

MT. WERNER WATER AND SANITATION DISTRICT

Financial Statements

December 31, 2021

MT. WERNER WATER AND SANITATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mt. Werner Water and Sanitation District
Steamboat Springs, Colorado

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Mt. Werner Water and Sanitation District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Mt. Werner Water and Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Mt. Werner Water and Sanitation District, as of December 31, 2021, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Mt. Werner Water and Sanitation 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.

Other Matter

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2020, from which such summarized information was derived.

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 Mt. Werner Water and Sanitation 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.

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 therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 Mt. Werner Water and Sanitation 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 Mt. Werner Water and Sanitation 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mt. Werner Water and Sanitation District's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 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 July 15, 2022 on our consideration of Mt. Werner Water and Sanitation 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 Mt. Werner Water and Sanitation 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 Mt. Werner Water and Sanitation District's internal control over financial reporting and compliance.

Watson Coon Ryan, LLC

CENTENNIAL, COLORADO
JULY 15, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

The intent of management’s discussion and analysis is to provide an easy-to-read discussion of the financial condition of the Mount Werner Water and Sanitation District (the District) for the year ended December 31, 2021. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE DISTRICT’S OPERATIONS AND ECONOMIC FACTORS

The District was formed in 1965 to provide water and sanitation services for the newly developing Steamboat Ski Area and Resort; it is organized as a special district pursuant to state statute and is a political subdivision of the State of Colorado. An elected 5-member board of directors governs the District.

The District owns and operates the Fish Creek Filtration Plant and supplies potable water to its customers in the resort area of Steamboat Springs – an area of approximately four-square miles which includes all properties generally south of Fish Creek and within the City limits. Through an intergovernmental agreement, the District also supplies potable water to the City of Steamboat Springs. The District’s wastewater is treated in a regional wastewater treatment facility owned by the City of Steamboat Springs. The District owns and maintains approximately 57 miles of sewer mains and 57 miles of water mains. The District and the City of Steamboat Springs hold the most senior water rights in Fish Creek, the principal raw water supply for the Fish Creek Filtration Plant. In 1996, the District doubled the capacity of the Fish Creek Reservoir, owned by the City of Steamboat Springs, to secure water storage in that facility.

District revenues come from three major sources:

- Water and sewer service charges
- Revenue from other governments and private entities
- Plant Investment Fees (“Tap Fees”)

Revenue from District service charges has remained steady with negligible collection problems. Remaining open land parcels and platted lots within District boundaries indicate that the District is approximately 74% “built-out” under current zoning regulations and that there remains substantial growth potential in the District’s customer base. Several intergovernmental agreements are in place assuring revenues for the operation and maintenance of facilities. Plant Investment Fees depend on private investment decisions on new construction. This revenue goes into the District’s capital reserves which are dedicated to funding capital improvements related to growth; they are not used to fund operations.

Personnel costs and related benefits comprise the largest operational expense.

The District is committed to providing its customers with the highest quality and most cost-effective water and wastewater services while preserving public health, protecting the environment, and ensuring the utmost customer satisfaction.

The District is equally dedicated to maintaining a work environment where every employee is recognized as a fundamental part of the organization, thereby encouraging teamwork and individual contributions.

DESCRIPTION OF FINANCIAL STATEMENTS

Mount Werner Water and Sanitation District operates as a utility enterprise fund and presents its financial statements using the accrual basis of accounting used by most private-sector companies. As an enterprise fund, the District's basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. The financial statement also includes Notes that provide more detailed information of significant elements within the financial statement. The District has no component units, nor is it a component unit of any other entity.

SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

The following table represents the variance between the District's actual revenues and expenditures and the budgeted amounts.

Actual vs. Budget

REVENUE SUMMARY	2021 ACTUAL	2021 BUDGET	VARIANCE Favorable (Unfavorable)
Service Charges	\$ 2,530,376	\$ 2,362,130	\$ 168,246
Water/Wastewater Meter Tap Fees	952,346	331,722	620,624
Water Filtration O & M – City Share	304,713	337,351	(32,638)
Interest Income	3,710	20,000	(16,290)
Other	57,233	26,450	30,783
Total Revenues	\$ 3,848,378	\$ 3,077,653	\$ 770,725
EXPENDITURE SUMMARY			
Administration	\$ 756,235	\$ 767,951	\$ 11,716
Distribution & Collection	715,165	637,383	(77,782)
Water Filtration	696,705	759,431	62,726
Raw Water Supply	52,986	58,526	5,540
Total Operating Costs	\$ 2,221,091	\$ 2,223,291	\$ 2,200
Operating Income	\$ 1,627,287	\$ 854,362	\$ 772,925
Total Capital Expenses	\$ 4,762,501	\$ 5,054,113	\$ 291,612
Revenue Over (Under) Expense	\$(3,135,214)	\$(4,199,751)	\$(1,064,537)

Revenues:

The variation between 2021 actual and 2021 budgeted revenues were primarily due to:

- Tap fees were \$620,624 more than anticipated.
- Despite water restrictions, District customers still used more water than anticipated. Revenue for service charges was up \$168,246 due to this.

Operating Expenses:

The variation between 2021 actual and 2021 budgeted expenditures were primarily due to:

- Administration:
 - Personnel was \$16,610 below budget due to the Operations Manager departing in December.
 - Computer services were \$10,662 less than budgeted.
 - The Rate study was \$4,088 under budget.
 - The Fish Creek Plant Replat was \$14,872 under budget.

- Distribution and Collection:
 - Personnel costs were \$25,964 over budget
 - Meter costs were \$55,754 over budget due to more meter replacements from the Badger meter letters that went out as well as having to stock pile more inventory due to lead times on MTU's.
 - General Operating and Maintenance was \$7,105 under budget.

- Water Filtration:
 - Personnel costs were \$77,310 less due to the Operations Manager position allocating more time to administration vs. the Fish Creek Plant.
 - Utilities were \$20,758 over budget.

Capital Expenditures:

Capital improvements completed in 2021 were:

▪ Fish Creek Filtration Plant	\$32,215
▪ Water Main Extensions/Replacements	\$53,321
▪ Phases 2 and 3 Core Trail Sewer Interceptor	\$1,956,308
▪ Risk Resiliency Plan (FC Plant)	\$67,332
▪ Scada Update	\$4,958
▪ Filtration Plant Improvements (Phase 2A & 2B)	\$219,322
▪ New Wellfield Expansion Infiltration Gallery	\$2,064,142
▪ Facilities Master Plan (FC Plant)	\$44,378
▪ Water Conservation Plan	\$1,376
▪ Equipment/Vehicles/File server	\$12,104
▪ FC Office Remodel	\$45,458
▪ Water Distribution	\$47,103
▪ Watershed Protection Plan	\$7,972
▪ Sewer Repairs	\$52,580
▪ Public Sewer Contributions	\$84,483
▪ Ski Time Square Sewer Replacement	\$3,324
▪ Maintenance Shop Remodel	\$63,047
▪ Office Electric & Heating	\$10,850
▪ Conference Room Improvements	\$14,719

Total Capital Expenditures \$4,762,501

Statement of Revenue, Expenses & Changes in Net Position

REVENUE SUMMARY	2019	2020	2021
Service Charges	\$1,865,476	\$2,099,179	\$2,530,376
Water/Wastewater Tap Fees	\$ 989,251	\$ 411,014	\$841,505
Water Filtration O&M - City Share	\$ 292,209	\$ 304,596	\$304,713
Interest Income	\$ 39,092	\$ 21,583	\$3,710
Other	\$ 495,102	\$ 131,030	\$305,879
Total Revenues	\$3,681,130	\$2,967,402	\$3,986,183

EXPENDITURE SUMMARY	2019	2020	2021
Administration	\$ 719,826	\$ 666,061	\$756,235
Distribution & Collection	\$ 529,435	\$ 561,362	\$715,165
Water Filtration	\$ 643,059	\$ 686,454	\$696,705
Raw Water Supply	\$ 57,454	\$ 51,431	\$52,986
Depreciation	\$1,611,236	\$1,666,137	\$1,797,556
Total Costs	\$3,561,010	\$3,631,445	\$4,018,647
Income (Loss)	\$ 120,120	(\$664,043)	(32,464)

NET POSITION

Condensed Statements of Net Position

	2019	2020	2021
Current Assets	\$3,261,002	\$2,887,069	\$3,351,933
Non-Current Assets	\$27,390	\$23,389	\$19,098
Restricted	\$40,493	\$47,197	\$602,514
Capital Assets, net accum depreciation	\$30,982,550	\$30,564,232	\$33,666,982
Total Assets	\$34,311,435	\$33,521,887	\$37,640,527
Current Liabilities	\$846,315	\$720,810	\$1,276,197
Long Term Liabilities	0	0	\$3,595,717
Total Liabilities	\$846,315	\$720,810	\$4,871,914
Invested in Capital, Net of Debt	\$30,982,550	\$30,564,232	\$29,942,034
Unrestricted	\$2,482,570	\$2,236,845	\$2,271,306
Restricted	0	0	\$555,273
Total Net Position	\$33,465,120	\$32,801,077	\$32,768,613

CAPITAL ASSETS

At the end of 2021, the District had invested \$33,666,982 in a broad range of infrastructure including water and sewer mains, storage tanks, raw water reservoir, water filtration plant, administration facilities, vehicles, equipment, participation fees and water rights as shown in the following table.

	2019	2020	2021
Water System	\$32,598,183	\$33,496,226	\$36,290,408
Sewer System	\$18,331,282	\$18,530,856	\$20,424,551
Fish Creek Reservoir	\$7,472,325	\$7,472,325	\$7,472,325
Land	\$2,813,841	\$2,813,841	\$2,813,841
Buildings and Improvements	\$941,150	\$942,285	\$1,061,641
Equipment & Vehicles	\$588,931	\$688,944	\$568,330
Water Rights	\$52,953	\$52,953	\$52,953
Less accumulated depreciation	-\$31,816,115	-\$33,433,198	-\$35,017,067
Net Property, Plant, and Equipment	\$30,982,550	\$30,564,232	\$33,666,982

If you have questions regarding this report or need additional information, please contact:

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MT. WERNER WATER AND SANITATION DISTRICT
Statement of Net Position
December 31, 2021
(with summarized financial information as of December 31, 2020)

	2021	2020
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,706,476	\$ 1,590,617
Accounts receivable	1,398,047	1,079,291
Accrued interest receivable	-	2,649
Prepaid expenses	94,017	81,686
Inventories	153,393	132,826
Total current assets	3,351,933	2,887,069
Noncurrent assets:		
Capital assets, net of accumulated depreciation	33,666,982	30,564,232
Restricted cash - funds held in escrow	47,241	47,197
Restricted cash - operations and maintenance reserve	555,273	-
Prepaid expenses	9,538	13,829
Security deposit	9,560	9,560
Total assets	37,640,527	33,521,887
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	221,199	240,744
Retainage payable	224,714	25,584
Due to other governments	600,497	365,226
Compensated absences liability	36,872	25,616
Plant investment fee reimbursement liability	16,443	16,443
Funds held in escrow	47,241	47,197
Current portion of notes payable	129,231	-
Total current liabilities	1,276,197	720,810
Noncurrent liabilities:		
Notes payable, net of current portion	3,595,717	-
Total liabilities	4,871,914	720,810
Net Position:		
Net investment in capital assets	29,942,034	30,564,232
Restricted for:		
Operations and maintenance reserve	555,273	-
Unrestricted	2,271,306	2,236,845
Total net position	\$ 32,768,613	\$ 32,801,077

See accompanying notes to the financial statements.

MT. WERNER WATER AND SANITATION DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2021
(with summarized financial information for the year ended December 31, 2020)

	2021	2020
Operating revenues:		
Water and wastewater service charges	\$ 2,530,376	\$ 2,099,179
Water filtration plant operating and maintenance sharing	304,713	304,596
Other	57,233	51,060
Total operating revenues	2,892,322	2,454,835
Operating expenses:		
Administration	756,235	666,061
Water distribution and wastewater collection	715,165	561,362
Water filtration	696,705	686,454
Raw water supply	52,986	51,431
Depreciation and amortization	1,797,556	1,666,137
Total operating expenses	4,018,647	3,631,445
Operating income (loss)	(1,126,325)	(1,176,610)
Non-operating revenues (expenses):		
Interest income	3,710	21,583
Total non-operating revenues	3,710	21,583
Income (loss) before other revenues, expenses, gains and losses	(1,122,615)	(1,155,027)
Other revenues, expenses, gains and losses:		
Plant investment fees	841,505	411,014
New meter fees	110,841	51,070
Contribution of infrastructure assets	137,805	16,900
Gain (loss) on disposal of capital assets	-	12,000
Other revenues, expenses, gains and losses	1,090,151	490,984
Change in net position	(32,464)	(664,043)
Net position, beginning of year	32,801,077	33,465,120
Net position, end of year	\$ 32,768,613	\$ 32,801,077

See accompanying notes to the financial statements.

MT. WERNER WATER AND SANITATION DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2021
(with summarized financial information for the year ended December 31, 2020)

	2021	2020
Cash flows from operating activities:		
Cash receipts from customers	\$ 2,617,631	\$ 2,169,221
Cash payments to employees for services	(1,137,329)	(1,016,024)
Cash payments to other suppliers of goods or services	(798,391)	(1,054,997)
Net cash provided by operating activities	681,911	98,200
Cash flows from capital and related financing activities:		
Proceeds from notes payable	3,724,948	-
Plant investment fees collected	946,779	569,814
New meter fees collected	110,841	51,070
Payments to acquire, construct and improve capital assets	(4,799,706)	(1,256,890)
Net cash provided (used) by capital and related financing activities	(17,138)	(636,006)
Cash flows from investing activities:		
Interest earnings	6,359	21,777
Net cash provided by investing activities	6,359	21,777
Net change in cash and cash equivalents	671,132	(516,029)
Cash and cash equivalents, beginning of year	1,590,617	2,106,646
Cash and cash equivalents, end of year	\$ 2,261,749	\$ 1,590,617
Composition of cash and cash equivalents at year end:		
Cash and cash equivalents	\$ 1,706,476	\$ 1,590,617
Restricted cash - operations and maintenance reserve	555,273	-
Total cash and cash equivalents	\$ 2,261,749	\$ 1,590,617

See accompanying notes to the financial statements.

MT. WERNER WATER AND SANITATION DISTRICT
Statement of Cash Flows (continued)
For the Year Ended December 31, 2021
(with summarized financial information for the year ended December 31, 2020)

	2021	2020
Reconciliation of operating income (loss) to net cash provided by activities:		
Operating income (loss)	\$ (1,126,325)	\$ (1,176,610)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,797,556	1,666,137
Increase (decrease) in:		
Accounts receivable, net of capital reimbursement	(318,756)	(96,319)
Prepaid expenses	(8,040)	(3,090)
Inventories	(20,567)	(59,095)
(Decrease) increase in:		
Accounts payable and accrued expenses	(19,545)	(11,858)
Compensated absences liability	11,256	6,363
Due to other governments, net of plant investments	366,332	(227,328)
Net cash provided by operating activities	\$ 681,911	\$ 98,200
Non-cash transactions:		
Contributions of infrastructure assets	\$ 137,805	\$ 16,900

See accompanying notes to the financial statements.

MT. WERNER WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 1: Summary of Significant Accounting Policies

The Mt. Werner Water and Sanitation District (the District) was formed in 1965 to provide water and sanitation services for the then newly developing Steamboat Ski Area and Resort. The District was formed as a special district pursuant to Title 32 of Colorado Revised Statutes (CRS). The District treats and distributes water for the mountain resort area of Steamboat Springs and provides water to the City of Steamboat Springs (the City) for distribution to its customers. The District also provides the infrastructure for the collection of wastewater within the District that is treated at the City's wastewater treatment plant. The District and City share raw water storage in Fish Creek Reservoir and share ownership of the Fish Creek Filtration Plant.

The District's financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP) for governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of GAAP in governmental entities. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District does not have any component units for which it is financially accountable.

Measurement Focus and Basis of Accounting

The District operates as an enterprise and the accompanying proprietary fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and this fund is maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

Assets, Liabilities and Fund Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits and highly liquid investment pool funds.

Accounts Receivable

Amounts due to the District from charges for services provided are reported as accounts receivable. The District's management review accounts receivable periodically to consider the collectability of the balances. The District's management believes all accounts receivable to be fully collectible as of December 31, 2021 and 2020. Therefore, no allowance for uncollectible accounts has been established.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Inventories

Inventories consist of meters, chemicals and supplies used in District operations and are reported at cost.

MT. WERNER WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Fund Net Position (continued)

Capital Assets

The District capitalizes water and wastewater infrastructure additions over \$2,500 and equipment additions over \$5,000. Such assets are recorded at historical cost if purchased or fair value if contributed to the District. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset estimated useful lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Water storage, treatment and distribution systems	10-40
Wastewater treatment, collection and transmission systems	30-40
Buildings and improvements	30
Vehicles, equipment and software	5-15

Compensated Absences Liability

District employees accrue vacation and compensatory time benefits with each pay period. Employees can carryforward a certain amount of unused vacation hours as of December 31 based upon the employee's length of employment with the District and unused vacation is paid to employees upon termination. Employees can carryforward no more than 200 hours of compensatory time as of December 31.

Operating and Non-Operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the District. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative financial information in total. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2020 from which the summarized financial information was derived.

MT. WERNER WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted on a non-GAAP basis wherein depreciation is not budgeted; capital expenditures are budgeted and recorded as expenditures.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, District management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

The District did not adopt any supplemental appropriations for the year ended December 31, 2021.

Compliance

The District did not have expenditures in excess of appropriations for the year ended December 31, 2021.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, excluding enterprises. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Management believes that the District qualifies as an enterprise as defined in TABOR. Therefore, the provisions of TABOR are not applicable to the District.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

MT. WERNER WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 3: Detailed Notes on the Fund

Deposits

The carrying amount of the District's deposits as of December 31, 2021 and 2020 was \$2,305,615 and \$1,634,441, respectively and bank balances were \$2,392,824 and \$1,679,971, respectively. Of the bank balances, \$297,241 and \$750,000 as of December 31, 2021 and 2020, respectively, was covered by federal deposit insurance and \$2,095,583 and \$929,971, respectively, was uninsured but collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (PDPA).

The PDPA requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The collateral pool is 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 equal or exceed 102% of the aggregate uninsured deposits.

Investments

As of December 31, 2020 and 2019, the District had \$3,174 and \$3,173, respectively, invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) PLUS+ fund. COLOTRUST PLUS+ is a short-term money market fund organized in conformity with Part 7 of Article 75 of Title 24, CRS. The portfolio offers Colorado governmental entities a convenient and efficient means to pool their funds to take advantage of short-term investments and maximize net interest earnings. The investment objective of COLOTRUST PLUS+ is to obtain as high a level of current income as is consistent with the preservation of capital and liquidity. The investment adviser for COLOTRUST PLUS+ is Public Trust Advisors LLC, a Colorado-based investment adviser, registered with the SEC. The portfolio manager is responsible for making all of the investment decisions for the portfolio. Wells Fargo Bank, N.A. is custodian of the portfolio's securities and cash. The COLOTRUST PLUS+ portfolio invests in U.S. Treasury securities, federal instrumentality securities, agency securities, repurchase agreements, tri-party repurchase agreements, collateralized bank deposits, the highest rated commercial paper, and highly-rated corporate bonds. The portfolio's weighted average maturity to reset is kept under 60 days, which helps to enhance liquidity and limits market price exposure. The COLOTRUST PLUS+ fund holds a 'AAAm' rating by Standard and Poor's.

The District's investments are subject to interest rate risk, credit risk, and concentration of credit risk. As a means of limiting its exposure to fair value losses arising from prevailing market interest rates, the District's investment policy states that the maximum maturity of any investment shall be no greater than five years and all investments shall have a final maturity not exceeding five years from the date of purchase.

Restricted Assets

The District entered into a Public Improvements Completion Agreement with a developer whereby the District has collected \$46,480 at the time of building permit application to be held in a separate interest-bearing escrow account. The escrow balance as of December 31, 2021 and 2020 was \$47,241 and \$47,197, respectively.

Prepaid Expenses

The District prepaid a United States Department of Agriculture (USDA) Forest Service special use permit for Fish Creek Reservoir during 2001 of \$60,326. The permit is dated February 10, 1998 and expires in 2023. The District is recording the expense over the life of the permit. As of December 31, 2021 and 2020, the District's prepaid portion of the permit fee was \$13,829 and \$17,830, respectively. Prepaid amounts not expected to be recognized in the next fiscal year are reported as a noncurrent asset.

MT. WERNER WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 3: Detailed Notes on the Fund (continued)

Capital Assets

Capital asset activity for the year ended December 31, 2021 is summarized below:

	December 31, 2020 Balance	Additions	Deletions	December 31, 2021 Balance
Non-depreciable capital assets:				
Land, improvements and easements	\$ 2,813,841	\$ -	\$ -	\$ 2,813,841
Water rights	52,953	-	-	52,953
Total non-depreciable capital assets	2,866,794	-	-	2,866,794
Depreciable capital assets:				
Water storage, treatment and distribution systems	41,093,697	2,669,536	(500)	43,762,733
Wastewater treatment, collection and transmission system	18,530,856	2,096,695	(203,000)	20,424,551
Buildings and improvements	942,285	119,356	-	1,061,641
Vehicles, equipment and software	563,798	14,719	(10,187)	568,330
Total depreciable capital assets	61,130,636	4,900,306	(213,687)	65,817,255
Less: accumulated depreciation	(33,433,198)	(1,797,556)	213,687	(35,017,067)
Net depreciable capital assets	27,697,438	3,102,750	-	30,800,188
Total capital assets, net	\$ 30,564,232	\$ 3,102,750	\$ -	\$ 33,666,982

Plant Investment Fee Reimbursement Liability

From 1968 through 1984, the District received both water and wastewater plant investment fees from the owners of 10 vacant lots and only wastewater plant investment fees from the owners of 3 vacant lots within the District's boundaries. In December 2017, the District's board of directors approved reimbursement of these prepaid plant investment fees calculated at the initial prepayment amount plus accrued interest utilizing the annual published 6-month Federal CD rates. The District's remaining cumulative liability to one lot owner is \$16,443 as of December 31, 2021 and 2020.

Long-Term Debt

The District had the following long-term debt outstanding as of December 31, 2021:

Colorado Water Resource Power and Development Authority (CWRPDA) Notes Payable

The District entered into a \$3,000,000 loan agreement (#W21F091) with CWRPDA on May 11, 2021. The note is payable in an initial installment of \$15,961 on May 1, 2022 followed by semi-annual installments of \$97,345 on May 1 and November 1 thereafter including interest at 2.50% through maturity on November 1, 2041. Proceeds of the note are to be used for a project consisting of replacement and upsizing of interceptor piping and associated appurtenances. Principal drawn on the loan through December 31, 2021 was \$1,731,027.

The District entered into a \$2,500,000 loan agreement (#D21F091) with CWRPDA on May 11, 2021. The note is payable in an initial installment of \$12,993 on May 1, 2022 followed by semi-annual installments of \$79,280 on May 1 and November 1 thereafter including interest at 2.25% through maturity on November 1, 2041. Proceeds of the note are to be used for a project consisting of construction of a new infiltration gallery well and pump station. Principal drawn on the loan through December 31, 2021 was \$1,993,921.

MT. WERNER WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 3: Detailed Notes on the Fund (continued)

Long-Term Debt (continued)

The loan agreements require the District to maintain an operations and maintenance reserve fund equal to three months of operation and maintenance expenses, excluding depreciation. The District maintains reserves of \$555,273 for this purpose as of December 31, 2021.

Activity in long-term debt for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CWRPDA #W21F091	\$ -	\$ 1,731,027	\$ -	\$ 1,731,027	\$ 69,677
CWRPDA #D21F091	-	1,993,921	-	1,993,921	59,554
	<u>\$ -</u>	<u>\$ 3,724,948</u>	<u>\$ -</u>	<u>\$ 3,724,948</u>	<u>\$ 129,231</u>

The CWRPDA loan agreements also include a rate covenant whereby the District's water and wastewater system net revenue, after meeting operation and maintenance expenses, is required to be sufficient to cover 110% of the debt service coming due. The following is the District's calculation of the rate covenant for the year ended December 31, 2021:

System revenues:	
Charges for services:	
Water	\$ 2,045,219
Wastewater collection	485,157
Water filtration plant operating and maintenance sharing	<u>304,713</u>
Total system revenues	<u>2,835,089</u>
System operating expenses:	
Water	3,221,353
Wastewater	797,294
Less depreciation and amortization	<u>(1,797,556)</u>
Total system operating expenses	<u>2,221,091</u>
Net system revenues	<u>\$ 613,998</u>
Annual debt service payments	<u>\$ 205,579</u>
Net system revenues / annual debt service payments	<u>299%</u>

The District's net system revenues were sufficient to meet the rate covenant requirements for the year ended December 31, 2021.

MT. WERNER WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 3: Detailed Notes on the Fund (continued)

Long-Term Debt (continued)

Aggregate debt service requirements, provided the loans are drawn to full principal, as anticipated, is as follows:

	Principal	Interest	Total
2022	\$ 129,231	\$ 76,348	\$ 205,579
2023	226,424	126,826	353,250
2024	231,855	121,395	353,250
2025	237,421	115,828	353,249
2026	243,116	110,134	353,250
2027-2031	1,305,947	460,302	1,766,249
2032-2036	1,470,394	295,854	1,766,248
2037-2041	1,655,612	110,637	1,766,249
	<u>\$ 5,500,000</u>	<u>\$ 1,417,324</u>	<u>\$ 6,917,324</u>

Segment Information

The District accounts for its water and wastewater activities within one enterprise fund. Summary financial information for each activity is presented below.

	Water Department	Wastewater Department	Total
Condensed Statement of Net Position			
Assets:			
Current assets	\$ 2,298,121	\$ 1,609,085	\$ 3,907,206
Capital assets, net	22,243,891	11,423,091	33,666,982
Other assets	56,890	9,449	66,339
Total assets	<u>24,598,902</u>	<u>13,041,625</u>	<u>37,640,527</u>
Liabilities:			
Current liabilities	367,556	908,641	1,276,197
Noncurrent liabilities	1,661,350	1,934,367	3,595,717
Total liabilities	<u>2,028,906</u>	<u>2,843,008</u>	<u>4,871,914</u>
Net position:			
Net investment in capital assets	20,512,863	9,429,171	29,942,034
Restricted	468,791	86,482	555,273
Unrestricted	1,588,342	682,964	2,271,306
Total net position	<u>\$ 22,569,996</u>	<u>\$ 10,198,617</u>	<u>\$ 32,768,613</u>

MT. WERNER WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 3: Detailed Notes on the Fund (continued)

Segment Information (continued)

	Water Department	Wastewater Department	Total
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues	\$ 2,401,703	\$ 490,619	\$ 2,892,322
Depreciation expense	(1,346,189)	(451,367)	(1,797,556)
Other operating expenses	(1,875,164)	(345,927)	(2,221,091)
Operating income (loss)	<u>(819,650)</u>	<u>(306,675)</u>	<u>(1,126,325)</u>
Nonoperating revenues:			
Interest income	2,968	742	3,710
Plant investment fees	601,602	239,903	841,505
Other nonoperating revenues	164,163	84,483	248,646
Total nonoperating revenues	<u>768,733</u>	<u>325,128</u>	<u>1,093,861</u>
Change in net position	(50,917)	18,453	(32,464)
Beginning net position	22,620,913	10,180,164	32,801,077
Ending net position	<u>\$ 22,569,996</u>	<u>\$ 10,198,617</u>	<u>\$ 32,768,613</u>
Condensed Statement of Cash Flows			
Net cash provided (used) by:			
Operating activities	\$ 497,146	\$ 184,765	\$ 681,911
Capital and related financing activities	(516,338)	499,200	(17,138)
Investing activities	5,087	1,272	6,359
Net change in cash and cash equivalents	(14,105)	685,237	671,132
Beginning cash and cash equivalents	1,089,480	501,137	1,590,617
Ending cash and cash equivalents	<u>\$ 1,075,375</u>	<u>\$ 1,186,374</u>	<u>\$ 2,261,749</u>

Note 4: Other Information

Intergovernmental Agreements

Water Treatment Plant Agreement

In November 2005, the District and City entered into an agreement for the treatment and disposal of sewage in the Steamboat Springs region. Per terms of the agreement, the District collects service charges from its residential and commercial customers for wastewater treatment and passes these payments through to the City. Wastewater treatment receipts are not recognized as revenues by the District. Additionally, the City does not charge the District for operating expenses attributable to the treatment of wastewater.

Agreement to Expand Fish Creek Reservoir

In July 1994, the District and City entered into an agreement to enlarge the storage capacity of the Fish Creek Reservoir. The agreement required the District to pay all construction costs of the enlargement project. The District funded the project with a \$4,630,000 loan from the Colorado Water Resources and Power Development Authority (CWRPDA) and the District's reserve funds.

In 2002, the agreement was amended allowing the City, at its option annually, to reserve a percentage of the water filling under the enlargement, by paying \$175,000 to the District. The City's allotment percentage of the annual amount of water filling in the enlargement is fixed in perpetuity to be 2.518% multiplied by the number of years the City made the option payment to the District. The City made the option payment each year from 2000 through 2011 resulting in a perpetual reserved allotment of 27.698% of the annual fill in the enlargement pool.

MT. WERNER WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Other Information

Intergovernmental Agreements (continued)

Filtration Bay Lease of Stand-By Capacity

In May 2018, the District entered into a lease agreement with the City to lease 50% of the actual production capacity of two filter bays owned by the City. The lease was effective July 1, 2017 for a 20-year term ending June 30, 2037. The lease can be terminated sooner by either party with 30 months' notification. The lease amount was based upon 50% of the cost of the two filter bays. The District incurred lease expense of \$41,663 and \$42,753 for the years ended December 31, 2021 and 2020, respectively.

Required future operating lease payments are as follows:

Year Ended December 31,	
2022	\$ 40,573
2023	39,483
2024	38,393
2025	37,303
2026	36,213
2027-2031	164,715
2032-2036	<u>137,465</u>
	<u>\$ 494,145</u>

Stagecoach Reservoir Storage Agreement

The District entered into an agreement with the Upper Yampa Water Conservancy District (UYWCD) on April 4, 1988 to purchase 200-acre feet of storage water in Stagecoach Reservoir annually on a "take or pay basis" at a price of \$35.00 per acre foot for a term of thirty years. At the end of the thirty-year period the District has the continuing right for the life of Stagecoach Reservoir to purchase annually the 200-acre feet of storage at a price per acre foot based upon UYWCD's costs of operating, repairing, renovating and maintaining Stagecoach Reservoir.

In 2018, the District entered into an interim pricing agreement with UYWCD to maintain the \$35.00 per acre foot price through the year 2021.

Yamcolo Reservoir Storage Agreement

The District entered into an extension and amendment agreement with UYWCD effective May 19, 2011 for 300-acre feet of storage water in the Yamcolo Reservoir for thirty years terminating July 15, 2041. The purchase price is subject to an annual CPI increase. The District paid \$86.88 per acre foot of storage water for the year ended December 31, 2021.

MT. WERNER WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Other Information (continued)

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains commercial insurance for these risks by participation in an insurance pool.

The District is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. The District has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Retirement Plan

All employees can participate in a Simplified Employee Pension Individual Retirement Account (SEP-IRA) plan after a three-month probationary period. The District contributes 6% of employees' wages to the plan and the SEP-IRA accounts are self-directed and managed by the employees. All employees are fully vested immediately. District contributions to the SEP-IRA accounts were \$48,628 and \$43,973 for the years ended December 31, 2021 and 2020, respectively.

Subsequent Events

The District's management has evaluated subsequent events through July 14, 2022, the date these financial statements were available to be issued.

MT. WERNER WATER AND SANITATION DISTRICT
Enterprise Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance
Operating revenues:			
Service charges:			
Water	\$ 1,876,385	\$ 2,045,219	\$ 168,834
Wastewater collection	485,745	485,157	(588)
Water filtration plant operating and maintenance sharing	337,351	304,713	(32,638)
Other	26,450	57,233	30,783
Total operating revenues	<u>2,725,931</u>	<u>2,892,322</u>	<u>166,391</u>
Operating expenditures:			
Administration:			
Wages and benefits	463,713	447,103	16,610
Professional fees	101,000	96,268	4,732
Office and support systems	108,123	60,947	47,176
Insurance	27,155	28,644	(1,489)
Water conservation	10,500	10,085	415
Master planning	25,000	40,873	(15,873)
Other	32,460	72,315	(39,855)
Total administration	<u>767,951</u>	<u>756,235</u>	<u>11,716</u>
Water distribution and wastewater collection:			
Wages and benefits	334,223	360,187	(25,964)
Utilities	46,527	48,569	(2,042)
Operating and maintenance	254,133	301,834	(47,701)
Other	2,500	4,575	(2,075)
Total water distribution and wastewater collection	<u>637,383</u>	<u>715,165</u>	<u>(77,782)</u>
Water filtration:			
Wages and benefits	418,605	341,295	77,310
Utilities	85,615	106,373	(20,758)
Chemicals	130,000	131,334	(1,334)
Operating and maintenance	60,771	51,211	9,560
Filter bay lease	41,663	41,663	-
Other	22,777	24,829	(2,052)
Total water filtration	<u>759,431</u>	<u>696,705</u>	<u>62,726</u>

MT. WERNER WATER AND SANITATION DISTRICT
Enterprise Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget and Actual
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance
Raw water supply:			
Water purchases	40,526	33,064	7,462
Stream gauges	6,000	8,096	(2,096)
Watershed protection	6,000	5,172	828
Wellfield monitoring and protection	6,000	5,774	226
Other	-	880	(880)
	<u>58,526</u>	<u>52,986</u>	<u>5,540</u>
Total raw water supply			
	<u>58,526</u>	<u>52,986</u>	<u>5,540</u>
Total operating expenditures	<u>2,223,291</u>	<u>2,221,091</u>	<u>2,200</u>
Operating income	<u>502,640</u>	<u>671,231</u>	<u>168,591</u>
Non-operating revenues (expenditures):			
Water plant investment fees	208,611	601,602	392,991
Wastewater plant investment fees	93,111	239,903	146,792
New meter fees	30,000	110,841	80,841
Interest income	20,000	3,710	(16,290)
Capital outlay	(5,054,113)	(4,762,501)	291,612
Debt service:			
Principal	-	-	-
Interest	(147,466)	-	147,466
	<u>(147,466)</u>	<u>-</u>	<u>147,466</u>
Total non-operating revenues (expenditures)	<u>(4,849,857)</u>	<u>(3,806,445)</u>	<u>1,043,412</u>
Net income (loss) - budgetary basis	<u>\$ (4,347,217)</u>	<u>(3,135,214)</u>	<u>\$ 1,212,003</u>
Adjustments to GAAP basis:			
Capitalized expenditures		4,762,501	
Contribution of infrastructure assets		137,805	
Depreciation		<u>(1,797,556)</u>	
Change in net position - GAAP basis		(32,464)	
Fund balance, beginning of year		<u>32,801,077</u>	
Fund balance, end of year		<u>\$ 32,768,613</u>	

Mount Werner Water and Sanitation District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2021

Program	Federal Assistance Listing Number	Pass through Entity's Identifying Number	Passed Through To Subrecipients	Federal Expenditures
Environmental Protection Agency				
Passed through Colorado Water Resources & Power Development Authority				
Capitalization Grants for Clean Water State Revolving Funds	66.458	W21F091	\$ -	\$ 996,828
Capitalization Grants for Drinking Water State Revolving Funds	66.468	D21F091	-	1,993,921
				<u>1,993,921</u>
Total Environmental Protection Agency				<u>1,993,921</u>
Total Expenditures of Federal Awards				<u>\$ 1,993,921</u>

See the accompanying notes to schedule of expenditures of federal awards.

MOUNT WERNER WATER AND SANIATION DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Mount Werner Water and Sanitation 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 Mount Werner Water and Sanitation District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mount Werner Water and Sanitation District

2. 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. Negative amounts shown on the Schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. INDIRECT COST RATE

Mount Werner Water and Sanitation District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



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**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**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mount Werner Water and Sanitation District
Steamboat Springs, Colorado

We have audited, 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, the financial statements of the business-type activities of Mount Werner Water and Sanitation District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Mount Werner Water and Sanitation District's basic financial statements, and have issued our report thereon date January 15, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mount Werner Water and Sanitation District's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Werner Water and Sanitation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mount Werner Water and Sanitation 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Werner Water and Sanitation 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*.

Purpose of this Report

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

Watson Coon Ryan, LLC

CENTENNIAL, COLORADO
July 15, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mount Werner Water and Sanitation District
Steamboat Springs, Colorado

Report on Compliance for Each Major Federal Program

We have audited Mount Werner Water and Sanitation District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mount Werner Water and Sanitation District's major federal programs for the year ended December 31, 2021. Mount Werner Water and Sanitation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mount Werner Water and Sanitation District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mount Werner Water and Sanitation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mount Werner Water and Sanitation District's compliance.

Opinion on Each Major Federal Program

In our opinion, Mount Werner Water and Sanitation 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.

Report on Internal Control over Compliance

Management of Mount Werner Water and Sanitation District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mount Werner Water and Sanitation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mount Werner Water and Sanitation District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Respectfully,

Watson Coon Ryan, LLC

CENTENNIAL, COLORADO
JULY 15, 2022

MOUNT WERNER WATER AND SANITATION DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	___ Yes	_x_ No	
Significant deficiencies identified?	___ Yes	_x_ None reported	
Noncompliance material to financial statements noted?	___ Yes	_x_ No	

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	___ Yes	_x_ No
Significant deficiencies identified?	___ Yes	_x_ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	_x_ No
Identification of major federal programs:	<p>66.458 Capitalization Grants for Clean Water State Revolving Funds</p> <p>66.468 Capitalization Grants for Drinking Water State Revolving Funds</p>	
Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>	
Auditee qualified as a low-risk auditee?	___ Yes	_x_ No

MOUNT WERNER WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section II: Financial Statement Findings

There were no findings.

Section III: Federal Awards Findings

There were no findings.

Section IV: Status of Prior Year Findings

There were no findings for the year ended December 31, 2020.