

BLACK HAWK SANITARY DISTRICT
BLACK HAWK, SOUTH DAKOTA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2020

FED EIN 46-0378272

BLACK HAWK SANITARY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Black Hawk Sanitary District
Black Hawk, South Dakota

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of Black Hawk Sanitary District (the District), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's 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 the cash basis of accounting described in Note 1; this includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 cash basis financial position of the business-type activities of the Black Hawk Sanitary District, as of December 31, 2020 and December 31, 2019, and the respective changes in the cash basis financial position thereof for the years then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1c of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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Black Hawk Sanitary District
June 16, 2021
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Change in Accounting Principle

As described in Note 1j to the financial statements, in 2019, the District adopted the cash basis of accounting beginning January 1, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the District's financial statements. The management's discussion and analysis on pages 3-5, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basis financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2021, 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 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 the District's internal control over financial reporting and compliance.


Donna Denker & Associates
Certified Public Accountants

June 16, 2021

BLACK HAWK SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND DECEMBER 31, 2019

This section presents the Black Hawk Sanitary District's (the District) discussion and analysis of the District's financial performance during the years ended on December 31, 2020 and 2019. Please read it in conjunction with the District's financial statements.

Financial Highlights

The District is a special purpose government organized under Meade County, South Dakota as an incorporated sanitary district with road district powers. The District provides sewer service to approximately 200 homes and businesses. We also take care of road repairs, provide streetlights, snow removal and solid waste service.

The District operates on money charged to homeowners for service. Current charge is \$65 per month for expenses of the District. In addition, road tax money is levied and collected by Meade County and remitted to the District to be used for road repairs and maintenance.

Beginning in 2015 the District approved providing solid waste service to the District's customers. There was no increase in fees as the District used the portion of the monthly charge previously used to pay debt service to provide the service. This service is anticipated to continue.

Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements, including related notes.

The financial statement notes explain some of the information in the financial statements and provide more detailed data.

Financial Statements

The financial statements report information about the District using the cash basis of accounting. The statement of net position includes the District's assets and net position including amounts restricted for future road repair. All of the receipts and disbursements are accounted for in the statement of receipts, disbursements and changes in net position.

The District operates as a proprietary fund. The District charges fees to customers to cover the costs of the sanitary services it provides. The District also provides road maintenance which is primarily paid for by a road tax levied by the County and remitted to the District.

The District's restricted net position represents resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants. The District has restricted net assets for road maintenance at December 31, 2020. The District has no restricted net assets at December 31, 2019.

The remaining balances of net position are unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the years ended December 31, 2020 and 2019, the District is able to report positive balances in all categories of net position.

BLACK HAWK SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2020 AND 2019

Financial Statements (Continued)

Net Position

The District's net position increased by 16.13% between the fiscal years 2020 and 2019.

	2020	2019	Change
ASSETS:			
Current and Other Assets	\$ 310,663	\$ 267,514	16.13%
Total Assets	\$ 310,663	\$ 267,514	16.13%

LIABILITIES AND NET POSITION:

Net Position:

Restricted for Road Repair	14,534	-	
Unrestricted	296,129	267,514	
Total Net Position	310,663	267,514	16.13%
Total Position	\$ 310,663	\$ 267,514	16.13%

The District's net position (adjusted for the change in accounting principles described in Note 1j) decreased by 16.10% between the fiscal years 2019 and 2018.

	2019	2018	Change
ASSETS:			
Current and Other Assets	\$ 267,514	\$ 318,856	-16.10%
Total Assets	\$ 267,514	\$ 318,856	-16.10%

LIABILITIES AND NET POSITION:

Net Position:

Unrestricted	267,514	318,856	-16.10%
Total Net Position	267,514	318,856	-16.10%
Total Position	\$ 267,514	\$ 318,856	-16.10%

BLACK HAWK SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED) DECEMBER 31, 2020 AND 2019

Financial Statements (Concluded)

Business-Type Activities

Between fiscal years 2020 and 2019 operating revenues of the District increased .73% to \$170,520 and operating expenses decreased by 14.02% to \$142,737.

	2020	2019	Change
Total Operating Receipts	\$ 170,520	\$ 169,287	0.73%
Total Operating Disbursements	(142,736)	(166,008)	-14.02%
Net Operating Loss	27,784	3,279	-747.33%
Total Non-Operating Receipts and Disbursements	15,365	(21,362)	-171.93%
Change in Net Position	\$ 43,149	\$ (18,083)	-338.62%

Between fiscal years 2019 and 2018 operating revenues of the District decreased .68% to \$169,287 and operating expenses decreased by 16.24% to \$166,008.

	2019	2018	Change
Total Operating Receipts	\$ 169,287	\$ 170,451	-0.68%
Total Operating Disbursements	(166,008)	(198,194)	-16.24%
Net Operating Loss	3,279	(27,743)	111.82%
Total Non-Operating Receipts and Disbursements	(21,362)	19,708	-208.39%
Change in Net Position	\$ (18,083)	\$ (8,035)	125.05%

Economic Factors and Next Year's Rates

The District's current economic position has shown little change. The rates were not changed during the period. We are working to keep expenses as low as possible and still serve the needs of the elderly and people living on fixed incomes within the District. An increase has been approved beginning January 1, 2021, which be primarily used to pay for future road projects.

Contacting the District's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Black Hawk Sanitary District, PO Box 528, Black Hawk, South Dakota 57718.

BLACK HAWK SANITARY DISTRICT

**STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

ASSETS	2020	2019
Current Assets		
Cash and Cash Equivalents	\$ 310,663	\$ 267,514
Total Current Assets	310,663	267,514
TOTAL ASSETS	\$ 310,663	\$ 267,514
NET POSITION		
Net Position		
Restricted for Road Maintenance	\$ 14,534	\$ -
Unrestricted	296,129	267,514
Total Net Position	310,663	267,514
TOTAL NET POSITION	\$ 310,663	\$ 267,514

The accompanying notes to the financial statements are an integral part of this statement.

BLACK HAWK SANITARY DISTRICT

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
Operating Receipts:		
Charges for Goods and Services	\$ 170,520	\$ 169,287
Total Operating Receipts	170,520	169,287
Disbursements:		
Utilities	103,586	122,667
Sewer Repair and Maintenance	16,011	13,422
Professional Fees	9,823	16,352
Office Expense	6,773	7,337
Insurance	6,543	6,230
Total Operating Disbursements	142,736	166,008
Operating Income	27,784	3,279
Non Operating Receipts (Disbursements):		
Road Tax	25,454	24,387
Road Repair and Maintenance	(10,920)	(47,739)
Investment Earnings	831	1,990
Total Non Operating Receipts (Disbursements)	15,365	(21,362)
Change in Net Position	43,149	(18,083)
Net Position - Beginning	267,514	1,116,964
Prior Period Adjustment	-	(831,367)
Net Position -Restated - Beginning	267,514	285,597
Net Position - Ending	\$ 310,663	\$ 267,514

The accompanying notes to the financial statements are an integral part of this statement.

BLACK HAWK SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies

a. Financial Reporting Entity

Black Hawk Sanitary District (the District) was formed pursuant to the provisions of South Dakota Codified Law 34A-5 as an incorporated sanitary district with road district powers. The basic operations of the District include construction, operation and maintenance of sewage disposal facilities, and road construction and maintenance. These operations are financed by user charges and a road tax levy. These operations are accounted for in an enterprise fund and reported as such.

The reporting entity of the District consists of one enterprise fund which includes all accounts of the primary government – Black Hawk Sanitary District. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is not included in any other governmental entity as a component unit. There are no component units which are required to be included in the District's reporting entity.

b. Basis of Presentation

All activities of the District are accounted for within a single proprietary (enterprise) fund.

Proprietary Funds:

Enterprise Fund – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity).
2. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The District's basis of accounting is the cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, transactions are recorded in accounts when revenues are earned, and liabilities are incurred. Under the cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus:

In the financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used, applied within the limitations of the cash basis of accounting.

BLACK HAWK SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2020 AND DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies (Continued)

c. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting:

All proprietary fund types are accounted for using the cash basis of accounting. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed, and assets and liabilities are recognized to the extent that cash has been received or disbursed.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District applied accounting principles generally accepted in the United States of America, the financial statements for proprietary fund would use the accrual basis of accounting.

The District adopted the cash basis of accounting beginning January 1, 2019. The change was adopted retrospectively to all periods presented which decreased net position \$831,367 as of December 31, 2018.

d. Deposits and Investments

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. The District has no investments during the years ended or as of December 31, 2020 or December 31, 2019.

e. Capital Assets

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

As discussed in Note 1.c. above, the government-wide statement of net position and statement of receipts, disbursements and changes in net position are presented using a cash basis of accounting. The District has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate so any capital assets owned by the District and the related depreciation/amortization are not reported on the financial statements of the District.

BLACK HAWK SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2020 AND DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies (Concluded)

f. Cash and Cash Equivalents

The District considers all highly liquid investments as deposits with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

g. Equity Classifications

Equity is classified as net position and is displayed in two components:

1. Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or by law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net position that do not meet the definition of “restricted”.

h. Application of Net Position

It is the District’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

i. Federal Income Tax

Under South Dakota Codified Law, the District is considered to be a sanitary district form of local government, and therefore is not obligated to pay federal income tax.

j. Change in Accounting Principles

Beginning January 1, 2019, the District implemented the cash basis of accounting as described in Note 1c. The cash basis of accounting more closely reflects the budgetary basis for the District. The change in accounting principles has been applied retrospectively to all periods presented, which decreased net assets by \$831,367.

k. Subsequent Events

Management has evaluated subsequent events through the date of the independent auditor’s report which is the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, the District’s revenues could be impacted. Though the District does not expect there to be significant declines in revenues, the financial impact is unknown at this time.

(2) Deposits and Investments

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The District’s cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank’s public debt rating which may not be less than “AA” or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

BLACK HAWK SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED) DECEMBER 31, 2020 AND DECEMBER 31, 2019

(2) Deposits and Investments

Investments – In general, SDCL 4-5-6 permits District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly including, without limitation, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent trust, retirement, building, and depreciation reserve funds; such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. The District has no investments.

Credit Risk: State law limits eligible investments for the District, as described above. The District has no investment policy that would further limit its investment choices. District has all of its deposits in demand deposits and savings accounts.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk though it does adhere to all applicable laws regarding public deposits. As of December 31, 2020 and December 31, 2019, none of the District's deposits were exposed to custodial credit risk.

(3) Road Tax Revenue

Road taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

(4) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District manages its risks by purchasing from a commercial insurance carrier liability and property insurance for risks related to torts, theft or damage to property, and errors and omissions of public officials.

(5) Restricted Net Position

Restricted net position for the year ended December 31, 2020 was as follows:

Purpose	Amount
Road Maintenance	\$ 14,534

The balance is restricted due to statutory requirements.

OTHER REPORTS

INDEPENDENT AUDITOR'S 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*

To the Governing Board
Black Hawk Sanitary District
Black Hawk, South Dakota

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 cash basis financial statements of Black Hawk Sanitary District (the District), as of and for the years ended December 31, 2020 and 2019, 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 16, 2021.

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) to determine the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of auditor's findings and recommendations as items 2020-001 and 2020-002 we consider to be significant deficiencies.

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, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Black Hawk Sanitary District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying response to auditor's findings and recommendations included on page 16. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink, appearing to read "Donna Denker & Associates", is positioned above the printed name.

Donna Denker & Associates
Certified Public Accountants

June 16, 2021

BLACK HAWK SANITARY DISTRICT

**SCHEDULE OF AUDITOR'S FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2020 AND DECEMBER 31, 2019**

SIGNIFICANT DEFICIENCIES

2020-001 – Internal Controls

Criteria: Documentation should be maintained for all expenditures of the District. In addition, to ensure proper reporting, check numbers in QuickBooks should agree to the actual check number written.

Condition: We noted supporting documentation was not available for two items selected for testing, one in 2019 and one in 2020. The expenditures were included in the Board report and approved by the Board to be proper expenditures of the District. We also noted multiple instances in 2019 where the check number in QuickBooks did not agree to the actual check written. The District did provide a listing of voided checks, however those checks were not properly voided in the system leading to incorrect check numbers in the system. The check numbers agreed for all checks tested in 2020.

Cause: The missing invoices were misfiled or not maintained. During 2019 the District voided spoiled checks but did not update QuickBooks for the correct check number.

Effect: Lack of documentation could lead to misappropriation of funds. The reports in QuickBooks do not reflect the proper check number. This could lead to confusion in reporting or the opportunity for checks to not be included in the Board reports for approval.

Recommendation: Supporting documentation should be maintained for all transactions of the District. Check numbers should be verified to ensure the proper check number is entered in QuickBooks. As noted, there were no exceptions for check number variances found in testing in 2020.

Response: The District's responses are included in the response to auditor's findings and recommendations on page 16.

2020-002 - Preparation of Financial Statements

Criteria: The Board is responsible for the preparation of the financial statements and related footnotes.

Condition: The auditors prepared the draft financial statements and related footnotes. The Board accepted responsibility for the preparation and designated one Board member to be responsible for oversight of the financial statement preparation. All proposed entries were approved by the District prior to preparation of the financial statements.

Cause: Due to the size of the organization, preparation of the financial statements would require hiring an outside accountant for assistance.

Effect: The financial statements could contain material errors and misstatements that would not be detected and corrected by the Board.

Recommendation: The Board should review the draft financial statements and related footnotes and accept responsibility for their accuracy.

Response: The District's responses are included in the response to auditor's findings and recommendations on page 16.

Black Hawk Sanitary District
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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 and DECEMBER 31, 2019**

Prior Audit Findings:

Finding 2018-001 – Lack of Segregation of Duties

Condition: Due to the small organization there is a lack of segregation of duties over revenues and expenditures.

Recommendation: The auditors recommended involvement of the entire Board of Directors to help ensure proper internal controls.

Current Status: The Board has divided duties and is including additional information in the Board packet each month to ensure proper segregation of duties. This finding is not repeated in the current year.

Finding 2018-002 – Preparation of Financial Statements

Condition: The auditors prepared the draft financial statements and related footnotes and proposed significant entries to the financial statements.

Recommendation: The Board should review the draft financial statements and related footnotes and accept responsibility for their accuracy.

Current Status: This finding is repeated as current year **Finding 2020-002**.

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Response to Auditor's Findings and Recommendations

2020-001 – Internal Controls

The Board is aware of the importance of Board oversight and has many procedures in place to improve controls. The Board is now maintaining all documentation of expenditures. As noted, a system was implemented to ensure QuickBooks check numbers agree to the actual check numbers written.

2020-002 - Preparation of Financial Statements

The Board is aware of their responsibility for reviewing the financial statements and accompanying notes and accepting responsibility for their accuracy. The Board reviews a draft of the financial statements and accompanying notes, as well as any journal entries during a Board meeting.