

COLONIAL PINE HILLS SANITARY DISTRICT

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021 AND 2020



Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

ktllp.com

COLONIAL PINE HILLS SANITARY DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor’s Report.....	3-4
Management’s Discussion and Analysis.....	5-7
<i>Financial Statements:</i>	
Statements of Net Position.....	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	11-15
<i>Other Reports:</i>	
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 <i>Government Auditing Standards</i>	17-18
Schedule of Findings	19-20
<i>Management Response:</i>	
Summary Schedule of Prior Audit Findings	22
Corrective Action Plan.....	23



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Colonial Pine Hills Sanitary District
Rapid City, South Dakota

Opinion

We have audited the accompanying financial statements of **Colonial Pine Hills Sanitary District**, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Colonial Pine Hills Sanitary District**, as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform 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 other internal control matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-7 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

September 21, 2022

COLONIAL PINE HILLS SANITARY DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2021 AND 2020**

This section of Colonial Pine Hills Sanitary District’s (the District) annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal years ended on December 31, 2021 and 2020. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s net position increased in 2021 by \$83,786 over 2020 and increased by \$15,965 in 2020 over 2019. Expenses increased in 2020 as a result of roof repairs and purchases of new radio-read capable water meters and the equipment to run them.
- Operating revenue increased by \$21,474 from 2020 to 2021 and increased \$45,570 from 2019 to 2020. The increases in both years were, in part, due to increases in water sales due to dry and warm summer months in both 2020 and 2021. Variations in water sales is directly related to the type of weather; if it is dry the District sells more water, if wet the District sells less. Most non-operating revenue is constant.

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 basic financial statements offer short- and long-term financial information about the District’s activities.

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

The District operates similarly to a private business. The required financial statements include statements of net position, statements of revenue, expenses, and changes in net position, and the statements of cash flows. The District applies the accrual basis of accounting and an economic resources measurement focus. Inflows and outflows include all revenues and expenses during the year, regardless of when cash is received or paid. (The Financial Analysis section of the management’s discussion and analysis explains the structure and contents of the statements.)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position

The District’s net position changed as follows:

	2021	2020	2019
Current Assets	\$ 331,814	\$ 278,371	\$ 254,649
Capital Assets	3,296,066	3,408,964	3,530,532
Total Assets	\$ 3,627,880	\$ 3,687,335	\$ 3,785,181
Long-Term Debt Outstanding	\$ 1,264,972	\$ 1,394,835	\$ 1,520,677
Other Liabilities	50,170	63,548	51,517
Total Liabilities	\$ 1,315,142	\$ 1,458,383	\$ 1,572,194
Net Position:			
Net Investment in Capital Assets	\$ 2,031,094	\$ 2,014,129	\$ 2,009,855
Unrestricted	281,644	214,823	203,132
Total Net Position	\$ 2,312,738	\$ 2,228,952	\$ 2,212,987
Beginning Net Position	\$ 2,228,952	\$ 2,212,987	\$ 2,154,232
Change in Net Position	83,786	15,965	58,755
Percentage of Change in Net Position	3.76%	0.72%	2.73%

COLONIAL PINE HILLS SANITARY DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
DECEMBER 31, 2021 AND 2020**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The statement of net position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the District have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

Statement of Revenues, Expenses, and Changes in Net Position

	2021	2020	2019
Operating Revenues	\$ 413,577	\$ 392,103	\$ 346,533
Non-Operating Revenue	122,882	122,548	122,666
Total Revenue	536,459	514,651	469,199
Operating Expenses	(411,807)	(453,798)	(361,660)
Non-Operating Expense	(40,866)	(44,888)	(48,784)
Total Expenses	(452,673)	(498,686)	(410,444)
Change in Net Position	\$ 83,786	\$ 15,965	\$ 58,755
Net Position -- End of Year	\$ 2,312,738	\$ 2,228,952	\$ 2,212,987

Operating expenses decreased by \$41,991 from 2020 to 2021 while operating expenses increased \$92,138 from 2019 to 2020. The increase in 2020 is due largely to roof repairs and purchases of new radio-read capable water meters and the equipment to run them.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

CAPITAL ASSET ADMINISTRATION

During 2020 and 2021, no significant capital asset activity occurred.

	2021	2020	2019
<i>Capital Assets Being Depreciated</i>			
Buildings	\$ 400,740	\$ 392,216	\$ 392,216
Machinery and Equipment	263,635	262,433	247,742
Well Systems	4,774,755	4,774,147	4,769,047
	5,439,130	5,428,796	5,409,005
<i>Less Accumulated Depreciation</i>	2,255,046	2,131,814	1,990,455
Net Capital Assets Being Depreciated	\$ 3,184,084	\$ 3,296,982	\$ 3,418,550
<i>Capital Assets Not Being Depreciated</i>			
Land	\$ 111,982	\$ 111,982	\$ 111,982
Total Capital Assets Not Being Depreciated	\$ 111,982	\$ 111,982	\$ 111,982

COLONIAL PINE HILLS SANITARY DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONCLUDED)
DECEMBER 31, 2021 AND 2020**

LONG-TERM DEBT

During 2021 and 2020, the District did not add any new debt. Changes in long-term debt consisted of principal repayments on existing loans with the State Revolving Fund. The following is a summary of the changes in long-term debt:

Balance -- December 31, 2019	\$ 1,520,677
Principal Repayments	(125,842)
Balance -- December 31, 2020	1,394,835
Principal Repayments	(129,863)
Balance -- December 31, 2021	\$ 1,264,972

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The District’s current economic position is good and is expected to improve in 2022 with the final payment occurring in 2022 on one of the four State Revolving Fund Loans. The board also sets aside money for repayment of two SRF loans. The District collects a \$6 surcharge applied monthly to every water billing statement for the repayment of a third SRF. The District also collects approximately \$120,000 annually from property taxes, which is first dedicated to repayment of a fourth SRF loan with excess property taxes collected being used for any funding purpose the board of directors desire. Additional cash is held for emergency equipment repairs and/or maintenance.

Our Long-Range Strategic Plan contains several projects that will be of great benefit to the district and its customers. In CY 2020 we began a multi-year project to replace our mechanical water meters with digital, radio-read meters. This project should be completed during CY2023. In late CY2021 we began planning and procuring equipment to map our in-ground assets, such as valves, curb-stops, hydrants, etc. This will begin in earnest in FY2022. And, as money becomes available, we may need to modernize our infrastructure, such as pipelines, Isolation valves and other items.

CONTACTING THE DISTRICT’S FINANCIAL 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 Colonial Pine Hills Sanitary District, 7806 Croyle Avenue, Rapid City, SD 57702.

COLONIAL PINE HILLS SANITARY DISTRICT

**STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS	2021	2020
Current Assets		
Cash and Cash Equivalents	\$ 269,623	\$ 216,764
Accounts Receivable and Unbilled Receivables	30,786	30,859
Investments (Note 2)	29,758	29,101
Well Supplies	1,647	1,647
Total Current Assets	331,814	278,371
Capital Assets Being Depreciated (Note 4)		
Buildings	400,740	392,216
Machinery and Equipment	263,635	262,433
Well Systems	4,774,755	4,774,147
	5,439,130	5,428,796
Less Accumulated Depreciation	2,255,046	2,131,814
Net Capital Assets Being Depreciated	3,184,084	3,296,982
Capital Assets Not Being Depreciated (Note 4)		
Land	111,982	111,982
Total Capital Assets Not Being Depreciated	111,982	111,982
TOTAL ASSETS	\$ 3,627,880	\$ 3,687,335
LIABILITIES AND NET POSITION		
Current Liabilities		
Current Maturities of Long-Term Debt (Note 5)	\$ 133,547	\$ 129,863
Accounts Payable	1,370	16,636
Accrued Expenses	8,858	8,355
Meter Deposits	39,942	38,557
Total Current Liabilities	183,717	193,411
Long-Term Debt, Net of Current Maturities (Note 5)	1,131,425	1,264,972
Net Position		
Net Investment in Capital Assets	2,031,094	2,014,129
Unrestricted	281,644	214,823
	2,312,738	2,228,952
TOTAL LIABILITIES AND NET POSITION	\$ 3,627,880	\$ 3,687,335

The accompanying notes are an integral part of these statements.

COLONIAL PINE HILLS SANITARY DISTRICT

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Revenue (Note 5)		
Water Sales	\$ 380,140	\$ 354,414
State Revolving Fund IV Surcharge	28,754	29,537
Fees and Miscellaneous Income	3,248	6,669
Septic Fees	1,435	1,483
Total Revenue	413,577	392,103
Operating Expenses		
Depreciation	123,232	141,359
Salaries	88,571	85,206
Repairs and Maintenance	69,449	93,039
Electric Charges	57,955	51,881
Insurance	13,003	11,775
Chemicals	12,927	8,559
Office Expenses	10,801	11,534
Telephone	8,315	8,271
Payroll Taxes	7,369	6,424
Professional Fees	4,596	21,202
Water Testing	3,918	1,358
Trustee Fees	3,885	3,910
Travel and Transportation	2,672	4,121
Printing and Publications	2,174	1,741
Tools and Equipment	1,774	2,258
Dues and Subscriptions	871	944
Miscellaneous	295	216
Total Operating Expenses	411,807	453,798
Operating Income (Loss)	1,770	(61,695)
Non-Operating Revenue (Expense)		
Property Taxes (Note 6)	121,906	121,289
Interest Income	976	1,259
Interest Expense	(40,866)	(44,888)
Total Non-Operating Revenue	82,016	77,660
Change in Net Position	83,786	15,965
Net Position -- Beginning of Year	2,228,952	2,212,987
Net Position -- End of Year	\$ 2,312,738	\$ 2,228,952

The accompanying notes are an integral part of these statements.

COLONIAL PINE HILLS SANITARY DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Cash Flows From Operating Activities		
Receipts from Customers	\$ 415,035	\$ 392,061
Payments to Suppliers	(215,270)	(217,427)
Payments to Employees	(88,068)	(83,761)
Net Cash Flows Provided by Operating Activities	111,697	90,873
Cash Flows Provided by Noncapital Financing Activities		
Property Taxes	121,906	121,289
Cash Flows From Capital and Related Financing Activities		
Purchases of Capital Assets	(10,334)	(19,791)
Repayments on Long-Term Debt	(129,863)	(125,842)
Interest Expense	(40,866)	(44,888)
Net Cash Flows Used in Capital and Related Financing Activities	(181,063)	(190,521)
Cash Flows Provided by Investing Activities		
Interest Received	976	1,259
Net Increase in Cash and Investments	53,516	22,900
Cash and Investments -- Beginning of Year	245,865	222,965
Cash and Investments -- End of Year	\$ 299,381	\$ 245,865
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities		
Operating Income (Loss)	\$ 1,770	\$ (61,695)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:</i>		
Depreciation	123,232	141,359
<i>Changes to Working Capital Increasing (Decreasing) Cash:</i>		
Accounts Receivable and Unbilled Receivables	73	(822)
Accounts Payable	(15,266)	9,806
Accrued Expenses	503	1,445
Meter Deposits	1,385	780
Net Cash Flows Provided by Operating Activities	\$ 111,697	\$ 90,873

The accompanying notes are an integral part of these statements.

COLONIAL PINE HILLS SANITARY DISTRICT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

(1) Nature of Activities and Summary of Significant Accounting Policies

Operations

Colonial Pine Hills Sanitary District (the District) provides water to the residents of the Countryside South (CSS) and Whispering Pines (WP) subdivisions in Rapid City, South Dakota. The District collects monthly water payments and maintains the water systems. The District also charges a monthly septic administration fee for maintenance of the sewer system.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

Method of Accounting

The District uses the accrual method of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests). The accounting policies of the District conform to generally accepted accounting principles applicable to enterprise funds of a government entity. In the Statements of Revenues, Expenses, and Changes in Net Position, revenue and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are reported as components of operating revenues or expenses.

Capital Assets

Capital assets are stated at cost. Donated property and equipment (Countryside South Water System) is stated at the estimated fair value at the date of the donation. The District capitalizes assets purchased over \$500 and expenses all others. Depreciation expense is computed using the straight-line method over the following estimated useful lives:

Buildings	15-39 Years
Machinery and Equipment	5-10 Years
Well Systems	5-75 Years

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.

Cash and Cash Equivalents

The District considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. As of December 31, 2021 and 2020, the District's cash and cash equivalents consisted only of checking, savings, certificates of deposit and money market accounts.

Deposits and Investments

All of the District's accounts are insured or collateralized in the District's name. At times, the District's accounts exceed federally insured limits. The District has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The District does not have an investment policy that would limit credit risk, custodial credit risk, and interest rate risk. Investments consist of certificates of deposit and are classified as cash and cash equivalents on the balance sheet. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

COLONIAL PINE HILLS SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2021 AND 2020

(1) Nature of Activities and Summary of Significant Accounting Policies (Continued)

Deposits and Investments (Continued)

Deposits - The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. 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.

Investments – In general, SDCL 4-5-6 permits District funds to be invested 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 in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Accounts Receivable

Accounts receivable are recorded at the time revenue is earned and are billed monthly. No interest is accrued on accounts receivable. Receivables older than 30 days are considered delinquent. Management considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is recorded at December 31, 2021 or 2020.

Well Supplies

Well supplies consist of sleeves, pipes, extensions, and wires. The well supplies are stated at the lower of cost or market value.

Equity Classifications

Equity is classified as net position and is displayed in three components, as follows:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation. The District has no restricted net position at December 31, 2021 or 2020.
3. Unrestricted Net Position – All other net positions that do not meet the definition of restricted or invested in capital assets, net of related debt.

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 position are available.

COLONIAL PINE HILLS SANITARY DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020**

(1) Nature of Activities and Summary of Significant Accounting Policies (Concluded)

Subsequent Events

Subsequent events have been evaluated through September 21, 2022, the date which the financial statements were available to be issued.

(2) Investments

The District's investments consist of a certificate of deposit with a local financial institution, with an original maturity greater than three months, which is recorded at cost plus accrued interest.

(3) 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; injuries to employees; and natural disasters. The District managed its risks by purchasing from a commercial insurance carrier liability and property insurance for risks related to torts; theft, damage, or destruction of property; and errors and omissions of public officials, as well as liability insurance for workmen's compensation. The District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the state of South Dakota.

(4) Changes in Capital Assets

Changes in capital assets were as follows during the year ended December 31, 2020:

	Balance December 31, 2019	Additions	Transfers/ Disposals	Balance December 31, 2020
<i>Capital Assets Being Depreciated</i>				
Buildings	\$ 392,216	\$ -	\$ -	\$ 392,216
Machinery and Equipment	247,742	14,691	-	262,433
Well Systems	4,769,047	5,100	-	4,774,147
	<u>5,409,005</u>	<u>19,791</u>	<u>-</u>	<u>5,428,796</u>
<i>Less Accumulated Depreciation</i>	1,990,455	141,359	-	2,131,814
Net Capital Assets Being Depreciated	\$ 3,418,550	\$ (121,568)	\$ -	\$ 3,296,982
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 111,982	\$ -	\$ -	\$ 111,982
Total Capital Assets Not Being Depreciated	\$ 111,982	\$ -	\$ -	\$ 111,982

COLONIAL PINE HILLS SANITARY DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020**

(4) Changes in Capital Assets (Continued)

Changes in capital assets were as follows during the year ended December 31, 2021:

	Balance December 31, 2020	Additions	Transfers/ Disposals	Balance December 31, 2021
<i>Capital Assets Being Depreciated</i>				
Buildings	\$ 392,216	\$ 8,524	\$ -	\$ 400,740
Machinery and Equipment	262,433	1,202	-	263,635
Well Systems	4,774,147	608	-	4,774,755
	<u>5,428,796</u>	<u>10,334</u>	<u>-</u>	<u>5,439,130</u>
<i>Less Accumulated Depreciation</i>	2,131,814	123,232	-	2,255,046
Net Capital Assets Being Depreciated	\$ 3,296,982	\$ (112,898)	\$ -	\$ 3,184,084
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 111,982	\$ -	\$ -	\$ 111,982
Total Capital Assets Not Being Depreciated	\$ 111,982	\$ -	\$ -	\$ 111,982

(5) Long-Term Debt

The following is a summary of the changes in long term debt:

Balance -- December 31, 2019	\$ 1,520,677
Principal Repayments	(125,842)
Balance -- December 31, 2020	1,394,835
Principal Repayments	(129,863)
Balance -- December 31, 2021	\$ 1,264,972

Long-term debt consists of the following at December 31:

	2021	2020
State Revolving Fund Loan, due in quarterly installments of \$11,071 including interest accruing at 3.5 percent, maturing in 2022, secured by a pledge of net water revenue.	\$ 43,331	\$ 85,179
State Revolving Fund Loan, due in quarterly installments of \$12,561 including interest accruing at 3.0 percent, maturing in 2031, secured by a pledge of net water revenue.	404,540	441,945
State Revolving Fund Loan, due in semi annual installments of \$24,766 including interest accruing at 3.0 percent, maturing in 2034, secured by a pledge of property tax revenue.	513,142	546,525
State Revolving Fund Loan, due in quarterly installments of \$6,667 including interest accruing at 3.0 percent, maturing in 2036, secured by a monthly surcharge.	303,959	321,186
	<u>1,264,972</u>	<u>1,394,835</u>
Less: Current Portion	<u>133,547</u>	<u>129,863</u>
	\$ 1,131,425	\$ 1,264,972

COLONIAL PINE HILLS SANITARY DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
DECEMBER 31, 2021 AND 2020**

(5) Long-Term Debt (Continued)

The annual requirements to amortize all debt outstanding are as follows:

	Principal	Interest
2022	\$ 133,547	\$ 37,073
2023	92,952	33,494
2024	95,771	30,675
2025	98,676	27,771
2026	101,668	24,778
2027-2031	522,222	75,805
2032-2036	220,136	12,684
	<u>\$ 1,264,972</u>	<u>\$ 242,280</u>

The District has pledged future revenues associated with its debt agreements. The debt funded capital projects and improvements. The current principal balance plus interest at the stated applicable rate over the life of the debt represents the amount of future revenue pledged. Pledged revenues associated with the debt issue have been pledged through the maturity dates listed above. The 2021 principal and interest on the debt was **\$170,729** while the pledged revenue totaled **\$413,577**. The debt agreements require certain financial ratios to be met. At December 31, 2021, the District was in compliance with these debt covenants.

(6) Property Tax

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and are payable in two installments on or before April 30 and October 31 of the following year. The County bills and collects the District's taxes and remits them to the District. State statute allows the tax rates to be raised by special election of the voters.

Property taxes are recorded as receivables in the year that the enforceable legal claim to property taxes arises or when the resources are received, whichever occurs first. Property tax revenue is recognized in the year for which the taxes are levied. Accordingly, taxes levied in October 2020 and October 2021, have not been recorded as a receivable or revenue in the accompanying Statements of Net Position and Statements of Revenue, Expenses and Changes in Net Position as the legal claim to the assets and resources were not received until the 2021 and 2022 calendar years, respectively.

OTHER REPORTS



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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 Board of Directors
Colonial Pine Hills Sanitary District
Rapid City, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Colonial Pine Hills Sanitary District** (the District) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 21, 2022.

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 opinion 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 therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as 2021-001, 2021-002, and 2021-003 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*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings. 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 the response.

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.



KETEL THORSTENSON, LLP
Certified Public Accountants

September 21, 2022

COLONIAL PINE HILLS SANITARY DISTRICT

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

Material Weaknesses in Internal Control

2021-001: Financial Statement Preparation

Condition and Cause: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the District at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size.

Criteria and Effect: This deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by the District's management.

Repeat Finding from Prior Year: Yes, prior year finding 2019-001.

Recommendation: We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy. We have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the District's statements. We are satisfied that the appropriate steps have been taken to provide the District with the completed financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: See District's Corrective Action Plan

2021-002: Audit Adjustments

Condition and Cause: During the course of our engagement, we proposed material audit adjustments that resulted in a \$111,582 and \$165,081 decrease in reported change in net position for 2021 and 2020, respectively. Adjustments included recording accrued payroll, accounts payable, capital asset activity, current portion of debt, and recording receivables and sales in the correct period. Additionally, we proposed a reclassification entry with no effect on the change in net position.

Criteria and Effect: These adjustments were not identified as a result of the District's existing internal controls, and therefore, could have resulted in a material misstatement of the District's financial statements.

Repeat Finding from Prior Year: Yes, prior year finding 2019-002.

Recommendation: We recommend management review the entries for accuracy.

Views of Responsible Officials: See District's Corrective Action Plan

COLONIAL PINE HILLS SANITARY DISTRICT

**SCHEDULE OF FINDINGS (CONTINUED)
DECEMBER 31, 2021 AND 2020**

Material Weaknesses in Internal Control (Continued)

2021-003: Lack of Segregation of Duties

Condition and Cause: The District has a general lack of segregation of duties due to the limited number of staff.

Criteria and Effect: As a result of the inadequate segregation of duties a material misstatement to the financial statements may not be prevented or detected by the District's management.

Repeat Finding from Prior Year: Yes, prior year finding 2019-003.

Recommendation: This is not an uncommon problem in an organization of this size. A proper system of segregation of duties and functions assures adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. Without proper segregation of duties, the likelihood of detection is reduced. We recommend the board designate an individual, the President or the Treasurer, to review the general ledger detail and bank statements, to include the cancelled check images, on a monthly basis. We recommend the District strive for as much segregation of duties as possible with the limited number of personnel.

Views of Responsible Officials: See District's Corrective Action Plan

MANAGEMENT RESPONSE



Colonial Pine Hills Sanitary District

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2021 AND 2020

Colonial Pine Hills Sanitary District respectfully submits the following summary schedule of prior audit findings from the December 31, 2019 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2019 Schedule of Findings.

2019-001: Financial Statement Preparation

Status: It is more cost effective for the District to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements as a part of the annual audit process. The District has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Initial Year Report: Originally issued in 2005.

Reasons for Recurrence and Corrective Action Plan: As the District has accepted the risk associated with the auditor's preparation of the financial statements, it will be repeated in 2021. See Corrective Action Plan.

2019-002: Audit Adjustments

Status: The District operates on a cash basis throughout the year. The District provides supporting documentation for accounts receivable, accounts payable, and accrued payroll to adjust accrual balances. The District reviews the audit adjustments for propriety.

Initial Year Report: Originally issued in 2005.

Reasons for Recurrence and Corrective Action Plan: This finding is altered based on specific audit adjustments each year, and is repeated in the Schedule of Findings. See Corrective Action Plan.

2019-003: Lack of Segregation of Duties

Status: The District has a general lack of segregation of duties due to the continued limited number of staff.

Initial Year Report: Originally issued in 2005.

Reasons for Recurrence and Corrective Action Plan: The District has accepted the risk associated with this deficiency and has implemented internal control measures, as best suited, for an organization of their size. See Corrective Action Plan.



Colonial Pine Hills Sanitary District

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CORRECTIVE ACTION PLAN DECEMBER 31, 2021 AND 2020

Colonial Pine Hills Sanitary District respectfully submits the following corrective action plan regarding findings from the December 31, 2021 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

2021-001: Financial Statement Preparation

Responsible Individuals: Jim Martin, District Manager

Corrective Action Plan: At this time, the District will accept the degree of risk that is associated with this condition. For future audits, we will continue to monitor the financial statement preparation and determine if any modification can be done to the procedure.

Anticipated Completion Date: Ongoing

2021-002: Audit Adjustments

Responsible Individuals: Jim Martin, District Manager

Corrective Action Plan: At this time, the District will accept the degree of risk that is associated with this condition. The District maintains its records on a cash basis throughout the year for budgetary comparison reasons. The District reviews the year-end adjustments provided by the auditors and posts the entries to the general ledger. The District Manager is responsible for the review of these adjustments.

Anticipated Completion Date: Ongoing

2021-003: Lack of Segregation of Duties

Responsible Individuals: Jim Martin, District Manager

Corrective Action Plan: At this time, the District is aware of the segregation of duties limitations and will evaluate internal controls from time to time as changes in personnel or procedures occur.

Anticipated Completion Date: Ongoing