	(765)	(286)
Inventory	(114,406)	(64,831)
Increase (decrease) in:		
Accounts payable	(211,593)	312,696
Accrued expenses	<u>1,810</u>	<u>(13,470)</u>
Net cash provided by operating activities	<u>\$ 4,230,461</u>	<u>\$ 4,506,325</u>
 NONCASH INVESTING AND CAPITAL RELATED FINANCING ACTIVITIES:		
Forgiveness of debt	<u>\$ -</u>	<u>\$ 356,707</u>
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, 2022, the Regional Water System's major customer was the City of Casper whose revenues represent 91% of the operating revenue and 92% of the accounts receivable as of June 30, 2022.

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.

**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)

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.

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.

**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)

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 had included 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.

Investments consist of participation in the State Treasurer's Investment Pools (WYO-STAR I and WYOSTAR II), which are reported at fair value at June 30, 2022. The Board 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; and Level 3 inputs are significant unobservable inputs. The Board considers fair value measurements as of June 30, 2022 for WYO-STAR I and WYO-STAR II to be completed by the pool using the matrix pricing model and the market approach (Level 2).

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, 2022 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, 2022 and 2021 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) and WYO Star, which were established pursuant to the Wyoming Statutory Trust Act. The degree of risk associated with WYO Star and WGIF depends on the underlying portfolio.

The Regional Water System's deposits are maintained in commercial checking accounts which, as of June 30, 2022 and 2021, 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 amounts of investments, bank deposits and the bank balance, are further explained as follows:

	June 30, 2022	June 30, 2021
Checking accounts	\$ 10,905	\$ 28,616
Public Fund Investment Management Account	1,563,921	6,380,417
Wyoming Government Investment Fund	-	534,754
	<u>\$ 1,574,826</u>	<u>\$ 6,943,787</u>

Investments

As of June 30, 2022, the Board has the following investments:

Investment Type	Total	Maturity		Yield	S&P Rating
		One year or less	More than one year		
Wyo Star Investment					
Wyo Star I	\$ 1,984,920	\$ 1,984,920	\$ -	-4.26%	N/A
Wyo Star II	3,344,061	-	3,344,061	-17.43%	N/A
Public Fund Investment Management Account	1,563,921	1,563,921	-	1.91%	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.

The Regional Water System also invests funds in WYO-Star I and WYO Star II, which was established pursuant to the Wyoming Statutory Trust Act and offered through the Wyoming State Treasurer. The investments with WYO-Star are investments not subject to credit risk categorization and the degree of risk and rate of return depends on the underlying portfolio. As of June 30, 2022, the current yield of WYO-Star I was -4.26% and the current yield for WYO Star II was -17.43%.

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

2. Deposits and Investments (Continued)

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 continued 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 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, 2021, 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.

Under the investment agreements with WYOSTAR I and WYO-STAR II (collectively, WYO-STAR), the Board has invested monies at a variable and fixed contract rate of interest, respectively. There is no rating available for the WYO-STAR investments; however, under Wyoming State Statutes, underlying providers are required to have the highest rating from at least one of the nationally recognized statistical rating organizations.

The Public Fund Investment Management account is made up of government backed securities including U.S. Treasury Notes and Federal Farm Credit Bank Notes. The rate of return depends on the underlying portfolio. As of June 30, 2022, the annual percentage yield earned on the Public Fund Investment Management account was 1.91%.

Generally, credit risk is the risk that an issue 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, 2022, the Board had 23% of its investments in the Public Fund Investment Management account and 77% in WYO Star.

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

2. Deposits and Investments (Continued)

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 had 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 FY22, the Regional Water System has several construction contracts for on-going projects including the following:

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 was completed in September 2021 and the project was placed out to bid. Two bids were received with one firm withdrawing their bid. The bid amount exceeded the budget and the Board rejected the bid at its November 16, 2021 meeting. Additional funds are included in the FY23 capital budget. The project will be put back out to bid in early FY23. Due to long equipment procurement lead times, project completion is anticipated to be December 2023. Funding for the project is from RWS rate revenue.

The Regional Water System Disinfection System Upgrade Project Preliminary Design Report – In October 2015, The RWS began Round 2 Source Water Monitoring per EPA requirements. Following completion of the source water monitoring in 2017, EPA classified the source water as "Bin 2". Bin 2 classification requires additional treatment to meet the Long Term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR). Completion of Preliminary Design Report for the disinfection system upgrade project is an early step in the compliance schedule for meeting LT2ESWTR requirements.

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

3. Capital Assets (Continued)

At its September 21, 2021 meeting, the Board authorized a contract in the amount of \$71,735 with HDR Engineering to complete the Preliminary Design Report. The final report was submitted to the EPA on April 29, 2022. It is anticipated that EPA will comment on and accept the report in early FY23. Funding for the preliminary report is from RWS rate revenue and system investment charges.

The Regional Water System Caisson #2 Rehabilitation Project – At its July 21, 2021 meeting, the Board authorized a contract for professional services with Engineering Associates in the amount of \$40,250 for design and construction administration of the Caisson #2 Rehabilitation Project. Project design was completed in March 2022 and the project was placed out to bid. Two bids for construction were received on April 6, 2022. Both bids exceeded the engineers estimate and the project budget amount. The Board rejected the bids at its April 19, 2022 meeting. Additional funding has been included in the FY23 capital budget. The project will be rebid in early FY23 with anticipated completion being spring of 2023. Funding for this project is from RWS rate revenue.

The Regional Water System Water Treatment Plant Confined Space Evacuation Hoistway Project – The six gravity filters at the WTP are considered confined spaces and, as such, OSHA mandates that an entrant retrieval system be in place. At its October 19, 2021 meeting, the Board authorized a contract for professional services for design and construction administration in the amount of \$3,000 with Lower Company P.C. The project was put out to bid with one bid being received on February 4, 2022. At its February 15, 2022 meeting, the Board authorized an agreement with Pope Construction in the amount of \$70,920 for construction of the project. Substantial completion for this project was issued on June 3, 2022. Final completion and payment are expected in early FY23 with the one-year warranty period expiring in June of 2023. Funding for this project is from RWS rate revenue and system investment charges.

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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, 2022 was as follows:

	Balance June 30, 2021	Additions	Deletions	Transfers In (Out)	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 580,874	\$ -	\$ -	\$ -	\$ 580,874
Construction in process	1,231,306	1,013,138	(128,506)	(1,936,759)	179,179
Total capital assets not being depreciated	1,812,180	1,013,138	(128,506)	(1,936,759)	760,053
Capital assets being depreciated:					
Buildings	47,485,671	-	-	-	47,485,671
Improvements	42,616,524	-	-	1,850,686	44,467,210
Machinery and equipment	1,107,967	167,569	-	86,073	1,361,609
Capital assets being depreciated	91,210,162	167,569	-	1,936,759	93,314,490
Less accumulated depreciation for:					
Buildings	(37,105,467)	(725,538)	-	-	(37,831,005)
Improvements	(11,234,944)	(1,227,764)	-	-	(12,462,708)
Machinery and equipment	(855,169)	(91,901)	-	-	(947,070)
Total	(49,195,580)	(2,045,203)	-	-	(51,240,783)
Total capital assets being depreciated, net	42,014,582	(1,877,634)	-	1,936,759	42,073,707
Total capital assets	<u>\$ 43,826,762</u>	<u>\$ (864,496)</u>	<u>\$ (128,506)</u>	<u>\$ -</u>	<u>\$ 42,833,760</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, 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)**

4. Long-Term Obligations

Changes in long-term debt at June 30, 2022 were as follows:

	June 30, 2021	Additions	Reductions	June 30, 2022
New Construction Note	\$ 3,338,967	\$ -	\$ (375,195)	\$ 2,963,772
Rehabilitation Note	1,066,380	-	(115,732)	950,648
City of Casper Note	3,356,160	-	(1,468,370)	1,887,790
WTP Emergency Power				
Project Loan	2,089,048	-	(101,014)	1,988,034
Zone IIB Water				
Improvement Project	364,617	-	(23,961)	340,656
Backwash Water Supply	1,448,740	-	(70,053)	1,378,687
WTP SCADA				
Improvements Project	1,027,864	-	(43,301)	984,563
	<u>\$ 12,691,776</u>	<u>\$ -</u>	<u>\$ (2,197,626)</u>	<u>\$ 10,494,150</u>

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>

**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, 2022</u>	<u>June 30, 2021</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.	\$ 2,963,772	\$ 3,338,967
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.	1,887,790	3,356,160
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.	1,988,034	2,089,048
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.	340,656	364,617

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

4. Long-Term Obligations (Continued)

	<u>June 30, 2022</u>	<u>June 30, 2021</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.	950,648	1,066,380
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.	1,378,687	1,448,740
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>984,563</u>	<u>1,027,864</u>
Total notes payable	10,494,150	12,691,776
Less current maturities	<u>2,175,161</u>	<u>2,108,703</u>
Long-term portion of notes payable	<u>\$ 8,318,989</u>	<u>\$ 10,583,073</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>
2023	\$ 2,175,161	\$ 268,582
2024	1,147,871	250,003
2025	792,401	221,592
2026	820,197	193,796
2027	849,009	164,985
2028 - 2032	2,673,004	434,083
2033 - 2037	1,526,106	176,186
2038 - 2041	510,401	19,885
	<u>\$ 10,494,150</u>	<u>\$ 1,729,112</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, 2022 includes the following designations:

	June 30, 2022
<i>Capital Improvement Reserve Fund</i> -one year annual depreciation expense	\$ 2,045,203
<i>Debt Service Fund</i> - greater of one year of principal payments or as mandated through agreements	2,255,115
<i>Operating Reserves</i> - 90 days of budgeted operating expense calculated from most recent budget	992,783
	\$ 5,293,101

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

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.

Subsequent to the year ended June 30, 2021, 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.

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

6. Risk Management and Contingencies (Continued)

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 \$3,111,563 and \$3,408,576 for operating costs as of June 30, 2022 and 2021, 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 \$471,213 and \$691,200 as of June 30, 2022 and 2021, respectively, as reported as accounts payable on the statements of net position.

During the year ending June 30, 2022 and 2021, the City of Casper was billed \$7,020,974 and \$7,324,667 for water sales. Of the system investment charges reported as other income, \$252,709 and \$239,250, flowed through the City for the years ended June 30, 2022 and 2021, respectively. The City of Casper owed the Regional Water System \$1,055,388 and \$1,282,521 for water and system investment charges as of June 30, 2022 and 2021, respectively.

8. Commitments

Construction Contracts

As of June 30, 2022, the Regional Water System had several construction projects in progress.

The System had contracts with remaining commitments of approximately \$50,815 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.

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

9. Standards Issued and Implemented

GASB Statement No. 87, Leases, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases classified as operating leases. Under this standard, government lessors must recognize and (b) a deferred inflow of resources and continue to report the leased asset in its and report in its financial statements (a) lease revenue recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable, and about the lease. Additionally, under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. The Entity must also report the (1) amortization expense for using the asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

Management implemented this standard during the year ended June 30, 2022. Implementation will result in leases being recorded on the statement of net position. As any leases were considered short term leases in the current year, there was no additional statement of net position accounts recorded. Prior to implementation, leases were previously classified as operating leases and expensed in the year the payments were made as opposed to being recorded on the statement of net position.

10. Standards Issued and Implemented

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). The requirements of this Statement are now effective for reporting periods beginning after June 15, 2022.

Management has not completed its assessment of the effects of implementing this standard.

11. Subsequent Events

The Regional Water System evaluated subsequent events through November 9, 2022, 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, 2022. 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, 2022, 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 November 9, 2022.

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
November 9, 2022