



WIDEFIELD WATER AND SANITATION DISTRICT

Management's Discussion and Analysis

and Financial Statements

For the Years Ended December 31, 2022 and 2021,

Supplementary Information

For the Year Ended December 31, 2022

And

Independent Auditors' Report

WIDEFIELD WATER AND SANITATION DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Widefield Water and Sanitation District

Opinion

We have audited the accompanying financial statements of Widefield Water and Sanitation District (the District) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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

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

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

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

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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.

Report on Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Stockman Kast Ryan + Co. LLP

May 16, 2023

WIDEFIELD WATER AND SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2022 and 2021. The information is presented in conjunction with the audited basic financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles, which are generally accepted in the United States of America. The Statement of Net Position includes information on the District's assets, deferred outflows and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors. The Statement of Activities and Changes in Net Position identifies the District's revenues and expenses for the fiscal years ended December 31, 2022 and 2021. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the change in the cash balance for each of the last two fiscal years.

FINANCIAL POSITION AND RESULTS FROM OPERATIONS

Operating and Non-Operating Revenue and Expenses were as follows:

	2022	2021	2020
Operating revenues	\$ 14,890,366	\$ 13,673,645	\$ 12,357,028
Operating expenses	<u>10,233,387</u>	<u>9,527,553</u>	<u>8,818,636</u>
Operating income	4,656,979	4,146,092	3,538,392
Non-operating revenue, net	<u>2,864,344</u>	<u>16,590,967</u>	<u>10,927,272</u>
Change in net position before contributions for capital assets	7,521,323	20,737,059	14,465,664
Contributions for capital assets	<u>4,801,909</u>	<u>22,321,960</u>	<u>5,763,821</u>
Change in net position	<u>\$ 12,323,232</u>	<u>\$ 43,059,019</u>	<u>\$ 20,229,485</u>

Operating revenues are received primarily from customers receiving water and wastewater services from the District.

The District made no adjustments to the Water and the Wastewater volume rate in 2022 but did increase the base rates for these services. The District's average customer saw an increase of about \$4.32 to their monthly bill for water or wastewater charges.

At the end of 2022, the number of water accounts served by the District was 10,301. This compares to 9,695 accounts at the end of 2021. (Note: water volume information is in the Economic and Other Factors section). At the end of 2022, the number of wastewater accounts served by the District was 10,854. This compares to 10,251 accounts at the end of 2021.

The District's operating expenses tend to be relatively fixed in nature with annual increases expected for inflation. Controlling operating expenses continues to be a priority of the District. In 2022, operating expenses increased by \$705,834 over 2021 expenses or 7%.

Non-operating revenue consists of tap fees, water resource acquisition fees, and interest earnings. Non-operating expenses are interest payments for outstanding debt and water acquisition costs. Collection of tap fees and water resource acquisition fees occur when new connections are added to the District. In 2022, the District collected 185 water tap fees, 160 wastewater tap fees, and 148 water acquisition fees. This compares to 2021 when the District collected 936 water tap fees, 918 wastewater tap fees, and 891 water acquisition fees. In 2022, both the water tap fee and the wastewater tap fee increased to \$6,500 per tap, compared to the \$5,750 per tap fee in 2021. The per tap water resource acquisition fee increased to \$7,300 compared to the \$7,000 per water resource acquisition fee in 2021. A developer may provide a permanent supply of water in lieu of paying a water resource acquisition fee pursuant to the District's water policy.

The assets, deferred outflows, liabilities, and net position were as follows:

	2022	2021	2020
ASSETS, DEFERRED OUTFLOWS AND LIABILITIES			
Current assets	\$ 74,846,604	\$ 67,592,407	\$ 47,584,265
Capital assets, net	71,062,206	64,766,527	41,044,798
Other non-current assets	22,021,549	22,043,878	22,303,519
Deferred outflows	343,768	394,075	444,383
Current liabilities	(8,183,734)	(5,019,726)	(2,698,823)
Non-current liabilities	<u>(13,135,000)</u>	<u>(15,145,000)</u>	<u>(17,105,000)</u>
Net position	<u>\$ 146,955,393</u>	<u>\$ 134,632,161</u>	<u>\$ 91,573,142</u>
NET POSITION			
Net investment in capital assets	\$ 63,205,614	\$ 56,122,079	\$ 31,448,130
Unrestricted	<u>83,749,779</u>	<u>78,510,082</u>	<u>60,125,012</u>
Total	<u>\$ 146,955,393</u>	<u>\$ 134,632,161</u>	<u>\$ 91,573,142</u>

Current assets increased in 2022, primarily due to cash generated from operations and collections of tap and water acquisition fees. Capital asset information is available in Note 3 of the financial statements.

Current liabilities increased significantly in 2022 and 2021 due to the District requiring developers to fund specific projects.

The District requires developers to fund projects in advance in cash. As a result, an offsetting current liability is recorded and then relieved when the cash is expended for the developer funded project. In 2022, the District had two developer funded projects in a construction phase. Non-current liabilities decreased primarily because of principal payments made on the District's Water and Sewer Revenue Refinancing Bonds, Series 2012, and the District's Water and Sewer Revenue Refunding Bonds, Series 2016. Further debt information is available in Note 4 of the financial statements.

CONTRIBUTIONS FROM DEVELOPER / GRANT

Developers requesting service from the District are required to build the water and sewer infrastructure for their development. Following a two-year warranty period, title to the infrastructure is transferred to the District and recorded as Contributions from Developer. These contributions vary widely from year to year, dependent on development. In 2022, Lorson, L.L.C. contributed water infrastructure totaling \$457,400 to the District for The Carriage Meadows North Off-Site 24-Inch Water Main. Lorson L.L.C also contributed the Rolling Hills 2MG Tank/Pipeline water infrastructure totaling \$3,447,057. The total project cost for the Rolling Hills 2MG Tank/Pipeline was \$3,575,942.

The District did receive a grant from El Paso County under the American Rescue Plan Act totaling \$1,500,000 for the Booster Pump Station # 2 Upgrade Project. The District submitted its first reimbursement request in November 2022 for \$897,452.

BUDGETS

See Supplemental Schedule of Revenues, Expenses and Changes in Net Position to Budget on page 21 of the financial statements. The schedule shows the District's operating budget for 2022, as adopted on November 16, 2021, by Board resolution. Actual Operating Revenue for the District in 2022 was \$14,890,366, 11.5% above the projected revenue total of \$13,349,480. Actual Operating Expenses for the District in 2022 were \$10,233,387, 4.9% below the projected operating expense total of \$10,759,500.

For non-operating revenue (primarily tap fees and water resource acquisition fees) the District received \$3,318,500, 67.1% below the projected revenue total of \$10,086,700. The non-operating expense (interest) total in 2022 was \$454,156, 0.4% below the projected total of \$456,000. Overall, the net non-operating revenue was less than the budgeted amount by \$6,766,356.

ECONOMICS AND OTHER FACTORS

District revenues tend to vary according to weather conditions and water usage from lawn irrigation, which has a significant impact on revenue. In 2022, the District had water sales of about 1.06 billion gallons compared to 2021 water sales of about 1.02 billion gallons, an increase of 3.9%.

A total of \$3,833,427 and \$3,367,414 were expended for capital projects in 2022 and 2021, respectively.

Accomplishments in 2022 were completion of the 24" Lower West to East Phase 3B which was placed into service. The District also purchased a new Nissan Titan, Kubota Track Skid Steer Loader, 6" Trailer Mounted Trash Pump, Ford Transit Van, completed Manhole Lining, PLC Upgrade at the Wastewater Treatment Plant, Asphalt Grinding and Grading at the Wastewater Treatment Plant, updated the phone system at the Operations Building, and over one mile of Cured in Place Pipe Lining.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors, and other interested parties with an overview of the District's financial operations and condition. Should the reader have any questions regarding the information included in this report, or wish to request additional financial information, please contact the District Manager or the Director of Administrative Services at 8495 Fontaine Blvd., Colorado Springs, Colorado 80925.

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF NET POSITION DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Non-designated	\$ 46,443,877	\$ 39,434,876
Designated	26,848,044	26,934,359
Accounts receivable	1,329,155	1,015,613
Prepaid expenses	206,564	188,385
Current portion of receivables — Peaceful Valley	<u>18,964</u>	<u>19,174</u>
Total current assets	<u>74,846,604</u>	<u>67,592,407</u>
NON-CURRENT ASSETS		
Capital assets, net	<u>71,062,206</u>	<u>64,766,527</u>
Other non-current assets		
Water rights	18,294,888	18,294,888
Receivables — Peaceful Valley	64,578	86,907
Contract rights	<u>3,662,083</u>	<u>3,662,083</u>
TOTAL OTHER NON-CURRENT ASSETS	<u>22,021,549</u>	<u>22,043,878</u>
TOTAL NON-CURRENT ASSETS	<u>93,083,755</u>	<u>86,810,405</u>
TOTAL ASSETS	167,930,359	154,402,812
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	<u>343,768</u>	<u>394,075</u>
TOTAL	<u>\$ 168,274,127</u>	<u>\$ 154,796,887</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 1,519,617	\$ 761,450
Accrued expenses	4,501,152	2,109,906
Customer deposits	152,965	188,370
Current portion of bonds payable, net	<u>2,010,000</u>	<u>1,960,000</u>
Total current liabilities	8,183,734	5,019,726
BONDS PAYABLE, NET	<u>13,135,000</u>	<u>15,145,000</u>
TOTAL LIABILITIES	<u>21,318,734</u>	<u>20,164,726</u>
NET POSITION		
Net investment in capital assets	63,205,614	56,122,079
Unrestricted	<u>83,749,779</u>	<u>78,510,082</u>
Total net position	<u>146,955,393</u>	<u>134,632,161</u>
TOTAL	<u>\$ 168,274,127</u>	<u>\$ 154,796,887</u>

See notes to financial statements.

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUE		
Water revenue	\$ 7,747,226	\$ 7,195,605
Wastewater revenue	5,833,087	5,285,087
Other operating revenue	<u>1,310,053</u>	<u>1,192,953</u>
Total operating revenue	<u>14,890,366</u>	<u>13,673,645</u>
OPERATING EXPENSES		
Salaries and taxes	2,576,294	2,390,877
Depreciation	2,339,657	1,975,930
Water	1,698,478	1,665,164
Maintenance and repairs	771,166	818,519
Professional services	627,304	580,423
Office services	619,250	565,809
Employee benefits and insurance	584,384	610,005
Other operating expenses	<u>1,016,854</u>	<u>920,826</u>
Total operating expenses	<u>10,233,387</u>	<u>9,527,553</u>
OPERATING INCOME	<u>4,656,979</u>	<u>4,146,092</u>
NON-OPERATING REVENUE (EXPENSES)		
Tap fees	2,236,000	10,660,500
Water acquisition fees	1,076,750	6,237,000
Interest income	5,750	7,000
Other income		186,153
Interest expense	<u>(454,156)</u>	<u>(499,686)</u>
Total	<u>2,864,344</u>	<u>16,590,967</u>
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS FOR CAPITAL ASSETS	7,521,323	20,737,059
CONTRIBUTIONS FOR CAPITAL ASSETS	<u>4,801,909</u>	<u>22,321,960</u>
CHANGE IN NET POSITION	12,323,232	43,059,019
NET POSITION, Beginning of year	<u>134,632,161</u>	<u>91,573,142</u>
NET POSITION, End of year	<u>\$ 146,955,393</u>	<u>\$ 134,632,161</u>

See notes to financial statements.

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING ACTIVITIES		
Receipts from customers	\$ 14,541,419	\$ 13,615,843
Payments to suppliers	(1,614,059)	(2,063,189)
Payments to employees	<u>(3,148,437)</u>	<u>(2,971,171)</u>
Net cash provided by operating activities	<u>9,778,923</u>	<u>8,581,483</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees	2,236,000	10,660,500
Water acquisition fees	1,076,750	6,237,000
Acquisition and construction of capital assets	(3,833,427)	(3,367,414)
Proceeds from sale of water rights		416,667
Purchase of water rights		(659)
Interest paid on bonds and capital lease obligation	(454,156)	(499,686)
Proceeds from receivables — Peaceful Valley	22,539	20,406
Principal payments on bonds	(1,960,000)	(1,915,000)
Deferred loss on bond refunding	<u>50,307</u>	<u>50,308</u>
Net cash provided by (used in) capital and related financing activities	<u>(2,861,987)</u>	<u>11,602,122</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash provided by investing activities —		
Interest on investments	<u>5,750</u>	<u>7,000</u>
INCREASE IN CASH AND CASH EQUIVALENTS	6,922,686	20,190,605
CASH AND CASH EQUIVALENTS, Beginning of year	<u>66,369,235</u>	<u>46,178,630</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 73,291,921</u>	<u>\$ 66,369,235</u>
CASH AND CASH EQUIVALENTS ARE INCLUDED IN THE STATEMENTS OF NET POSITION AS FOLLOWS:		
Non-designated	\$ 46,443,877	\$ 39,434,876
Designated	<u>26,848,044</u>	<u>26,934,359</u>
Total	<u>\$ 73,291,921</u>	<u>\$ 66,369,235</u>

(Continued)

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Operating income	\$ 4,656,979	\$ 4,146,092
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,339,657	1,975,930
Change in operating assets and liabilities:		
Accounts receivable	(313,542)	(23,431)
Prepaid expenses	(18,179)	206,989
Accounts payable and accrued expenses	3,149,413	2,310,273
Customer deposits	<u>(35,405)</u>	<u>(34,370)</u>
Net cash provided by operating activities	<u>\$ 9,778,923</u>	<u>\$ 8,581,483</u>
NON-CASH TRANSACTIONS		
Contribution of capital assets	<u>\$ 4,801,909</u>	<u>\$ 22,321,960</u>

See notes to financial statements.

(Concluded)

WIDEFIELD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — Widefield Water and Sanitation District of El Paso County, Colorado (the District), was organized on May 17, 1996 and is governed by a Board of Directors that is selected by an election of eligible electors within the District's legal boundaries. As required by generally accepted accounting principles, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District supplies water and sanitary sewer services for the geographical service area known as the Widefield Water and Sanitation District. The District has no component units.

Basis of Accounting — The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of the Governmental Accounting Standards Board (GASB). The financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. An enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise; (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Net Position — The District's net position is classified in the following three components:

- Net investment in capital assets — This component consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Budgets — In the fall, the Budget officer is required to submit to the Board of Directors a budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted by the District to obtain public comments on the budget. Prior to December 31, the budget is officially adopted by the Board.

The District is authorized to transfer budgeted amounts between line items of the budget; however, any revisions that increase the total expenditures of the District must be approved by the Board of Directors.

Capital Assets — Capital assets, which consist primarily of water and sanitary sewer systems, are stated at historical cost or fair market value at the time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives ranging from three to seventy-five years.

Cash and Cash Equivalents — Cash in excess of daily requirements is invested in money market accounts. Such accounts, demand deposits and cash on hand, are deemed to be cash equivalents for the purpose of the statement of cash flows.

Accounts Receivable — Accounts receivable as of December 31, 2022 and 2021 include unbilled customers' accounts of \$813,332 and \$722,190, respectively. Billed accounts receivable are stated at invoiced amounts. Management has determined that accounts receivable are collectible and no allowance for doubtful accounts is deemed necessary.

Contract Rights — Certain contract rights donated in 1997 are recorded at fair market value at the time of donation. No amortization of the contract rights is recognized since they are perpetual. Annually, the District evaluates the contract rights for impairment.

Fair Value of Financial Instruments — The District's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The District estimates that the fair values of its financial instruments at December 31, 2022 and 2021 do not differ materially from the carrying values of its financial instruments recorded in the accompanying statements of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Operating Revenue and Expenses — Operating revenue and expenses are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Use of Estimates — Preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events — The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. RECEIVABLES — PEACEFUL VALLEY

The District installed a water transmission system for a subdivision known as Peaceful Valley Lake Estates (Peaceful Valley). The cost of the improvements was \$789,818 and was financed by the District's 1997 Series A bonds. Each homeowner within the subdivision was asked to pay a one-time charge equal to a pro-rata share of the overall cost or agree to a separate monthly assessment sufficient to amortize the pro-rata cost using a term and interest rate roughly equivalent to the 1997 Series A bonds. The amounts due from Peaceful Valley homeowners at December 31, 2022 and 2021 were \$83,542 and \$106,081, respectively. The receivables are secured by liens on each of the properties within Peaceful Valley.

After a one year warranty period, the District assumed ownership and maintenance responsibility for the system. Accordingly, the District has recorded the cost of the system as an asset and capital contribution. The receivables bear interest at 5.89% and are due as follows for the year ending December 31:

2023	\$	18,964
2024		22,515
2025		21,330
2026		<u>20,733</u>
Total	<u>\$</u>	<u>83,542</u>

3. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2022 and 2021 is as follows:

	Balance at January 1, 2022	Increases	Decreases	Balance at December 31, 2022
Land	\$ 1,472,495	\$ 18,745		\$ 1,491,240
Equipment and systems	83,770,855	4,770,313		88,541,168
Office furniture and equipment	59,342			59,342
Construction in progress	<u>712,238</u>	<u>3,846,278</u>		<u>4,558,516</u>
Total capital assets	<u>86,014,930</u>	<u>8,635,336</u>	<u>\$ —</u>	<u>94,650,266</u>
Less accumulated depreciation for:				
Equipment and systems	(21,203,712)	(2,332,436)		(23,536,148)
Office furniture and equipment	<u>(44,691)</u>	<u>(7,221)</u>		<u>(51,912)</u>
Total accumulated depreciation	<u>(21,248,403)</u>	<u>(2,339,657)</u>	<u>—</u>	<u>(23,588,060)</u>
Capital assets, net	<u>\$ 64,766,527</u>	<u>\$ 6,295,679</u>	<u>\$ —</u>	<u>\$ 71,062,206</u>

	Balance at January 1, 2021	Increases	Decreases	Balance at December 31, 2021
Land	\$ 984,495	\$ 488,000		\$ 1,472,495
Equipment and systems	58,531,434	25,268,004	\$ (28,583)	83,770,855
Office furniture and equipment	59,342			59,342
Construction in progress	<u>769,868</u>		<u>(57,630)</u>	<u>712,238</u>
Total capital assets	<u>60,345,139</u>	<u>25,756,004</u>	<u>(86,213)</u>	<u>86,014,930</u>
Less accumulated depreciation for:				
Equipment and systems	(19,262,871)	(1,968,709)	27,868	(21,203,712)
Office furniture and equipment	<u>(37,470)</u>	<u>(7,221)</u>		<u>(44,691)</u>
Total accumulated depreciation	<u>(19,300,341)</u>	<u>(1,975,930)</u>	<u>27,868</u>	<u>(21,248,403)</u>
Capital assets, net	<u>\$ 41,044,798</u>	<u>\$ 23,780,074</u>	<u>\$ (58,345)</u>	<u>\$ 64,766,527</u>

4. LONG-TERM DEBT

A summary of long-term debt is as follows:

	Balance at January 1, 2022	Increases	Decreases	Balance at December 31, 2022	Amounts Due Within One Year
Water and Sewer Revenue Refinancing Bonds, Series 2012	\$ 2,165,000		\$ (235,000)	\$ 1,930,000	\$ 245,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016	<u>14,940,000</u>		<u>(1,725,000)</u>	<u>13,215,000</u>	<u>1,765,000</u>
Total	<u>\$ 17,105,000</u>	<u>\$ —</u>	<u>\$ (1,960,000)</u>	<u>\$ 15,145,000</u>	<u>\$ 2,010,000</u>

	Balance at January 1, 2021	Increases	Decreases	Balance at December 31, 2021	Amounts Due Within One Year
Water and Sewer Revenue Refinancing Bonds, Series 2012	\$ 2,390,000		\$ (225,000)	\$ 2,165,000	\$ 235,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016	<u>16,630,000</u>		<u>(1,690,000)</u>	<u>14,940,000</u>	<u>1,725,000</u>
Total	<u>\$ 19,020,000</u>	<u>\$ —</u>	<u>\$ (1,915,000)</u>	<u>\$ 17,105,000</u>	<u>\$ 1,960,000</u>

The following is a summary of bond principal maturities and interest requirements as of December 31, 2022:

Year Ending December 31,	Series 2016 Bonds	Series 2012 Bonds	Total
2023	\$ 2,059,695	\$ 311,472	\$ 2,371,167
2024	2,060,335	313,034	2,373,369
2025	2,060,084	314,252	2,374,336
2026	2,058,940	315,125	2,374,065
2027	2,061,904	315,653	2,377,557
2028 – 2029	<u>4,118,800</u>	<u>636,514</u>	<u>4,755,314</u>
Total	14,419,758	2,206,050	16,625,808
Less interest	<u>(1,204,758)</u>	<u>(276,050)</u>	<u>(1,480,808)</u>
Outstanding principal	<u>\$ 13,215,000</u>	<u>\$ 1,930,000</u>	<u>\$ 15,145,000</u>

Series 2012 Bonds:

In 2012, the District issued Water and Sewer Revenue Refunding Bonds Series 2012 in order to decrease the District's Series B Bonds. The Bonds have a face amount of \$4,170,000 with interest ranging from 2% to 3% plus the five-year LIBOR Swap Curve multiplied by .065 (3.44% as of December 31, 2022).

Series 2016 Bonds:

In 2016, the District issued Water and Sewer Revenue Refunding and Improvement Bonds Series 2016 in order to extinguish the District's Series 2004 Bonds, as well as purchase the remaining shares related to the Cody water rights. The bonds have a face value of \$23,920,000 and bear interest at 2.23%.

The District's "Net Revenue" is pledged to pay the principal and interest of the Series 2016 and 2012 Bonds. Net Revenue is generally defined as all income and revenue derived by the District from the operation and use of the water and wastewater systems less all reasonable and necessary expenses incurred for operating, maintaining and repairing the Systems.

5. WATER RIGHTS

As of December 31, 2022 and 2021, the District owns 341 shares of stock in Fountain Mutual Irrigation Company, which are recorded at cost in the amount of \$3,294,888. Each share provides a right to 0.7 acre feet of water. In addition, the District has 100% interest in certain water rights referred to as the Cody Water Rights, which are also recorded at cost in the amount of \$15,000,000.

6. DEPOSITS

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash into eligible public depositories as determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized.

The eligible collateral is determined by the PDPA which allows the institution to create a single collateral pool for all public funds. The 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 be at least equal to 102% of the aggregate uninsured deposits.

At December 31, 2022 and 2021, the carrying amount of the District's cash was \$73,291,921 and \$66,369,235, respectively, and the bank balances were \$74,075,063 and \$64,135,745, respectively. Of the bank balances, \$250,000 was covered by federal depository insurance and \$73,825,063 and \$63,885,745 as of December 31, 2022 and 2021, respectively is required by Colorado statutes to be collateralized with securities held by the pledging financial institution's trust department in the District's name.

7. WATER PURCHASE COMMITMENTS

Fountain Valley Authority:

Fountain Valley Authority (the Authority) is a political subdivision of the State of Colorado formed in 1979 for the primary purpose of constructing and operating a water treatment plant for its five customers, each of which owns and operates a water system. The District has a 7.46% share in the Authority and is a customer of the Authority. The Authority has entered into a water treatment and delivery contract with its five customers in which each customer agrees to pay the Authority its proportionate share of all costs, including bonded indebtedness, whether or not such customer requests or receives any treated water.

In addition, the Authority has conveyance contracts with the United States Department of the Interior through the Southeastern Colorado Water Conservancy District which has constructed a conduit from the Pueblo Reservoir to the site of the water treatment plant. Construction costs of this project will be reimbursed with interest over a 40-year period by conveyance service rates based upon the scheduled acre feet of water to be conveyed for each customer.

The District's participation is 1,500 acre-feet (7.46% of the total). The Authority charges contract participants amounts necessary to recover its construction costs and to purchase and treat the raw water. Total expenses under this arrangement were \$906,527 and \$979,126 for the years ended December 31, 2022 and 2021, respectively.

1997 Master Lease of Water:

In 1997, the District entered into a perpetual Master Lease of Water (Water Lease) that was subsequently amended in 2009. Terms of the Water Lease require the District to acquire a minimum of 1,000 acre feet annually. The lease provides that on March 1, 2003 and on each ten-year anniversary thereafter, the lease payment per acre-foot is to be adjusted to the then market value. Each year after a market value determination has been made and until the next market value determination, annual adjustments shall be made to the lease rate pursuant to the CPI. Effective March 1, 2022 and 2021, the rate was \$226 and \$218 per acre foot, respectively.

2006 Water Rights Agreement:

In December 2006, the District, together with Security Water District (Security), entered into a perpetual Water Rights Agreement with Pikes Peak Community Foundation to lease approximately 1,350 acre feet of water per year. Terms of the agreement provide for the District and Security each receiving, and paying for, one half of the water available and include future annual CPI adjustments to lease payments. Concurrent with the lease, the District and Security entered into a Water Rights Sublease with the City of Fountain (Fountain) to lease to Fountain approximately 1,125 acre feet of water per year through December 2011. The agreement was amended in March 2012 to extend the initial sublease period through December 31, 2016. Commencing January 1, 2017, Fountain has the continuing right to lease water that the District and Security are unable to use or do not wish to use. Also, commencing January 1, 2017, Fountain is entitled to lease, in perpetuity, 10% of the amount of water available under the Water Rights Lease Agreement with Pikes Peak Community Foundation. The District and Security will share the remaining water 45% each. Additional terms of the Water Rights Sublease require Fountain to pay for the necessary well rehabilitation and pipeline installations with an understanding that the District and Security will reimburse Fountain for two-thirds of the costs of infrastructure that benefits them, at such time as the District and Security cease to sublet their water to Fountain.

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. There were no claims resulting from these risks that exceeded commercial insurance coverage during 2022 and 2021.

9. TAX, SPENDING AND DEBT LIMITATIONS

In November 1992 Colorado voters approved Amendment 1 to the state Constitution which is commonly known as the Taxpayer's Bill of Rights or the TABOR Amendment. The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refundings to lower interest rates and adding employees to pension plans). The amendment does not apply to units of local government that are defined as an "Enterprise".

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes substantially all of its operations qualify for this exclusion. Therefore, the District adopted a resolution pursuant to CRS 37-45.1-101 et seq. to establish a water activity enterprise.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of qualification as an Enterprise will require judicial interpretation.

10. PENSION PLAN

The District contributes to the Colorado County Officials and Employees Retirement System (CCOERS), a cost-sharing multiple-employer defined contribution pension plan administered by the Colorado County Officials and Employees Retirement Association (CCOERA). CCOERS provides pension benefits and deferred compensation for members and beneficiaries. Employees regularly employed on a full-time basis for five months a year and having completed 90 days of service are eligible for the plan and participants become fully vested 12 months later. Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 54, Part 101 of the Colorado Revised Statutes (CRS), as amended. The District is required to contribute between 3% and 6% of the participant's compensation. The District's board approved rate is 5% of compensation. Total contributions made by the District for the years ended December 31, 2022 and 2021 were \$108,104 and \$100,235, respectively.

CCOERA issues a publicly available annual financial report that includes financial statements and required supplementary information for CCOERS. That report may be obtained by writing to CCOERA, 4949 South Syracuse Street, Suite 400, Denver, Colorado 80237 or by calling CCOERA at 1-800-352-0313.

11. JOINT FACILITIES OPERATING AGREEMENT

The District has a Joint Facilities Operating Agreement (Agreement) with the City of Fountain (Fountain), Colorado. The purpose of the Agreement is to provide for the ownership, operation, and use of water storage tanks and related facilities. Under the Agreement, the facilities were constructed at a cost of \$2,623,177 shared equally by the District and Fountain.

The District provides day-to-day operational control and revenues and costs generally are shared equally.

12. WIDEFIELD AQUIFER RECHARGE ASSOCIATION

During 2003, the District entered into an agreement with Security Water District (Security) to form the Widefield Aquifer Recharge Association (the Association), made up of the District and Security as members. The Association was formed to engage in the planning, evaluation, design and financial feasibility of jointly developing a public water treatment and supply facility that would utilize certain water rights controlled by the Members. In 2008, the agreement was amended for the purpose of including the City of Fountain (Fountain) into the Association. The Association's purpose continues to be the same and will ultimately utilize water rights of the Members to enhance each Member's developed water supply. The Association will continue until the earlier of: (a) the execution of a new agreement between the parties, (b) the withdrawal of a member, (c) the mutual agreement of the Members to dissolve or (d) December 31, 2016, unless the term of the Association is extended by mutual agreement of the Members. During 2019, the agreement was renewed through May 1, 2025. The Association is governed by a Board of Directors which consists of a representative from each of the Member entities.

Each member contributes one third (1/3) of the annual operating budget. There were no District contributions in both 2022 and 2021. The Association had \$110,513 and \$86,702 of cash remaining at December 31, 2022 and 2021, respectively.

13. COMMITMENTS AND CONTINGENCIES

On December 18, 2007, the District entered into an operating agreement with the Security Water District and the City of Fountain. The operating agreement details the responsibilities of each entity for operations of the Venetucci Well Field, which is under lease by the District. Under the operating agreement, Fountain is responsible for the initial development, construction and ownership of a facility, which is eventually to be jointly owned, for the initial sublease period from January 1, 2007 through December 31, 2011. After the initial sublease period, the District is required to reimburse Fountain for 1/3 of the depreciated costs incurred during the initial sublease period for development and construction of the jointly owned facility, and the District will have joint ownership in the facility. Upon termination of the initial sublease, all operating costs for the jointly owned facility are allocated based on the respective entity's ownership of the jointly owned facility and all operating costs for the jointly constructed facility are allocated based on use and benefit that the entities incur from the jointly constructed facility. The District will be responsible for 45% of operating costs for the jointly owned facility. The agreement was amended in March 2012 to extend the initial sublease period through December 31, 2016. However, due to water contamination issues, the lease of the Venetucci Well Field was suspended until resolved. In 2020, the City of Fountain requested reimbursement for costs in the amount of \$739,418. In 2020 and 2021, the District examined the City of Fountain records, evaluated the terms of the agreement, and determined that the District owed the City of Fountain \$582,883. Such amount was paid in February 2021, and recognized as a capital asset by the District. The difference remains uncontested.

WIDEFIELD WATER AND SANITATION DISTRICT

SUPPLEMENTAL INFORMATION

WIDEFIELD WATER AND SANITATION DISTRICT

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION COMPARED TO BUDGET FOR THE YEAR ENDED DECEMBER 31, 2022

	Original Budget	Final Budget	Actual	Variance between Final and Actual
OPERATING REVENUES				
Water revenue	\$ 7,089,700	\$ 7,089,700	\$ 7,747,226	\$ 657,526
Wastewater revenue	5,258,900	5,258,900	5,833,087	574,187
Other operating revenue	1,000,880	1,000,880	1,310,053	309,173
Total operating revenue	<u>13,349,480</u>	<u>13,349,480</u>	<u>14,890,366</u>	<u>1,540,886</u>
OPERATING EXPENSES				
Salaries and payroll taxes	2,616,000	2,616,000	2,576,294	39,706
Water	1,933,700	1,933,700	1,698,478	235,222
Depreciation	2,368,900	2,368,900	2,339,657	29,243
Other operating costs	1,061,900	1,061,900	1,016,854	45,046
Maintenance and repairs	759,900	759,900	771,166	(11,266)
Employee benefits and insurance	667,900	667,900	584,384	83,516
Office services	737,800	737,800	619,250	118,550
Professional fees	613,400	613,400	627,304	(13,904)
Total operating expenses	<u>10,759,500</u>	<u>10,759,500</u>	<u>10,233,387</u>	<u>526,113</u>
OPERATING INCOME	<u>2,589,980</u>	<u>2,589,980</u>	<u>4,656,979</u>	<u>2,066,999</u>
NON-OPERATING REVENUE (EXPENSES)				
Tap fees	6,825,000	6,825,000	2,236,000	(4,589,000)
Water acquisition fees	3,255,800	3,255,800	1,076,750	(2,179,050)
Interest income	5,900	5,900	5,750	(150)
Interest expense	(456,000)	(456,000)	(454,156)	1,844
Total	<u>9,630,700</u>	<u>9,630,700</u>	<u>2,864,344</u>	<u>(6,766,356)</u>
CHANGE IN NET POSITION BEFORE				
CONTRIBUTIONS FOR CAPITAL ASSETS	12,220,680	12,220,680	7,521,323	(4,699,357)
CONTRIBUTIONS FOR CAPITAL ASSETS	<u>2,520,204</u>	<u>2,520,204</u>	<u>4,801,909</u>	<u>2,281,705</u>
CHANGE IN NET POSITION	<u>\$ 14,740,884</u>	<u>\$ 14,740,884</u>	<u>\$ 12,323,232</u>	<u>\$ (2,417,652)</u>

See the accompanying independent auditors' report.

WIDEFIELD WATER AND SANITATION DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Agency/Pass-Through Entity and Cluster or Program	Pass-Through Identification Number	CFDA Number	Federal Expenditures
United States Department of Treasury			
Passed-through Colorado Department of El Paso County:			
Coronavirus State and Local Fiscal Recovery Programs	N/A	21.027	\$ 897,452
Total expenditures of federal awards			<u>\$ 897,452</u>

Notes to Schedule:

1. The schedule includes the Federal awards activity of Widefield Water and Sanitation District (the District) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. The District provided no federal awards to subrecipients.
3. The District has elected to not use the 10 percent de *minus* indirect cost rate to charge costs to their federal awards.

See the accompanying independent auditors' report.

WIDEFIELD WATER AND SANITATION DISTRICT

COMPLIANCE AND INTERNAL CONTROL SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Widefield Water and Sanitation District
Colorado Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Widefield Water and Sanitation District (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 16, 2023.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Stockman Kast Ryan + Co. LLP

May 16, 2023

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

Board of Directors
Widefield Water and Sanitation District
Colorado Springs, Colorado

Opinion on Each Major Federal Program

We have audited Widefield Water and Sanitation District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2022. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibility 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 District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

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.

Stockman Kast Ryan + Co, LLP

May 16, 2023

WIDEFIELD WATER AND SANITATION DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

1. Type of auditors' report issued was:

Unmodified Modified Adverse Disclaimed

2. Internal control over financial reporting:

(A) Material weakness(es) identified? Yes No
(B) Significant deficiency(ies) identified? Yes None reported

3. Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

1. Internal control over major programs:

(A) Material weakness(es) identified? Yes No
(B) Significant deficiency(ies) identified? Yes None reported

2. Type of auditors' report issued on compliance for major programs:

Unmodified Modified Adverse Disclaimed

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

4. The Organization's major programs were:

<u>CFDA Number</u>	<u>Cluster/Program</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

5. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

6. The Organization qualified as a low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reportable.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.

See the accompanying independent auditors' report.
