
Municipal Subdistrict, Northern Colorado Water
Conservancy District

Federal Awards Supplemental Information
September 30, 2023

Municipal Subdistrict, Northern Colorado Water Conservancy District

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Plante & Moran, PLLC
P.O. Box 307
3000 Town Center, Suite 100
Southfield, MI 48075
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Municipal Subdistrict, Northern
Colorado Water Conservancy District

We have audited the financial statements of Municipal Subdistrict, Northern Colorado Water Conservancy District (the "Subdistrict") as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the Subdistrict's basic financial statements, and have issued our report thereon dated April 2, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to April 2, 2024.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

April 2, 2024



Plante & Moran, PLLC
P.O. Box 307
3000 Town Center, Suite 100
Southfield, MI 48075
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

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

To Management and the Board of Directors
Municipal Subdistrict, Northern
Colorado Water Conservancy District

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 Municipal Subdistrict, Northern Colorado Water Conservancy District (the "Subdistrict") as of and for the year ended September 30, 2023 and the related notes to the basic financial statements, which collectively comprise the Subdistrict's basic financial statements, and have issued our report thereon dated April 2, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Subdistrict'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Subdistrict's internal control. Accordingly, we do not express an opinion on the effectiveness of the Subdistrict'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 Subdistrict'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 preceding paragraph 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2023-001 and 2023-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

To Management and the Board of Directors
Municipal Subdistrict, Northern
Colorado Water Conservancy District

The Subdistrict's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Subdistrict's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Subdistrict's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

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

Plante & Moreau, PLLC

April 2, 2024



Plante & Moran, PLLC
P.O. Box 307
3000 Town Center, Suite 100
Southfield, MI 48075
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Municipal Subdistrict, Northern
Colorado Water Conservancy District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Municipal Subdistrict, Northern Colorado Water Conservancy District's (the "Subdistrict") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Subdistrict's major federal program for the year ended September 30, 2023. The Subdistrict's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Subdistrict complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2023.

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 (GAAS); 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* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Subdistrict 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 the Subdistrict'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 requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Subdistrict's federal program.

To the Board of Directors
Municipal Subdistrict, Northern
Colorado Water Conservancy District

Auditor's 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 the Subdistrict'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 GAAS, *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 the Subdistrict's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Subdistrict'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 the Subdistrict'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 the Subdistrict'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 *Auditor's 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 were not 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.

To the Board of Directors
Municipal Subdistrict, Northern
Colorado Water Conservancy District

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.

Plante & Moran, PLLC

April 2, 2024

Municipal Subdistrict, Northern Colorado Water Conservancy District

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number/Grant Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Agriculture - Natural Resources Conservation Service - Direct Program - Watershed Protection and Flood Prevention	10.904	NR228B05XXXXC002	\$ -	\$ 5,033,382
U.S. Department of Agriculture - Natural Resources Conservation Service - Direct Program - Environmental Quality Incentives Program	10.912	NR228B05XXXXC002	-	2,506,093
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 7,539,475</u>

See notes to schedule of expenditures of federal awards.

Municipal Subdistrict, Northern Colorado Water Conservancy District

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Municipal Subdistrict, Northern Colorado Water Conservancy District (the "Subdistrict") under programs of the federal government for the year ended September 30, 2023. The information in the 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Subdistrict, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Subdistrict.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The pass-through entity identifying numbers are presented where available.

The Subdistrict has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Municipal Subdistrict, Northern Colorado Water Conservancy District

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's 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 weaknesses? Yes X None reported
- Noncompliance material to financial statements noted? Yes X None reported

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 weaknesses? Yes X None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
10.904	Watershed Protection and Flood Prevention	Unmodified

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

Auditee qualified as low-risk auditee? Yes X No

Municipal Subdistrict, Northern Colorado Water Conservancy District
Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2023

Section II - Financial Statement Audit Findings

Reference Number	Finding
2023-001	<p>Finding Type - Material weakness</p> <p>Criteria - Cash accounts should be reconciled to the underlying bank statements on a timely basis, typically within 45 days of each month end.</p> <p>Condition - During the fiscal year ended September 30, 2023, bank reconciliations were not completed on a timely basis.</p> <p>Context - Most of the bank reconciliations for the period spanning from October 2022 through September 2023 were not prepared within 45 days, and most bank reconciliations were finalized in September 2023.</p> <p>Cause - It is our understanding from discussions with management that this is due to a combination of staff turnover and the challenges associated with the financial application system conversion.</p> <p>Effect - Without timely preparation and review of bank reconciliations, there is risk that misappropriation of assets or financial reporting errors could occur and not be identified on a timely basis.</p> <p>Recommendation - We recommend a system, including appropriate resources, be put in place to ensure bank reconciliations are completed on a timely basis going forward.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Subdistrict's management is aware of this matter. The appropriate training for cash reconciliations does exist within the financial services department. Staff were challenged to maintain monthly reconciliations due to delays in completing the fiscal year 2022 audits. Fiscal year 2023 cash reconciliations were current by July 15, 2023, then completed monthly throughout the remainder of the fiscal year. All were finalized by October 31, 2023.</p>

Municipal Subdistrict, Northern Colorado Water Conservancy District

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2023

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2023-002	<p>Finding Type - Material weakness</p> <p>Criteria - The Subdistrict should have processes in place to ensure proper recording of all year-end closing entries in accordance with generally accepted accounting principles (GAAP) prior to the commencement of the audit. In addition, the Subdistrict should have processes and controls in place to ensure the Annual Comprehensive Financial Report (ACFR) is materially stated correctly and complies with relevant Governmental Accounting Standards Board (GASB) pronouncements.</p> <p>Condition - Correcting adjustments for certain financial statement balances, including within the ACFR, were identified during the audit instead of by management. Further, the ACFR required numerous rounds of significant revisions during our final reviews.</p> <p>Context - Among the most significant correcting journal entries identified during the audit were corrections to beginning of year net position, cash, interfund activity, prepaid carriage costs, accrued liabilities, unused capacity/carriage costs payable, revenue, and related party activity. Material clerical errors and inconsistencies were also identified in the ACFR.</p> <p>Cause - Although the Subdistrict has certain processes and controls in place related to year-end closing entries, those controls did not detect the aforementioned reporting errors. As it relates to interfund activity, there was no process in place at year end to ensure interfund balances resulting from the use of Subdistrict cash accounts on behalf of other funds were properly reconciled and reported within each fund on the ACFR.</p> <p>Effect - Without effective controls and processes in place related to these areas, misstatements can occur within the accounting records and go undetected. In addition, the billing error identified during the audit resulted in overbilling to the communities by approximately \$1 million.</p> <p>Recommendation - We encourage the Subdistrict to revisit its closing processes and related controls to ensure proper recording of all year-end closing entries prior to commencement of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Subdistrict's management is aware of this matter. Staff were challenged to prepare the USBR billing and Windy Gap participant billing due to turnover and a steep learning curve. Staff were challenged to prepare the financial statements due to delays in completing the fiscal year 2022 audits. Staff continue to participate in governmental financial reporting training and have created improved or new workpapers, which more effectively and efficiently supported the fiscal year 2023 financial statements. Staff are also implementing deeper levels of cross-training across the department and will be positioned to utilize more staff resources for the preparation of schedules and statements in fiscal year 2024. Management is considering additional options to improve resources and capabilities in this area.</p>

Section III - Federal Program Audit Findings

Current Year None