

**CENTER SANITATION DISTRICT**  
**FINANCIAL STATEMENTS**  
**December 31, 2021**



Wall,  
Smith,  
Bateman Inc.  
Certified Public Accountants

**CENTER SANITATION DISTRICT**  
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**December 31, 2021**

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# INDEPENDENT AUDITORS' REPORT



Wall,  
Smith,  
Bateman Inc.

To the Board of Directors  
Center Sanitation District  
Center, Colorado

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the business-type activities and the major fund of the Center Sanitation District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District'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 business-type activities and the major fund of the District, as of December 31, 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

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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 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 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 District'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 District'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***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The proprietary fund budgetary comparison information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

*Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the proprietary fund budgetary comparison information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2022, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

May 16, 2022

**CENTER SANITATION DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**CENTER SANITATION DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2021**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 309,481
Accounts Receivable	85,796
Property Tax Receivable	22,450
Due From Other Governments	1,072,642
<b>Total Current Assets</b>	<b>1,490,369</b>

**Capital Assets**

Construction in Progress	8,728,969
Land	35,766
Buildings	5,100,720
Machinery and Equipment	102,791
Sewer System	611,820
Less: Accumulated Depreciation	(2,827,651)
<b>Total Capital Assets</b>	<b>11,752,415</b>

**TOTAL ASSETS**

**13,242,784**

**LIABILITIES**

**Current Liabilities**

Accounts Payable	956,236
Accrued Payroll Liabilities	1,001
Accrued Interest	4,648
Bonds and Loans Payable - Current Portion	137,394
<b>Total Current Liabilities</b>	<b>1,099,279</b>

**Noncurrent Liabilities**

Bonds and Loans Payable	5,520,734
<b>Total Noncurrent Liabilities</b>	<b>5,520,734</b>

**TOTAL LIABILITIES**

**6,620,013**

**DEFERRED INFLOWS OF RESOURCES**

Unavailable Revenue - Property Taxes	22,450
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>22,450</b>

**NET POSITION**

Net Investment in Capital Assets	6,094,287
Restricted for:	
TABOR	31,000
Bond Reserves	16,202
Unrestricted	458,832
<b>TOTAL NET POSITION</b>	<b>\$ 6,600,321</b>

The accompanying notes are an integral part of this financial statement.

**CENTER SANITATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2021**

<b>OPERATING REVENUES</b>	
User Fees	\$ 284,197
Lease Income	193,790
Miscellaneous	9
	477,996
<b>OPERATING EXPENSES</b>	
Administration	49,638
System Maintenance	148,329
Plant Maintenance	72,318
Depreciation Expense	129,898
	400,183
	77,813
<b>OPERATING INCOME (LOSS)</b>	
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Property Taxes	29,890
Specific Ownership Taxes	4,332
Grant Revenue	4,280,954
Interest Revenue	268
Interest and Other Expense	(75,957)
	4,239,487
<b>Total Non-Operating Revenues (Expenses)</b>	<b>4,239,487</b>
<b>CHANGE IN NET POSITION</b>	<b>4,317,300</b>
<b>NET POSITION, Beginning of Year</b>	<b>2,283,021</b>
<b>NET POSITION, End of Year</b>	<b>\$ 6,600,321</b>

The accompanying notes are an integral part of this financial statement.

**CENTER SANITATION DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 284,556
Cash received from others	193,799
Cash paid to employees	(28,176)
Cash paid to suppliers	<u>(242,339)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>207,840</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash received from taxes	<u>34,222</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(7,325,666)
Grant Proceeds	3,208,312
Loan Proceeds	4,011,000
Principal payments on loans	(159,271)
Interest and Other payments on loans	<u>(75,957)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(341,582)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest revenue	<u>268</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(99,252)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>408,733</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 309,481</u></u>
<b>OPERATING INCOME (LOSS)</b>	\$ 77,813
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Depreciation Expense	129,898
Change in Assets and Liabilities	
(Increase) decrease in accounts receivable	359
Increase (decrease) in accounts payable	4,774
Increase (decrease) in accrued payroll liabilities	<u>(5,004)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 207,840</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Loan Origination Fee	\$ 5,000

The accompanying notes are an integral part of this financial statement.

**CENTER SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Center Sanitation District (the District) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

**REPORTING ENTITY**

***Primary Government***

The District was formed December 7, 1948 and is governed by a five-member elected Board of Directors. The District provides sanitation services for portions of both Saguache and Rio Grande Counties.

***Component Units***

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District.

Based on the aforementioned criteria, the Center Sanitation District has no component units.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are from user charges. Operating expenses for proprietary funds include the cost of operating, financing, and maintaining the District's sanitation systems and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**CENTER SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2021**

**ASSETS, LIABILITIES AND NET POSITION**

***Cash and Cash Equivalents***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

***Property Taxes***

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15, or in full on April 30. The County Treasurer bills and collects all property taxes for the District. Property taxes revenue is recognized by the District to the extent they result in a current receivable.

The 2021 property tax levy due January 1, 2022 has been recorded in the financial statements as a receivable and in a corresponding deferred inflow of resources account.

***Capital Assets***

Capital assets include land, buildings, machinery and equipment and sewer system. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and a useful life of more than 1 year. Depreciation is computed on a straight-line basis over the estimated useful life of the assets. Estimated useful lives range from five to seventy five years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. GASB No. 34 requires the District to report and depreciate new infrastructure assets.

***Compensated Absences***

The District's policy is to require employees to use vacation time within twelve months of earning the benefit. Sick leave is available for use during the following year; however, no sick leave benefits are payable upon termination. Therefore, no liability is reported for unpaid accumulated sick leave.

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

***Net Position***

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

**CENTER SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2021**

When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the District considers restricted funds to have been spent first.

***Use of Estimates***

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgets and Budgetary Accounting***

The District follows the procedures outlined in the Financial Management Manual – A Guide for Colorado Local Governments – when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 1 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.
- 5) Ordinance to adopt supplemental appropriations

Formal budgetary integration is employed as a management control device for all funds of the District. The District prepares their budget following Colorado Statutes. The proprietary fund budget is adopted using the same accounting methods as governmental fund types; this procedure follows Colorado State Statute, but is not in accordance with GAAP.

The total expenditures cannot exceed the budgeted amount unless a supplemental appropriation is adopted. There were no supplemental appropriations during 2021.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget, if applicable.

**NOTE 3 CASH AND DEPOSITS**

**CASH AND DEPOSITS**

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

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

**CENTER SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2021**

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2021, \$842,188 of the District's bank balance of \$1,342,188 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

**NOTE 4 CAPITAL ASSETS**

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

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
<i>Business-Type Activities</i>				
Capital assets not being depreciated				
Construction in Progress	\$ 447,067	\$ 8,281,902	\$ -	\$ 8,728,969
Land	35,766	-	-	35,766
Total capital assets not being depreciated	482,833	8,281,902	-	8,764,735
Capital assets being depreciated				
Buildings	5,100,720	-	-	5,100,720
Machinery and Equipment	102,791	-	-	102,791
Sewer System	611,820	-	-	611,820
Total capital assets being depreciated	5,815,331	-	-	5,815,331
Less accumulated depreciation for:				
Buildings	(2,152,452)	(118,329)	-	(2,270,781)
Machinery and Equipment	(97,434)	(1,952)	-	(99,386)
Sewer System	(447,867)	(9,617)	-	(457,484)
Total accumulated depreciation	(2,697,753)	(129,898)	-	(2,827,651)
Total Capital Assets being depreciated, net	3,117,578	(129,898)	-	2,987,680
<i>Business-Type Activities</i>				
<i>Capital Assets, Net</i>	\$ 3,600,411	\$ 8,152,004	\$ -	\$ 11,752,415

**NOTE 5 OPERATING LEASE**

The District entered into an operating lease with Idaho-Pacific Colorado Corporation (the Corporation) on June 13, 2005, whereby the Corporation will lease an agricultural wastewater treatment plant and associated equipment and influent and effluent piping systems from the District for a term of five years beginning September 15, 2005. The tenant is responsible for the payment of utilities. On September 20, 2017, the District and the Corporation signed a lease amendment to extend the lease until September 1, 2027. Lease income for the year ended December 31, 2021 totaled \$193,790. The carrying amount of the property under lease as of December 31, 2021 was \$1,059,438. The SLVDRG Loan from 1998 discussed in Note 6 is related to this property. At December 31, 2021, the outstanding balance of this note was \$343,163. The SLVDRG Loan from 2017 is also related to this property. At December 31, 2021, the outstanding balance of this note is \$1,270,826.

**CENTER SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2021**

During 2005, the District ceased operating the agricultural wastewater treatment facility. The operation of the plant was transferred to the Idaho-Pacific Colorado Corporation. The Corporation pays the District a monthly lease fee that covers the monthly principal and interest payments on the loans from the San Luis Valley Development Resources Group, see also Note 6 Long-Term Debt. The District continues to operate the domestic wastewater plant.

**NOTE 6 LONG-TERM DEBT**

***Changes in Long-term Debt***

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021	Due Within One Year
<i>Business-Type Activities</i>					
RECD	\$ 27,108	\$ -	\$ 27,108	\$ -	\$ -
SLV DRG Loan (1998)	391,763	-	48,600	343,163	48,600
SLV DRG Loan (2017)	1,349,538	-	78,712	1,270,826	83,701
DOLA Loan - EIAF #5050	32,990	-	4,851	28,139	5,093
Subtotal	1,801,399	-	159,271	1,642,128	137,394
USDA Loan	-	4,016,000	-	4,016,000	-
Total	<u>\$ 1,801,399</u>	<u>\$ 4,016,000</u>	<u>\$ 159,271</u>	<u>\$ 5,658,128</u>	<u>\$ 137,394</u>

**RURAL ECONOMIC AND COMMUNITY DEVELOPMENT – BONDS**

On October 29, 1992, the Office of Rural Economic and Community Development (RECD) (formerly FmHA, Farmers Home Administration) agreed to purchase all of Center Sanitation Sewer Revenue Bonds, Series 1992 in the aggregate principal amount of \$226,600. The Center Sanitation District issued the revenue bonds in order to fund a plant expansion project. Interest is calculated at the rate of 5% per annum. Payments are made semiannually in February and August of each year. This loan has a \$0 balance at December 31, 2021.

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP – LOAN**

In 1998, the District received a \$1,458,000 loan from the San Luis Valley Development Resources Group (SLVDRG). This loan assisted with the construction of an agricultural wastewater facility and the construction of collection lines. The face of the loan carries a 0% interest rate, and the loan is for a term of 30 years. Payments of \$4,050 are made monthly.

In 2017, the District received an additional \$1,530,000 loan which includes a \$30,000 origination fee from SLVDRG. This loan assisted with the Idaho Pacific Corporation expansion. The loan carries a 5% interest rate, and the loan is for a term of 10 years. Interest only payments of \$6,375 are made monthly beginning January 2018 for the first six months. Beginning July 2018, monthly payments of principal and interest are \$12,099.

**COLORADO DEPARTMENT OF LOCAL AFFAIRS – LOAN**

On December 2, 2005, the District received a loan in the amount of \$80,000 from the Colorado Department of Local Affairs. The interest rate is 5% and the loan is for a term of 20 years with the first payment due September 1, 2007. The loan has funded improvements at the District's domestic wastewater plant.

**CENTER SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2021**

Annual debt service payments to maturity are as follows:

	Principal	Interest	Total
2022	\$ 137,394	\$ 62,898	\$ 200,292
2023	141,931	58,361	200,292
2024	146,700	53,592	200,292
2025	151,712	48,580	200,292
2026	156,981	43,311	200,292
2027-2028	907,410	37,774	945,184
Total	\$ 1,642,128	\$ 304,516	\$ 1,946,644

**UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) - LOAN**

On September 23, 2019, the District entered into a loan with the USDA, initially in the amount of \$1,855,000 and was granted with a subsequent loan of \$2,161,000 for total loan amount of \$4,016,000. As of December 31, 2021 the District has drawn down \$4,016,000, however, the loan was not closed as the project was not completed. The amortization schedule will be determined upon finalization of the loan over 40 years.

**NOTE 7 TABOR EMERGENCY RESERVE**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. During 2005 the voters of the District approved a measure, which allows the District to retain and spend revenue in excess of the limit.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending. This Emergency Reserve has been presented as a restricted net position in the Statement of Net Position. The entity is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

**NOTE 8 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

**CENTER SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

***COVID-19***

In March of 2020, the COVID-19 virus was declared a global pandemic. Business continuity throughout the District could be severely impacted for months or more, as significant and unprecedented measures to mitigate the consequences of the pandemic are undertaken. No adjustments have been made to these financial statements as the potential impact is unknown at this time.

***Construction Project***

During 2022, the District will continue work on the wastewater collection system improvements project. The project was initially funded by a State of Colorado Department of Local Affairs grant for \$1,000,000, a USDA loan of \$1,855,000 and USDA Grant for \$6,663,000. On February 16, 2021 the District entered into an additional USDA loan of \$2,161,000 and grant of \$1,112,000. The anticipated total cost of the project is \$12,791,000. Construction costs incurred through December 31, 2021 were \$8,281,902. Construction is estimated to be completed in 2022.

**CENTER SANITATION DISTRICT**  
**SUPPLEMENTARY INFORMATION**

**CENTER SANITATION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL -PROPRIETARY FUND - NON GAAP**  
**For the Year Ended December 31, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>OPERATING REVENUE</b>				
User Fees	\$ 355,000	\$ 355,000	\$ 284,197	\$ (70,803)
Lease Income	193,793	193,793	193,790	(3)
Miscellaneous	-	-	9	9
<b>Total Operating Revenues</b>	<u>548,793</u>	<u>548,793</u>	<u>477,996</u>	<u>(70,797)</u>
<b>OPERATING EXPENSES</b>				
Administration	74,140	74,140	49,638	24,502
System Maintenance	147,100	147,100	148,329	(1,229)
Plant Maintenance	87,350	87,350	72,318	15,032
Sludge Removal Reserve	141,400	141,400	-	141,400
<b>Total Operating Expenses</b>	<u>449,990</u>	<u>449,990</u>	<u>270,285</u>	<u>179,705</u>
<b>OPERATING INCOME (LOSS)</b>	<u>98,803</u>	<u>98,803</u>	<u>207,711</u>	<u>108,908</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Property Taxes	-	-	29,890	29,890
Specific Ownership Taxes	30,195	30,195	4,332	(25,863)
Loan Proceeds	5,000,000	5,000,000	4,016,000	(984,000)
Grant Revenue	5,000,000	5,000,000	4,280,954	(719,046)
Capital Improvements	(10,000,000)	(10,000,000)	(8,281,902)	(1,718,098)
Loan Principal	(142,882)	(142,882)	(159,271)	(16,389)
Interest Revenue	-	-	268	268
Interest and Other Expense	(72,066)	(72,066)	(75,957)	(3,891)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(184,753)</u>	<u>(184,753)</u>	<u>(185,686)</u>	<u>(3,437,129)</u>
<b>Net Income (Loss) - Budget Basis</b>	<u>(85,950)</u>	<u>(85,950)</u>	<u>22,025</u>	<u>(3,328,221)</u>
Add: Loan Principal			159,271	
Add: Capital Improvements			8,281,902	
Add: Loan Proceeds			(4,016,000)	
Less: Depreciation Expense			<u>(129,898)</u>	
<b>CHANGE IN NET POSITION</b>			4,317,300	
<b>NET POSITION, Beginning of Year</b>	<u>200,000</u>	<u>200,000</u>	<u>2,283,021</u>	<u>2,083,021</u>
<b>NET POSITION, End of Year</b>	<u>\$ 114,050</u>	<u>\$ 114,050</u>	<u>\$ 6,600,321</u>	<u>\$ 6,486,271</u>

**CENTER SANITATION DISTRICT**  
**SINGLE AUDIT SECTION**

**CENTER SANITATION DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2021**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal Assistance Number</i>		<i>Federal Expenditures(\$)</i>
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760		
		Loan	\$ 4,016,000
		Grant	3,476,750
			<u>3,476,750</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 7,492,750</u>

**CENTER SANITATION DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available. The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance for the year ended December 31, 2021. In addition, the District did not pass-through federal funds to subrecipients.

**NOTE 2: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Center Sanitation District (the District) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE 3: WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES LOAN**

This loan is administered directly by U.S. Department of Agriculture and payable by the District. The outstanding loan balance at December 31, 2021 is included in the financial statements. The detail of the loan outstanding at the beginning and end of the year is included in the Notes to the Basic Financial Statements.

**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**



**Wall,  
Smith,  
Bateman Inc.**

To the Board of Directors  
Center Sanitation District  
Center, Colorado

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 business-type activities and the major fund of Center Sanitation District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 16, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs, as Finding 2021-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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*.

**Certified Public Accountants**

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | [www.wsbcpa.com](http://www.wsbcpa.com)

### **District's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

May 16, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**



To the Board of Directors  
Center Sanitation District  
Center, Colorado

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Center Sanitation District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance.) Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Center Sanitation District, and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Center Sanitation District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

**Certified Public Accountants**

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Center Sanitation District's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Center Sanitation District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Center Sanitation District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Center Sanitation District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Center Sanitation District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Center Sanitation District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal*

*control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

May 16, 2022

**CENTER SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2021**

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X  yes       no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)?       yes   X  none reported
- Noncompliance material to financial statements noted?       yes   X  no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?       yes   X  no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)?       yes   X  none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?       yes   X  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee?       yes   X  no

**Section II – Financial Statement Findings**

**Finding 2021-001: Internal Control Over Financial Reporting  
(Repeat of Finding 2020-001, 2019-001, 2018-001 and 2017-001)**

*Type of finding: Internal Control (material weakness)*

*Condition/Cause:* The District does not have a complete system of internal controls to prevent or detect and correct financial misstatements related to outstanding cash reconciling items, year-end reporting, and nonroutine transactions.

*Criteria:* A system of internal controls includes the design, documentation, and monitoring of control activities over the application of accounting principles, non-routine transactions, and financial statement preparation.

**CENTER SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2021**

*Effect:* As a result of clearing outstanding reconciling items and non-routine loan and grants funded capital asset improvements during 2021, audit adjustments were proposed to correctly state the District's financial statements in accordance with generally accepted accounting principles at December 31, 2021.

*Recommendation:* The District should strengthen its internal controls with adopted policies and procedures regarding monthly and year-end financial close accounting and reconciliation processes for outstanding cash reconciling items, loan, and grants.

*Management's Response:* See corrective action plan.

**Section III – Federal Award Findings and Questioned Costs**

None

**CENTER SANITATION DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 2021**

**Section II – Financial Statement Findings**

**Finding 2020-001: Internal Control Over Financial Reporting  
(Repeat of Finding 2019-001, 2018-001, and 2017-001)**

*Type of finding: Internal Control (material weakness)*

*Condition:* The District does not have a complete system of internal control to prevent or detect and correct misstatements related to year-end reporting and nonroutine transactions. In addition, the 2020 Form 941 reports were not filed until July 2021.

*Status:* Partially Implemented. (See Finding 2021-001. )

# CENTER SANITATION DISTRICT

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719-850-8922  
jbeiriger@center.k12.co.us

## CORRECTIVE ACTION PLAN

Oversight Agency: U.S. Department of Agriculture

Center Sanitation District respectfully submits the following corrective action plan for the year ended December 31, 2021.

Independent Accountants: Wall, Smith, Bateman Inc.  
Certified Public Accountants  
3001 Adcock Circle  
Alamosa, CO 81101

Audit period: Year ended December 31, 2021

The findings from the December 31, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

### Section II – Financial Statement Findings

**Finding 2021-001: Internal Control Over Financial Reporting  
(Repeat of Finding 2020-001, 2019-001, 2018-001, and 2017-001)**

*Type of finding: Internal Control (material weakness)*

*Condition:* The District does not have a complete system of internal control to prevent or detect and correct misstatements related to outstanding cash reconciling items, year-end reporting, and nonroutine transactions.

*Action Taken:*

The board will have a more in depth monthly review to look for misstatements in bank reconciliations, loan and grant reconciliations.



Alamosa County, Colorado  
Corrective Action Plan  
Page 2

If the U.S. Department of Agriculture has questions regarding this plan, please call the responsible party listed below.

Sincerely yours,



J.J. Beiriger

District Clerk

Center Sanitation District

