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# Northern Colorado Water Conservancy District

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**Federal Awards Supplemental Information**  
**September 30, 2022**

### **Independent Auditor's Reports**

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

**Independent Auditor's Report**

To the Board of Directors  
Northern Colorado Water Conservancy District

We have audited the financial statements of each major fund and the aggregate remaining fund information of Northern Colorado Water Conservancy District (the "District") as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated June 19, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to June 19, 2023.

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 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

June 19, 2023

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  
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 each major fund and the aggregate remaining fund information of Northern Colorado Water Conservancy District (the "District") as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 19, 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

**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*.

**The District's Responses to the Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District'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.

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

**Purpose of This Report**

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

*Plante & Moran, PLLC*

June 19, 2023

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  
Northern Colorado Water Conservancy District

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

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

We have audited Northern Colorado Water Conservancy District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

To the Board of Directors  
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 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 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 District'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 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.

To the Board of Directors  
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*

June 19, 2023



**Northern Colorado Water Conservancy District**

**Schedule of Expenditures of Federal Awards**

**Year Ended September 30, 2022**

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Interior - Bureau of Land Management - Forest and Woodlands Resource Management	15.233		\$ -	\$ 2,705,726
U.S. Department of Agriculture - Natural Resources Conservation Service - Emergency Watershed Protection Program	10.923		-	4,793,426
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 7,499,152</u>

**Notes to Schedule of Expenditures of Federal Awards**

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**Year Ended September 30, 2022**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Northern Colorado Water Conservancy District (the "District") under programs of the federal government for the year ended September 30, 2022. 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 District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**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.

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

**Northern Colorado Water Conservancy District**

**Schedule of Findings and Questioned Costs**

**Year Ended September 30, 2022**

**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

Type of auditor's report issued on compliance for major programs: Unmodified

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
15.233	Bureau of Land Management - Forest and Woodlands Resource Management
10.923	Natural Resources Conservation Service - Emergency Watershed Protection Program

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

Auditee qualified as low-risk auditee?        Yes   X   No

# Northern Colorado Water Conservancy District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2022

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2022-001	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Cash accounts should be reconciled to the underlying bank statements on a timely basis, typically within 45 days of each month end.</p> <p><b>Condition</b> - During the fiscal year ended September 30, 2022, bank reconciliations were not completed on a timely basis.</p> <p><b>Context</b> - Most of the bank reconciliations for the period spanning from October 2021 through September 2022 were prepared subsequent to year end, in December 2022.</p> <p><b>Cause</b> - 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><b>Effect</b> - 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><b>Recommendation</b> - We recommend a system, including appropriate resources, be put in place to ensure bank reconciliations are completed on a timely basis going forward. In addition, all reconciliations should be monitored and reviewed by somebody other than the assigned preparer to ensure accurate and timely completion.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Northern Water 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 validating migrated financial data and navigating within the new financial system. Fiscal year 2023 cash reconciliations are in progress and will be current by July 15, 2023, then monthly throughout the remainder of the fiscal year.</p>

# Northern Colorado Water Conservancy District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2022

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2022-002	<p data-bbox="362 531 773 556"><b>Finding Type</b> - Material weakness</p> <p data-bbox="362 579 1481 667"><b>Criteria</b> - 2 CFR 200.508(b) outlines auditee responsibilities to prepare appropriate financial statements, including the schedule of expenditures of federal awards, in accordance with §200.510 financial statements.</p> <p data-bbox="362 690 1481 747"><b>Condition</b> - The schedule of expenditures of federal awards for the District was not accurately prepared.</p> <p data-bbox="362 770 1481 982"><b>Context</b> - Revisions to the schedule of expenditures of federal awards were required to ensure that the schedule only included those assistance listing numbers subject to audit. As such, the Forest Service Partnership Agreement Grant was removed from the SEFA, decreasing reported federal expenditures by approximately \$10.2 million. Revisions were also identified to increase the schedule of expenses by approximately \$1.6 million for the Natural Resources Conservation Service - Emergency Watershed Protection Program Grant. These changes impacted major program determination.</p> <p data-bbox="362 1005 1481 1062"><b>Cause</b> - The District did not have sufficient controls in place to ensure that the schedule of expenditures of federal awards was complete and accurate.</p> <p data-bbox="362 1085 1481 1142"><b>Effect</b> - Prior to revisions to the SEFA as identified as part of the audit, the SEFA was not stated in accordance with Uniform Guidance.</p> <p data-bbox="362 1165 1481 1253"><b>Recommendation</b> - We recommend the District revisit its processes and controls pertaining to the preparation of the schedule of expenditures of federal awards to ensure it is accurately prepared going forward.</p> <p data-bbox="362 1276 1481 1423"><b>Views of Responsible Officials and Planned Corrective Actions</b> - Northern Water management is aware of this matter. The appropriate training for SEFA preparation does exist within the financial services department. Staff were challenged to prepare the SEFA due to delays in validating migrated financial data and staff turnover. The fiscal year 2023 SEFA will be accurately prepared in accordance with the timing set forth by Plante &amp; Moran, PLLC.</p>

# Northern Colorado Water Conservancy District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2022

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2022-003	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - The District 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 District 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><b>Condition</b> - Correcting adjustments for certain financial statement balances, including within the ACFR, were identified during the audit instead of by management.</p> <p><b>Context</b> - Among the most significant correcting journal entries identified during the audit were corrections to related party activity of approximately \$15 million and year-end adjustments required to be made to the net pension liability.</p> <p>There were also substantial corrections and changes identified as part of the audit process to ensure the ACFR was materially stated correctly and in compliance with GAAP.</p> <p><b>Cause</b> - 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. Although the District has certain processes and controls in place related to year-end closing entries, those controls did not detect the aforementioned reporting errors.</p> <p><b>Effect</b> - Without effective controls and processes in place related to these areas, misstatements can occur within the accounting records and go undetected.</p> <p><b>Recommendation</b> - We encourage the District 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - Northern Water management is aware of this matter. Staff were challenged to prepare the financial statements due to delays in validating migrated financial data, staff turnover, onboarding and training new staff, and validating trial balances. Staff continue to participate in governmental financial reporting training and have created improved or new workpapers, which will more strongly support 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 2023.</p>

### Section III - Federal Program Audit Findings

Current Year None