

# Industrial Park Water & Sanitation District

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Audit Report 2017

Brenda A. French, CPA, PC

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July 30, 2018

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# Brenda A. French, CPA, PC

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Industrial Park Water & Sanitation District  
6625 East 49<sup>th</sup> Avenue  
Commerce City, CO 80022

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Industrial Park Water & Sanitation District, Commerce City, Colorado as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Industrial Park Water & Sanitation District, Commerce City, Colorado basic financial statements as listed in the table of contents.

### **Management's Responsibility 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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of Industrial Park Water & Sanitation District, Commerce City, Colorado as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 12 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.

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

In accordance with Government Auditing Standards, we have also issued our report dated July 20, 2018, on our consideration of Industrial Park's Water & Sanitation District, Commerce City, Colorado'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 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 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 Industrial Park Water & Sanitation District, Commerce City, Colorado's internal control over financial reporting and compliance.



Brenda A French, CPA, PC  
Broomfield, CO 80020  
July 20, 2018

## **PARK WATER AND SANITATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2017**

As management of Industrial Park Water and Sanitation District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

### **Financial Highlights**

- The assets of Industrial Park Water and Sanitation District exceeded its liabilities at December 31, 2017 by \$1,074,372 (*net assets*).
- The District's total net position increased by \$238,619 from 2016 due to increased net revenue.
- At the close of the calendar year, the District's business-type activities cash balance of \$780,783 is available for spending at the District's discretion (*unrestricted cash*).

For the year ended December 31, 2017, the District had a positive operating budget variance totaling \$83,633 largely due to increased sewage connection revenue.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Industrial Park Water and Sanitation's basic financial statements. The District's basic financial statements consist of two components: 1.) government-wide financial statements of the business-type activities of the District, and 2.) notes to the financial statements. In addition to the basic financial statements, the report contains other supplemental information that will enhance the reader's understanding of the financial condition of Industrial Park Water & Sanitation District.

### **Basic Financial Statements**

The three basic financial statements are the **Government-Wide Financial Statements** consisting of business-type activities. They provide both short and long-term information about the District's financial status. The second section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the date about the District's business-type activities. Budgetary information required by the General Statutes can be found in the **Supplementary Information** part of the statements.

**INDUSTRIAL PARK WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2017**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances, similar in format to a financial statement of a private-sector business. The government-wide financial statements provide short and long-term information about the District's financial status as a whole. The three government-wide statements report the District's net assets and how they have changed. Net assets are the difference between the District's total assets and total liabilities. Measuring net assets is one way to gauge the District's financial condition.

The government-wide statements consist only of business-type activities. The business-type activities are those the District charges customers to provide. This consists only of water and sewer treatment services.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes begin on page 7 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report contains certain required supplementary information concerning Industrial Park Water & Sanitation District's budget. The required supplementary information can be found on page 12 of this report.

**INDUSTRIAL PARK WATER AND SANITATION DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<b>Primary Government</b>	
	<b>Business-type</b>	<b>Total</b>
	<b>Activities</b>	
<b><u>ASSETS</u></b>		
Current Assets:		
Cash in Bank	\$ 158,178	\$ 158,178
Cash in Investments	622,605	622,605
Accounts Receivable	128,256	128,256
Total Current Assets	909,039	909,039
Capital Assets:		
Land	22,495	22,495
Sewer Collection System	129,318	129,318
Sewer Pumping Equipment	95,831	95,831
General Equipment & Furniture	589,979	589,979
Vehicles	75,990	75,990
Total Capital Assets	913,613	913,613
Less: Accumulated Depreciation	(746,310)	(746,310)
Net Capital Assets	167,303	167,303
Security Deposit	765	765
Total Assets	\$ 1,077,107	\$ 1,077,107
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts Payable	\$ 679	\$ 679
Payroll Taxes Payable	2,056	2,056
Total Current Liabilities	2,735	2,735
<b><u>NET POSITION</u></b>		
Unrestricted Retained Earnings	1,074,372	1,074,372
Restricted Retained Earnings	-	-
Total Net Position	1,074,372	1,074,372
Total Liabilities & Net Position	\$ 1,077,107	\$ 1,077,107

See Accompanying Notes to Financial Statements

**INDUSTRIAL PARK WATER AND SANITATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2017**

	<b>Primary Government</b>			
	<b>Business-type</b>			
	<b>Activities</b>		<b>Total</b>	
<b>REVENUES</b>				
Sewage Treatment and Collection Fees	\$	649,784	\$	649,784
Miscellaneous Income-Finance Charge		876		876
Interest Income		703		703
Total Revenues	\$	651,363	\$	651,363
<b>EXPENSES</b>				
Sewage Treatment and Processing Fees		141,047		141,047
Tap Connection Fee		8,440		8,440
Repairs & Maintenance-Lines and Equipment		8,472		8,472
Sewer Flushing		19,739		19,739
Depreciation		42,646		42,646
Insurance		27,872		27,872
Legal Expense		6,000		6,000
Telephone and Utilities		2,207		2,207
Directors' Fees		5,400		5,400
Miscellaneous Expense		1,736		1,736
Office Expense		1,665		1,665
Operation Fee		12,000		12,000
Engineering		38,062		38,062
Salaries		67,680		67,680
Payroll Tax Expense		5,328		5,328
Lease Expense		1,954		1,954
Audit Expense		5,000		5,000
Rent		14,400		14,400
Vehicle Expense		3,096		3,096
Total Expenses		412,744		412,744
Surplus of Revenues over Expenses	\$	238,619	\$	238,619
Net Position, Beginning		835,753		835,753
Net Position, Ending	\$	1,074,372	\$	1,074,372

See Accompanying Notes to Financial Statements

**INDUSTRIAL PARK WATER AND SANITATION DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2017**

	<b>Primary Government</b>	
	<b>Business-type Activities</b>	<b>Total</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Reconciliation of operating loss to net cash provided by operating activities:		
Operating Income	\$ 238,620	\$ 238,620
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation	42,646	42,646
Changes in assets and liabilities:		
Decrease in Accounts Receivable	(24,398)	(24,398)
Increase in Current Liabilities	(1,894)	(1,894)
Net Cash Provided by Operating Activities	\$ 254,974	\$ 254,974
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Net Purchase of Equipment	(79,042)	(79,042)
Net Increase in Cash and Cash Equivalents	\$ 175,932	\$ 175,932
Cash and Cash Equivalents, Beginning	604,851	604,851
Cash and Cash Equivalents, Ending	<u>\$ 780,783</u>	<u>\$ 780,783</u>

Interest Expense for the Year Ended December 31, 2017 is \$0

**INDUSTRIAL PARK WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

1. ORGANIZATION

Industrial Park Water and Sanitation District was organized as a quasi-governmental entity under the laws of the State of Colorado on August 8, 1969. The District was created to provide for the effective distribution and collection of water and sewage within the boundaries of the District.

The District has a contract with, and is wholly dependent upon, Metropolitan Denver Sewage Disposal District No. 1 for disposal of sewage collected by the District.

The District's operating activities are governed by the Colorado Division of Local Governments administrative rules and regulations as they relate to special districts. The basic operations of the District are financed by charges to individuals and businesses located within the boundaries of the District who utilize the District's services.

B.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the district relating to the funds and account groups included within these financial statements conform to generally accepted accounting principles applicable to state and local governments.

The following significant accounting policies were applied in the preparation of the accompanying financial statements.

Reporting Entity

According to GASB Statement 14, a primary government is defined as an entity that has a separately elected governing body, is legally separate, and is fiscally independent. The District meets all of these requirements.

Industrial Park Water & Sanitation District (primary government) is a municipal corporation governed by an elected seven-member board. As required by generally accepted accounting principles, these financial statements present the District in its entirety. The District has no component units.

GASB Statement 14 defines a component unit as legally separate organizations for which the elected officials of the primary government (the District) are financially responsible.

Basis of Presentation

The District utilizes a single "proprietary – enterprise fund" to account for all of its operating activities. Proprietary fund accounting is used to account for activities that are financed and operated in a manner similar to private business enterprises. It assumes that the cost of providing services to the general public be recovered primarily through user charges.

**INDUSTRIAL PARK WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District's books of account and records are maintained on the accrual basis of accounting in conformity with generally accepted accounting principles. The accrual basis of accounting recognizes revenue when earned and expenses when the liability is incurred.

Available funds are expended annually based upon budgetary estimates that are open for public inspection. Budgetary estimates are prorated based upon an annual fiscal year from January 1<sup>st</sup> through of each year. The amounts are posted for public comment and inspection, and are submitted to the Division of Local Governments.

It is the District's policy to prepare the annual budget on a basis that does not include accounts receivable, accounts payable, or depreciation. Entries to record accounts receivable, accounts payable, and depreciation are booked to the District's accounting records to convert the "budget basis of accounting" to generally accepted accounting principles. After these adjustments are made, budget basis versus GAAP basis are the same.

Fixed Assets

The District records property, plant, and equipment at cost. The District capitalizes all fixed asset additions in accordance with the standards established by the State of Colorado, Division of Local Governments.

District assets are depreciated on the straight-line basis over their estimated useful lives. Estimated lives are forty years for the sewer collection system, ten years for pump, lift, and other equipment, and five years for certain office equipment. The following is a schedule of 2017 fixed asset activity:

	2016 Balance	2017 Additions	2017 Balance
Land	\$ 22,495		\$ 22,495
Sewer Collection System	129,318		129,318
Sewer Pumping Equipment	95,831		95,831
Equipment & Furniture	510,938	\$ 79,041	589,979
Vehicles	75,990		75,990
	\$ 834,572	\$ 79,041	\$913,613

**INDUSTRIAL PARK WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**B.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Insured Deposits

Some of the District's cash and deposits as of December 31, 2017 are fully insured. The FDIC insures each checking account up to \$250,000 per account. At the balance sheet date, the checking account has a balance of \$158,178. The District also has cash of \$422,605 invested in three separate Certificates of Deposit accounts held at CoBiz Bank in an Insured Cash Sweep account which is also FDIC insured up to \$250,000 per account. The remaining \$200,000 is invested in a money market account.

TABOR Amendment

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

Encumbrances

Encumbrances represent commitments to unperformed contracts for goods or services. The commitments are not treated as expenditures until a liability is incurred, but are merely used to facilitate effective budget control and cash planning and management. The District does not employ encumbrance accounting, whereby a portion of the applicable appropriation is reserved for open purchase orders.

Related Party Transactions

In 2016, the District entered into a month-to-month lease with the Manager of the District who owns the building. The monthly lease amount is \$1,200. There are no amounts due to or from this related party at December 31, 2017.

**C.) COMMITMENTS AND CONTINGENCIES**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year ended December 31, 1988, the District agreed to be included to be in a "Colorado Special District Liability Insurance Pool." The fund was organized by Colorado special districts in order to provide insurance coverage that may not otherwise be attainable by its members.

**INDUSTRIAL PARK WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

C.) COMMITMENTS AND CONTINGENCIES (continued)

The fund provides self- insurance for 20% of all claims made, and had acquired “re-insurance” to cover the remaining 80% coverage. Additionally, the insurance pool has a stopgap claim limit of \$500,000.

In accordance with the terms for inclusion, the District was required to make contributions to the fund in amounts that exceeded the cost of the then annual insurance premium. The contribution requirements were levied on all fund members in order to provide working capital to the fund. The District’s financial commitment to the insurance pool is limited to its pro-rata ownership percentage based upon the ratio of the District’s excess contribution to all participating member’s excess contributions estimated at less than two percent. During 2017, the District contributed \$27,872 to the fund for insurance coverage. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

The insurance pool has no outstanding debt at December 31, 2017.

There is no assurance that the District will not be charged additional fees relating to fund working capital deficiencies in the future, although they are not expected.

The District has entered into a contract with Metro Denver Sewage Disposal District No. 1 (the special connector agreement). The agreement defines the services and charges applied to the District by Metro Denver Sewage Disposal District No. 1 (the special connector agreement). The agreement defines the services and charges applied to the District by Metro Denver Sewage Disposal.

In accordance with the terms of the agreement, each year the District is charged an “estimated annual fee” based upon anticipated flow and treatment levels originating from the District. An annual adjustment of each year’s fee is determined and must be completed by March 31 of the following year.

In this manner, the District may have a contingent liability for additional sewage treatment fees that may be billed to the District as a part of future billings. Annual deficiencies or rebates are billed quarterly to the District as a regular part of the current year billings.

**INDUSTRIAL PARK WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

Lease Agreements

The District leases a copier and several vehicles for the benefit of certain personnel of the District. These operating leases are for terms ranging from three to five years. The future minimum lease payments on current lease obligations are as follows:

2018	\$ 3,370
2019	3,370
2020	3,370
2021	1,404

**D. BUDGETS**

As described in Note B, the District prepares annual operating budgets and submits them to the Division of Local Governments in accordance with "Local Government Budget Law." Each operating budget covers the fiscal period beginning January 1<sup>st</sup> and ending December 31<sup>st</sup> of each year. Amounts expended in excess of amounts budgets are a possible violation of the local government budget law.

Each budget is open for public debate prior to adoption.

Colorado local government budget law generally requires that the District adopt revised budgets in accordance with accepted procedures, notices, and debate, and submit them to the Division of Local Governments is amounts expense are in excess of amounts budgeted.

During 2017, the District's revenues exceeded budgeted amounts by \$89,748 and operating expenditures were more than budgeted amounts by \$6,115 resulting in a positive operating budget variance of \$83,633.

**INDUSTRIAL PARK WATER AND SANITATION DISTRICT**  
**COMPARISON OF REVENUES AND EXPENSES WITH BUDGETARY INFORMATION**  
**For the Year Ended December 31, 2017**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(NEG) POS VARIANCE</u>
<b><u>REVENUE</u></b>			
Sewage Treatment Revenue	\$ 549,225	\$ 649,784	100,559
Tap Connection Fee Revenue	11,840	-	(11,840)
Miscellaneous Income	300	876	576
Interest Income	250	703	453
Total Revenues	<u>\$ 561,615</u>	<u>\$ 651,363</u>	<u>\$ 89,748</u>
<b><u>OPERATING EXPENSES</u></b>			
Sewage Treatment	\$ 141,047	\$ 141,047	\$ -
Repairs and Maintenance-Sewer	50,000	28,210	21,790
Tap Connection Fee	-	8,440	(8,440)
Auditing	5,000	5,000	-
Insurance	29,547	27,872	1,675
Engineering	25,000	38,062	(13,062)
Legal	6,000	6,000	-
Telephone and Utilities	3,000	2,207	793
Directors' Fees	6,000	5,400	600
Office Expense	1,300	1,665	(365)
Miscellaneous Expense	3,500	1,736	1,764
Lease Payments	1,800	1,954	(154)
Repairs and Maintenance-General	3,500	3,096	404
Operation Fee	12,000	12,000	-
Dues and Publications	50	-	50
Rent	14,400	14,400	-
Salaries	67,680	67,680	-
Payroll Tax Expense	8,200	5,328	2,872
Total Operating Expenses	<u>\$ 378,024</u>	<u>\$ 370,097</u>	<u>\$ 7,927</u>
<b><u>OTHER ITEMS</u></b>			
Asset Acquisition	65,000	79,042	(14,042)
Total Expenses	<u>\$ 443,024</u>	<u>\$ 449,139</u>	<u>\$ (6,115)</u>
<b><u>TOTAL CURRENT YEAR REVENUES IN EXCESS OF EXPENSES</u></b>			
	<u>\$ 118,591</u>	<u>\$ 202,224</u>	<u>\$ 83,633</u>
Net Change in Cash Balances	102,838	175,932	278,770
Cash Balance, Beginning	531,368	604,851	
Cash Balance, Ending	<u>\$ 634,206</u>	<u>\$ 780,783</u>	<u>\$ 278,770</u>

See Accompanying Notes to Financial Statements