

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2023 AND 2022



CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor’s Report	3-5
Management Discussion and Analysis	6-10
<i>Financial Statements:</i>	
Statements of Net Position.....	11
Statements of Revenues, Expenses, and Changes in Net Position.....	12
Statements of Cash Flows.....	13
Notes to Financial Statements	14-21
<i>Other Reports:</i>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Schedule of Findings	25
<i>Management Response:</i>	
Corrective Action Plan	27



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Central Wyoming Regional Water System Joint Powers Board (the System), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the System for the year ended June 30, 2022, were audited by other auditors, whose report dated November 9, 2022 expressed an unmodified opinion on those statements.

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 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.

Central Wyoming Regional Water System Joint Powers Board

Auditor's 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and there 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 a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 and *Government 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 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 System'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 System'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 other internal control matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6-10 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. 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023 on our consideration of the System'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 solely 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 the effectiveness of the System's 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 System's internal control over financial reporting and compliance.

Central Wyoming Regional Water System Joint Powers Board

Notice:

The accompanying financial statements and our independent auditors' report are for the use of the System's Board of Directors and management, which have been specifically communicated to Ketel Thorstenson, LLP by the Company, and should not be used or relied upon for any other party for any purpose. Additional users of these financial statements and independent auditors' report are hereby advised that the liability of Ketel Thorstenson, LLP to third party users who use or rely on this information may be limited pursuant to 1995 Wyo. Sess. Laws, Chapter 155 creating Wyo. Stat. Sec. 33-3-201.



KETEL THORSTENSON, LLP
Certified Public Accountants

November 14, 2023

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

MANAGEMENT DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

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, 2023.

Financial Highlights

- The assets of the Regional Water System exceeded its liabilities at the close of the most recent fiscal year by \$42,251,194 (*net position*). Of this amount, \$8,435,529 (*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 \$1,922,435 or 4.77%. Most of this difference is attributable to a decrease in long-term liabilities.
- The Regional Water System's total debt decreased by \$2,242,742 or (21.37%). This is the result of total principal payments in the amount of \$2,242,742 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 are intended to introduce the Regional Water System's financial statements. The Regional Water System maintains a single proprietary fund 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 an 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 are 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 14-21 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 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 \$42,251,194 at the close of fiscal year 2023.

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

Analysis of Net Position

By far the largest portion of the Regional Water System's net position is the investment in capital assets (\$32,815,665 or 77.7%). 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 (2.4%) 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 \$8,435,529 (20.0%). These assets are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Of the unrestricted net position, \$5,293,101 has been designated, per the Regional Water System's Reserve Policy: Operating Reserves (90 days of budgeted operating expense as calculated from most recent Board approved annual budget) - \$992,783; Debt Service Reserves (one year of annual principal payments) - \$2,225,115; Capital Reserves (one year of annual depreciation expense taken from most recent annual audit) - \$2,045,203.

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 10,307,413	\$ 8,669,720
Capital assets	41,067,073	42,833,760
Total Assets	51,374,486	51,503,480
Long-term liabilities outstanding	\$ 7,181,667	\$ 8,318,989
Other liabilities	1,941,625	2,855,732
Total Liabilities	9,123,292	11,174,721
Net Position:		
Invested in capital assets, net of related debt	\$ 32,815,665	\$ 32,339,610
Restricted	1,000,000	1,000,000
Unrestricted	8,435,529	6,989,149
Total Net Position	\$ 42,251,194	\$ 40,328,759
Beginning Net Position	\$ 40,328,759	\$ 38,734,406
Change in Net Position	1,922,435	1,594,353
Percentage of Change in Net Position	4.77%	4.12%

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

**MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

Analysis of Changes in Net Position

The Regional Water System’s net position increased by \$1,922,435 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 \$83,788 or 1.0% less than the amount budgeted while operating expenditures were \$52,876 or 1.2% less than budgeted. Investment earnings performed significantly better than budgeted by providing revenue of \$214,168 while budgeted interest was \$70,000 for an increase over expected of \$144,168. This was primarily due to a change in investment strategy at the end of fiscal year 2022.

Fiscal Year 2023 capital projects involved continued work on the Chiller Replacement Project. Project design is complete, and a construction contract has been awarded. Equipment is on order and installation and startup is expected in early FY24. The 42-inch steel pipe and vault replacement project has been designed and put out to bid two times. No bids were received as contractors had difficulty obtaining pipe pricing and availability. A pipe manufacturer has been located and the project will bid in early FY24. The Caisson Well Rehabilitation project continued through FY23. ARPA funding in the amount of \$1.5 M was awarded for this project. The project now entails rehabilitation of all three Cassion wells with construction award and completion expected in FY24. Several small dollar equipment purchases and installations were also completed in fiscal year 2023.

	<u>2023</u>	<u>2022</u>
Revenues		
Water Sales	\$ 8,206,561	\$ 7,656,339
Other Revenues	195,491	304,473
Total Revenues	\$ 8,402,052	\$ 7,960,812
Expenses		
Operations and Maintenance	\$ 4,190,191	\$ 3,689,424
Administrative Expense	149,568	153,767
Depreciation	2,059,312	2,045,203
Total Expenses	\$ 6,399,071	\$ 5,888,394
Net Non-Operating Expense	(80,546)	(478,065)
Net Income	\$ 1,922,435	\$ 1,594,353

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

**MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

Capital Asset Administration

The Regional Water System’s capital assets decreased to \$41,067,073 net of accumulated depreciation. Capital assets include land, buildings, improvements, machinery, equipment, and construction projects in progress. The significant decrease in 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.

**Table A-3
Capital Assets (Net of Depreciation)**

	2023	2022	Increase / Decrease	Percent Change
Land	\$ 580,874	\$ 580,874	\$ -	0.00%
Construction in Progress	211,710	179,179	32,531	18.16%
Buildings, Net	8,968,143	9,654,666	(686,523)	-7.11%
Improvements, Net	30,820,545	32,004,502	(1,183,957)	-3.70%
Machinery and Equipment, Net	485,801	414,539	71,262	17.19%
Total Capital Assets, Net	\$ 41,067,073	\$ 42,833,760	\$ (1,766,687)	-4.12%

Debt Administration

At the end of fiscal year 2023, the Regional Water System had total outstanding debt of \$8,251,408. Of this amount, \$382,286 or 4.63% represents a loan from the City of Casper, which was used to extinguish the debt of the Revenue Bonds. Of the remaining debt, \$3,185,493 (38.61%) 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.

The Zone IIB Water Improvement project was completed in fiscal year 2016 and has entered repayment status, with an outstanding balance of \$315,819 (3.83%) at year-end. The WTP Emergency Power and WTP Alternate Backwash Supply projects were completed in fiscal year 2019 and the loans to date for the improvements total \$3,430,018 (41.57%). The SCADA Improvement Project was completed in fiscal year 2021 and entered repayment status with an outstanding balance of \$937,792 (11.37%) at year-end.

**Table A-4
Outstanding Debt and Obligations**

	2023	2022	Increase / Decrease	Percent Change
WWDC New Construction	\$ 2,599,731	\$ 2,976,597	\$ (376,866)	-12.66%
WWDC Rehabilitation	830,287	950,648	(120,361)	-12.66%
City of Casper Note	382,286	1,887,790	(1,505,504)	-79.75%
DWSRF #115 Emergency Power	1,881,110	1,983,504	(102,394)	-5.16%
DWSRF #129 Zone IIB Water	315,819	339,272	(23,453)	-6.91%
DWSRF #153 Backwash Water Supply	1,304,383	1,372,279	(67,896)	-4.95%
DWSRF #213 SCADA	937,792	984,060	(46,268)	-4.70%
Total	\$ 8,251,408	\$ 10,494,150	\$ (2,242,742)	-21.37%

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

Investment Portfolio

The Regional Water System invested 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.

As of June of 2023, the Regional Water System had \$2,064,743 invested with WYO-STAR I and \$3,470,972 invested in WYO-STAR II. Also, the Regional Water System Board maintains a commercial checking account at Hilltop National Bank. As of June 2023, the balances in all the Hilltop National Bank accounts were \$3,523,144. 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 2023, at 3.68 billion gallons, was approximately 62 million gallons more than that of fiscal year 2022. Fiscal year 2023 water production was 34 million gallons less than the average of the previous five years. Fiscal year 2023 water sales were strong through the majority of the fiscal year followed by low sales in June due to wetter than normal weather.

The fiscal year 2024 Agency Budget is 6.9% more than the fiscal year 2023 budget. In large part, the increases are attributable to increases in personnel costs, increases in general materials and supplies, a significant increase in chemical costs, an increase to non-contract maintenance repair services, and an increase in electrical costs. The total amount budgeted for fiscal year 2024 capital expenditures is \$3,440,000, an increase of \$1,468,000 from fiscal year 2023. The capital increase is mainly due to the recent Mountain View tank inspection and noted deficiencies. The capital budget also includes funds for the lining of the ground water ozone contactor (\$750,000) and continued focus on water well rehabilitation projects (\$500,000). Rounding out the capital plan are several smaller dollar projects needed to replace aging facilities and equipment.

Increased revenue is expected to come from a 3.5% rate increase. The rate per thousand gallons of water was raised to \$2.24 for the fiscal year ended 2023 and has subsequently been approved to be increased to \$2.32 per thousand gallons for fiscal year 2024.

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, 2023 AND 2022**

ASSETS	2023	2022
Current Assets		
Cash and Cash Equivalents	\$ 2,387,638	\$ 574,826
Cash and Cash Equivalents, Restricted	1,000,000	1,000,000
Investments	5,437,318	5,328,981
Accounts Receivable	684,104	1,143,423
Inventory	768,405	598,327
Prepaid Expenses	29,948	24,163
Total Current Assets	10,307,413	8,669,720
Capital Assets		
Land	580,874	580,874
Construction in Progress	211,710	179,179
Buildings, Net of Depreciation	8,968,143	9,654,666
Improvements Other Than Building, Net of Depreciation	30,820,545	32,004,502
Machinery and Equipment, Net of Depreciation	485,801	414,539
Net Property and Equipment	41,067,073	42,833,760
TOTAL ASSETS	\$ 51,374,486	\$ 51,503,480
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 676,062	\$ 524,115
Accrued Expenses	84,704	43,847
Interest Payable	100,562	109,018
Retainage Payable	10,556	3,591
Current Portion of Long-Term Debt	1,069,741	2,175,161
	1,941,625	2,855,732
Long-Term Liability		
Long-Term Debt, Net of Current Maturities	7,181,667	8,318,989
NET POSITION		
Net Investment in Capital Assets	32,815,665	32,339,610
Restricted:		
Construction Reserve Fund	1,000,000	1,000,000
Unrestricted	8,435,529	6,989,149
Total Net Position	42,251,194	40,328,759
TOTAL LIABILITIES AND NET POSITION	\$ 51,374,486	\$ 51,503,480

The accompanying notes are an integral part of these statements.

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Revenue		
Water Sales	\$ 8,206,561	\$ 7,656,339
System Development Charges and Miscellaneous Income	195,491	304,473
Total Revenue	8,402,052	7,960,812
Operating Expenses		
Operating Expenses Paid to City of Casper	3,843,427	3,111,563
Depreciation	2,059,312	2,045,203
Repairs and Maintenance	346,764	577,861
Insurance	101,534	97,963
Other	48,034	55,804
Total Operating Expenses	6,399,071	5,888,394
Operating Income	2,002,981	2,072,418
Nonoperating Income (Expense)		
Interest Income	214,168	15,836
Interest Expense	(298,321)	(347,608)
Loss on Disposal of Capital Assets	(784)	-
Unrealized Gain (Loss) on Investments	4,391	(146,293)
Total Nonoperating Expense	(80,546)	(478,065)
Net Income	1,922,435	1,594,353
Net Position -- Beginning of Year	40,328,759	38,734,406
Net Position -- End of Year	\$ 42,251,194	\$ 40,328,759

The accompanying notes are an integral part of these statements.

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 8,861,371	\$ 8,270,100
Cash Payments to Suppliers	(616,062)	(595,493)
Cash Payments to City of Casper	(3,699,791)	(3,444,146)
Net Cash Flows Provided by Operating Activities	4,545,518	4,230,461
Cash Flows From Capital and Related Financing Activities		
Interest Paid	(306,777)	(351,892)
Purchase of Property and Equipment	(293,409)	(1,590,466)
Repayment of Long-Term Debt	(2,242,742)	(2,197,626)
Net Cash Flows Used in Capital and Related Financing Activities	(2,842,928)	(4,139,984)
Cash Flows From Investing Activities		
Purchase of Investments	(108,337)	(5,328,981)
Investment Earnings (Losses)	4,391	(146,293)
Interest Income	214,168	15,836
Net Cash Flows (Used in) Provided by Investing Activities	110,222	(5,459,438)
Net Change in Cash, Cash Equivalents, and Restricted Cash	1,812,812	(5,368,961)
Cash, Cash Equivalents, and Restricted Cash -- Beginning of Year	1,574,826	6,943,787
Cash, Cash Equivalents and Restricted Cash -- End of Year	\$ 3,387,638	\$ 1,574,826
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 2,002,981	\$ 2,072,418
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</i>		
Depreciation Expense	2,059,312	2,045,203
Construction in Progress Abandoned	-	128,506
<i>Change in Assets and Liabilities:</i>		
Accounts Receivable	459,319	309,288
Inventory	(170,078)	(114,406)
Prepaid Expense	(5,785)	(765)
Accounts Payable	158,912	(211,593)
Accrued Expenses	40,857	1,810
Net Cash Provided by Operating Activities	\$ 4,545,518	\$ 4,230,461
Reconciliation of Cash, Cash Equivalents, and Restricted Cash		
Cash and Cash Equivalents	\$ 2,387,638	\$ 574,826
Restricted Cash	1,000,000	1,000,000
	\$ 3,387,638	\$ 1,574,826

The accompanying notes are an integral part of these statements.

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

(1) Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Central Wyoming Regional Water System Joint Powers Board (the System) is the result of a Joint Powers Agreement between the following entities: City of Casper, Pioneer Water and Sewer District, Wardwell Water and Sewer District, Salt Creek Joint Powers Board, and Natrona County. The System was organized for the purpose of developing, maintaining, and providing safe, reliable, and affordable water at wholesale prices. The System is reported as a component unit of the City of Casper and is governed by a Board of Directors consisting of eight members. Four members are representatives of the City of Casper, and four members are representatives of the other members of the System.

For the years ended June 30, 2023 and 2022, **91** percent of the System's revenue was generated from charges to the City of Casper. Additionally, accounts receivable from the City of Casper for water usage charges represent **91** and 92 percent of total accounts receivable of the System as of June 30, 2023 and 2022, respectively.

Summary of Significant Accounting Policies

Basis of Presentation

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

Basis of Accounting and Measurement Focus

The System accounts for operations using the accrual basis of accounting and "economic resources" measurement focus. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from the estimates used.

Cash and Cash Equivalents

For the purposes of financial reporting, "cash and cash equivalents" includes all demand and saving accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents. The System maintains cash balances that may at times exceed federally insured limits. The System has not experienced any losses in these accounts and does not expect to incur losses in the future.

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

(1) Nature of Operations and Summary of Significant Accounting Policies

Summary of Significant Accounting Policies

Investments

The System follows the guidelines described in Wyoming Statute 9-4-831 as it relates to the investment of public funds. Wyoming Statutes authorize the types of investments in which the System may invest. Among these authorized investments are U.S., state, and local government securities and accounts of any bank or savings association that is Federally insured or secured by a pledge of assets, including bonds, debentures, and other securities in which the System may by law invest. The System's investments consist of participation in WYO-STAR.

WYO-STAR is an authorized government investment pool created by the Wyoming State Treasurer's office for Wyoming local government investing. The value of the System's investments in WYO-STAR equals the value of its WYO-STAR shares. Each participant's position in the WYO-STAR investment pool is calculated by the proportion of the cost of their contribution to the total funds invested in the pool multiplied by the pool's total fair value. WYOSTAR investments consist of short-term bonds and cash with a weighted average maturity which does not exceed 90 days.

Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The System expects all receivables to be collected within one year. No past due receivables exist at June 30, 2023 or 2022, and management has determined that no allowance for uncollectible amounts is necessary.

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 or market, using the first-in, first-out method.

Capital Assets

Capital asset purchases over \$5,000 are capitalized at cost. Donated water systems are recorded as contributions and capitalized at the developer's cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

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

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(1) Nature of Operations and Summary of Significant Accounting Policies

Summary of Significant Accounting Policies

Net Position

Equity is classified as net position and is displayed in three components:

1. Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions or enabling legislation.
3. Unrestricted net position – all other net position that do not meet the definition of restricted or net investment in capital assets.

The System does not have a formal minimum fund balance policy. It is the System's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The System has included in its restricted net position amounts as the Construction Reserve Fund, 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.

Operating Revenues and Expenses

In the Statements of Revenues, Expenses, and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

Reclassifications

Certain items in the 2022 financial statements have been reclassified to conform to the 2023 presentation with no effect on previously reported net income.

Subsequent Events

The System has evaluated subsequent events through November 14, 2023, the date which the financial statements were available to be issued.

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

(2) Deposits and Investments

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Valuation methodologies used for investments measured at fair value are as follows:

WYO-STAR – each participant’s position in the investment pool is calculated by the proportion of the cost of their contribution to the total funds invested, multiplied by the fair value of the underlying investments. These are Level 2 investments.

Interest Rate Risk:

To limit exposure to fair value losses arising from rising interest rates, the System attempts to match its investment maturities to expected cash flow needs. All the System’s investments have maturities of less than one year.

Credit Risk:

State law limits eligible investments for the System, as discussed above. The System has no investment policy that would further limit its investment choices. As of June 30, 2023, the System’s investment in WYO-STAR pool was unrated. 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 U.S. GSEs are not specifically guaranteed by the U.S. government, however they are rated AAA by Moody’s and AA+ by Standard and Poor’s.

Custodial Credit Risk - Deposits:

The risk that, in the event of a depository failure, the System’s deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk.

The actual bank balances at June 30, 2023 were as follows:

	Bank Balance
Insured - FDIC	\$ 250,000
Uninsured-Collateralized in Accordance with State Statute	3,283,787
Total	\$ 3,533,787

Concentration of Credit Risk:

The System does not have a formal policy that allows for or limits an investment in any one issuer to a specified percentage of the System's total investments.

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(3) Capital Assets

Capital asset activity during the year ended June 30, 2023 was as follows:

	Balance 6/30/2022	Additions	Transfers/ Disposals	Balance 6/30/2023
Capital Assets, not being Depreciated:				
Land	580,874	-	-	580,874
Construction in Process	179,179	108,139	(75,608)	211,710
Total Capital Assets, not being Depreciated	760,053	108,139	(75,608)	792,584
Capital Assets, being Depreciated:				
Buildings	47,485,671	-	(2,311)	47,483,360
Improvements Other Than Building	44,467,210	-	75,608	44,542,818
Machinery and Equipment	1,361,609	185,270	-	1,546,879
Total Capital Assets, being Depreciated	93,314,490	185,270	73,297	93,573,057
Less Accumulated Depreciation for:				
Buildings	37,831,005	685,739	(1,527)	38,515,217
Improvements Other Than Building	12,462,708	1,259,565	-	13,722,273
Machinery and Equipment	947,070	114,008	-	1,061,078
Total Accumulated Depreciation	51,240,783	2,059,312	(1,527)	53,298,568
Assets, being Depreciated, Net	42,073,707	(1,874,042)	74,824	40,274,489
Total Capital Assets	42,833,760	(1,765,903)	(784)	41,067,073

Capital asset activity during the year ended June 30, 2022 was as follows:

	Balance 6/30/2021	Additions	Transfers/ Disposals	Balance 6/30/2022
Capital Assets, not being Depreciated:				
Land	580,874	-	-	580,874
Construction in Process	1,231,306	1,013,138	(2,065,265)	179,179
Total Capital Assets, not being Depreciated	1,812,180	1,013,138	(2,065,265)	760,053
Capital Assets, being Depreciated:				
Buildings	47,485,671	-	-	47,485,671
Improvements Other Than Building	42,616,524	-	1,850,686	44,467,210
Machinery and Equipment	1,107,967	167,569	86,073	1,361,609
Total 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 Other Than Building	11,234,944	1,227,764	-	12,462,708
Machinery and Equipment	855,169	91,901	-	947,070
Total Accumulated Depreciation	49,195,580	2,045,203	-	51,240,783
Assets, being Depreciated, Net	42,014,582	(1,877,634)	1,936,759	42,073,707
Total Capital Assets	43,826,762	(864,496)	(128,506)	42,833,760

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

(3) Capital Assets

As of June 30, 2023, the System has remaining commitments on the Water Treatment Plant HVAC Chiller Replacement and Caisson #2 Rehabilitation projects of approximately \$412,000 and \$92,000, respectively.

During the year ended June 30, 2023, the System was awarded \$1,500,000 of grant funds related to the American Rescue Plan Act (ARPA). The grant will reimburse the System for future construction costs. No funds were received during the year ended June 30, 2023.

(4) Long-Term Debt

The following is a summary of long-term debt activity for the year ended June 30, 2023:

	Balance 6/30/2022	Borrowings	Payments	Balance 6/30/2023	Due Within One Year
State Lands and Investments #129	339,272	-	(23,453)	315,819	18,818
State Lands and Investments #153	1,372,279	-	(67,896)	1,304,383	-
State Lands and Investments #115	1,983,504	-	(102,394)	1,881,110	106,057
State Lands and Investments #213	984,060	-	(46,268)	937,792	45,462
City of Casper Loan	1,887,790	-	(1,505,504)	382,286	382,286
New Construction Note	2,976,597	-	(376,866)	2,599,731	391,942
Rehabilitation Note	950,648	-	(120,361)	830,287	125,176
Total	10,494,150	-	(2,242,742)	8,251,408	1,069,741

The following is a summary of long-term debt activity for the year ended June 30, 2022:

	Balance 6/30/2021	Borrowings	Payments	Balance 6/30/2022	Due Within One Year
State Lands and Investments #129	364,617	-	(25,345)	339,272	23,453
State Lands and Investments #153	1,448,740	-	(76,461)	1,372,279	315
State Lands and Investments #115	2,089,048	-	(105,544)	1,983,504	102,394
State Lands and Investments #213	1,027,864	-	(43,804)	984,060	46,268
City of Casper Loan	3,356,160	-	(1,468,370)	1,887,790	1,505,504
New Construction Note	3,338,967	-	(362,370)	2,976,597	376,866
Rehabilitation Note	1,066,380	-	(115,732)	950,648	120,361
Total	12,691,776	-	(2,197,626)	10,494,150	2,175,161

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

(4) Long-Term Debt

Long-term debt at June 30 is comprised of the following:

	<u>2023</u>	<u>2022</u>
<i>Due to the State of Wyoming, Office of State Lands and Investments:</i>		
Original issue of \$965,250 for the funding of Zone IIB Water Improvements. The maturity date is October 15, 2034; quarterly payment \$8,183; 2.5 percent interest rate. The loan is secured by pledge and assignment of revenues.	315,819	339,272
Original issue of \$2,200,000 for the funding of the Backwash Water Supply Project. The maturity date is July 15, 2038; annual payment \$105,775; 2.5 percent interest rate. The loan is secured by pledge and assignment of revenues.	1,304,383	1,372,279
Original issue \$2,600,000 for the funding of the Water Treatment Plant Emergency Power Project. The maturity date is March 15, 2038; annual payment \$152,525; 2.5 percent interest rate. The note is secured by pledge and assignment of revenues.	1,881,110	1,983,504
Original issue of \$1,600,000 for the funding of the Water Treatment Plant SCADA Improvements Project. The maturity date is March 1, 2040; annual payment \$102,635.41; 2.5 percent interest rate. The loan is secured by pledge and assignment of revenues.	937,792	984,060
<i>Due to the City of Casper:</i>		
Original issue \$15,905,000, maturing October 1, 2023, 2.5 percent interest rate; monthly payment \$127,960; secured by mortgage on Water Treatment Plant Property.	382,286	1,887,790
<i>Due to Wyoming Water Development Commission:</i>		
Original issue \$3,098,326, maturing December 1, 2028, 4 percent interest rate; annual payment \$495,930; secured by mortgage on facilities constructed under the terms of the agreement. *	2,599,731	2,976,597
Original issue \$2,586,396, maturing December 1, 2028, 4 percent interest rate; annual payment \$158,387; secured by mortgage on facilities constructed under the terms of the agreement. *	830,287	950,648
Total Long-Term Debt	\$ 8,251,408	\$ 10,494,150

* - The System has asset management reserve requirements totaling \$1,000,000 at June 30, 2023, in accordance with the debt covenants on both Wyoming Water Development Commission loans. At June 30, 2023, the System was in compliance with the asset management reserve requirement.

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

(4) Long-Term Debt

Future principal maturities of long-term debt as of June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,069,741	\$ 214,176
2025	792,243	221,750
2026	820,035	193,958
2027	848,843	165,151
2028	878,704	135,290
2029-2033	2,102,647	350,122
2034-2038	1,522,392	139,104
2039-2040	216,803	6,983
	<u>\$ 8,251,408</u>	<u>\$ 1,426,534</u>

(5) Risk Management

The System is exposed to various risks of loss from torts: theft of, damage to, and destruction of assets; business interruption; errors and omissions; 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.

(6) 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 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 System monthly. Employees associated with the direct daily operations of the System are employees of the City of Casper. All personnel costs are reimbursed.

During the years ended June 30, 2023 and 2022, the City of Casper billed the System operating expenses of **\$3,843,427** and \$3,111,563, respectively. The System also reimbursed the City during the year for capital construction costs. Included in accounts payable are amounts owed to the City of Casper of **\$614,849** and \$471,213, as of June 30, 2023 and 2022, respectively.

During the years ended June 30, 2023 and 2022, the System billed the City of Casper **\$7,484,737** and \$7,020,974, respectively, for water sales. Additionally, system investment charges of **\$176,833** and \$252,709, were related to the City of Casper for the years ended June 30, 2023 and 2022, respectively. Included in accounts receivable are amounts due from the City of Casper of **\$625,295** and \$1,055,388, for water and system investment charges as of June 30, 2023 and 2022, respectively.

OTHER REPORTS



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INDEPENDENT AUDITOR'S 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
Casper, Wyoming

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 Central Wyoming Regional Water System Joint Powers Board (the System) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 System'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as #2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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 financial statements. 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*.

The System's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the finding identified in our audit and described in the accompanying Schedule of Findings. The System's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KETEL THORSTENSON, LLP
Certified Public Accountants

November 14, 2023

CENTRAL WYOMING REGIONAL WATER SYSTEM JOINT POWERS BOARD

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

A. FINDINGS

Significant Deficiency

2023-001 FINDING: Financial Statement Preparation

Condition and Cause: We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the System's Board of Directors as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the System's statements and footnotes, and the responsibility of the auditor to determine the fairness and presentation of those statements. From a practical standpoint, we do both for the System at the same time in connection with our audit. This is not unusual for organizations of your size.

Criteria and Effect: It is our responsibility to inform the system's Board of Directors that this deficiency could result in a misstatement to the financial statements that would not have been prevented or detected by the System's management.

Repeat Finding from Prior Year: No.

Recommendation: We have instructed management to review a draft of the auditor-prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the System's statements. We are satisfied that the appropriate steps have been taken to provide the System with the completed financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response/Corrective Action Plan: The System agrees with the above finding. See Corrective Action Plan.

MANAGEMENT RESPONSE



Central Wyoming Regional Water System
1500 SW Wyoming Blvd.
Casper WY 82604
(307) 265-6063

**CORRECTIVE ACTION PLAN
JUNE 30, 2023**

The System respectfully submits the following corrective action plan regarding findings from the June 30, 2023 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

2023-001 FINDING: Financial Statement Preparation

Responsible Officials: Nicholas Gassman, Accounting Supervisor

Corrective Action Plan: The System has currently accepted the risk associated with Finding #2023-001 regarding the preparation of the financial statements. We have been provided adequate time to review the financial statements for accuracy. The System anticipates preparing the financial statements in future years.

Anticipated Completion Date: June 2025.