

Industrial Park Water & Sanitation District

Audit Report 2021

Brenda A. French, CPA, PC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Industrial Park Water & Sanitation District
Commerce City, CO

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Industrial Park Water & Sanitation District, as of and for the year ended December 31, 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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Industrial Park Water & Sanitation District, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Industrial Park Water & Sanitation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Industrial Park Water & Sanitation District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Brenda A French, CPA, PC
Broomfield, CO
September 30, 2022

PARK WATER AND SANITATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2021

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, 2021. 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, 2021 by \$2,113,037 (*net position*).
- The District's total net position increased by \$201,117 from 2020 due to increased cash and fixed asset investment.
- At the close of the calendar year, the District's business-type activities cash balance of \$1,728,406 is available for spending at the District's discretion (*unrestricted cash*).

For the year ended December 31, 2021, the District had a positive operating budget variance totaling \$67,157 largely due to a delay in a new asset build/acquisition.

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, 2021**

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, 2021

	Primary Government	
	Business-type	
	Activities	Total
<u>ASSETS</u>		
Current Assets:		
Cash in Bank	\$ 60,808	\$ 60,808
Cash in Investments	1,667,598	1,667,598
Accounts Receivable	185,404	185,404
Total Current Assets	1,913,810	1,913,810
Capital Assets:		
Land	34,495	34,495
Sewer Collection System	129,318	129,318
Sewer Pumping Equipment	95,831	95,831
General Equipment & Furniture	757,938	757,938
Vehicles	134,782	134,782
Total Capital Assets	1,152,364	1,152,364
Less: Accumulated Depreciation	(948,570)	(948,570)
Net Capital Assets	203,794	203,794
Security Deposit	765	765
Total Assets	\$ 2,118,369	\$ 2,118,369
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 601	\$ 601
Payroll Taxes Payable	3,731	3,731
Total Current Liabilities	4,332	4,332
<u>NET POSITION</u>		
Unrestricted Retained Earnings	2,114,037	2,114,037
Restricted Retained Earnings	-	-
Total Net Position	2,114,037	2,114,037
Total Liabilities & Net Position	\$ 2,118,369	\$ 2,118,369

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, 2021

	Primary Government			
	Business-type			
	Activities	Total		
REVENUES				
Sewage Treatment and Collection Fees	\$	774,184	\$	774,184
Miscellaneous Income-Finance Charge		443		443
Interest Income		582		582
Total Revenues	\$	775,209	\$	775,209
EXPENSES				
Sewage Treatment and Processing Fees		117,391		117,391
Repairs & Maintenance-Lines and Equipment		54,898		54,898
Depreciation		58,259		58,259
Insurance		32,953		32,953
Legal Expense		34,397		34,397
Telephone and Utilities		5,804		5,804
Directors' Fees		5,200		5,200
Office Expense		3,428		3,428
Operation Fee		42,000		42,000
Engineering		55,840		55,840
Salaries		112,000		112,000
Payroll Tax Expense		9,276		9,276
Interest Expense		3		3
Lease Expense		3,036		3,036
Audit Expense		5,500		5,500
Rent		17,040		17,040
Miscellaneous - Admin & General		12,151		12,151
Property Tax Expense		78		78
Vehicle Expense		3,838		3,838
Total Expenses		573,092		573,092
Surplus of Revenues over Expenses	\$	202,117	\$	202,117
Net Position, Beginning		1,911,920		1,911,920
Net Position, Ending	\$	2,114,037	\$	2,114,037

See Accompanying Notes to Financial Statements

INDUSTRIAL PARK WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

	Primary Government	
	Business-type	
	Activities	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income	\$ 202,117	\$ 202,117
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation	58,259	58,259
Changes in assets and liabilities:		
Decrease in Accounts Receivable	(125)	(125)
Increase in Current Liabilities	52	52
<hr/>		
Net Cash Provided by Operating Activities	\$ 260,303	\$ 260,303
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Net Purchase of Equipment	(100,858)	(100,858)
<hr/>		
Net Increase in Cash and Cash Equivalents	\$ 159,445	\$ 159,445
Cash and Cash Equivalents, Beginning	1,568,961	1,568,961
Cash and Cash Equivalents, Ending	<u>\$ 1,728,406</u>	<u>\$ 1,728,406</u>

Interest Expense for the Year Ended December 31, 2021 is \$3

INDUSTRIAL PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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, 2021**

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 1st 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 2021 fixed asset activity:

	2020 Balance	2021 Additions	2021 Balance
Land	\$ 22,495	\$ 12,000	\$ 34,495
Sewer Collection System	129,318		129,318
Sewer Pumping Equipment	95,831		95,831
Equipment & Furniture	708,962	48,976	757,938
Vehicles	94,900	39,882	134,782
	\$ 1,051,506	\$ 100,858	\$1,152,364

INDUSTRIAL PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

B.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insured Deposits

Some of the District's cash and deposits as of December 31, 2021 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 \$60,808. The District also has cash of \$1,667,598 invested in three separate Certificates of Deposit accounts held at BOK Financial 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. All deposits are covered by The Public Deposit Protection Act (PDPA).

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 2018, the District entered into a month-to-month lease with the Manager of the District who owns the building. The monthly lease amount is \$1,420. There are no amounts due to or from this related party at December 31, 2021.

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, 2021

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 2021, the District contributed \$32,953 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, 2021.

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, 2021

Lease Agreements

The District leases a copier. This operating lease has a three-year term. The future minimum lease payments on current lease obligations are as follows:

2022	3,687
2023	3,687
2024	2,458

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 1st and ending December 31st 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 2021, the District's revenue was short of budgeted amounts by \$54,791. Operating expenditures were less of the budgeted amounts by \$122,948 resulting in a positive operating budget variance of \$68,157.

INDUSTRIAL PARK WATER AND SANITATION DISTRICT
COMPARISON OF REVENUES AND EXPENSES WITH BUDGETARY INFORMATION
For the Year Ended December 31, 2021

	BUDGET	ACTUAL	(NEG) POS VARIANCE
<u>REVENUE</u>			
Sewage Treatment Revenue	\$ 825,000	\$ 774,184	(50,816)
Miscellaneous Income	1,500	443	(1,057)
Interest Income	3,500	582	(2,918)
Total Revenues	\$ 830,000	\$ 775,209	\$ (54,791)
<u>OPERATING EXPENSES</u>			
Sewage Treatment	\$ 117,391	\$ 117,391	\$ -
Repairs and Maintenance-Sewer	30,000	54,898	(24,898)
Auditing	5,500	5,500	-
Insurance	32,850	32,953	(103)
Engineering	100,000	55,840	44,160
Legal	30,000	34,397	(4,397)
Telephone and Utilities	4,800	5,804	(1,004)
Directors' Fees	6,000	5,200	800
Office Expense	3,200	3,428	(228)
Interest Expense	-	3	(3)
Miscellaneous Expense	15,000	12,151	2,849
Lease Payments	4,000	3,036	964
Repairs and Maintenance-General	9,000	3,838	5,162
Operation Fee	42,000	42,000	-
Property Tax Expense	-	78	(78)
Rent	117,040	17,040	100,000
Salaries	112,000	112,000	-
Payroll Tax Expense	9,000	9,276	(276)
Total Operating Expenses	\$ 637,781	\$ 514,833	\$ 122,948
<u>OTHER ITEMS</u>			
Asset Acquisition	1,000,000	100,858	899,142
Total Expenses	\$ 1,637,781	\$ 615,691	\$ 1,022,090
<u>TOTAL CURRENT YEAR REVENUES</u>			
<u>IN EXCESS OF EXPENSES</u>	\$ (807,781)	\$ 159,518	\$ 967,299
Net Change in Cash Balances	(707,781)	159,445	(867,226)
Cash Balance, Beginning	1,633,721	1,568,961	\$ 967,299
Cash Balance, Ending	\$ 925,940	\$ 1,728,406	\$ 100,073

See Accompanying Notes to Financial Statements