

Boxelder Sanitation District

**Annual Financial Statements and
Independent Auditor's Report**

December 31, 2019 and 2018

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Independent Auditor's Report

Members of the Board of Directors
Boxelder Sanitation District
Fort Collins, Colorado

We have audited the accompanying financial statements of the business-type activities of Boxelder Sanitation District (the "District") as of and for the year ended December 31, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Boxelder Sanitation District, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The comparative financial statements of Boxelder Sanitation District as of December 31 2018, were audited by other auditors whose report dated June 20, 2019 expressed an unmodified opinion on those statements.

Other-Matters

Required Supplementary Information

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

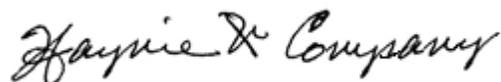
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Boxelder Sanitation District's financial statements as a whole. The other supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and as also not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2020, on our consideration of Boxelder Sanitation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Boxelder Sanitation District's internal control over financial reporting and compliance



Littleton, Colorado
June 18, 2020

**Boxelder Sanitation District
Management Discussion and Analysis
December 31, 2019 and 2018**

2019 Year in Perspective

Boxelder Sanitation District (the "District") experienced growth in its customer base, operating revenue and capital assets in 2019 as illustrated in the table below.

Category	Growth over the previous year		
	2019	2018	2017
Customer base	9%	7%	6%
Operating revenue	11%	11%	43%
Capital assets (net of depreciation)	11%	18%	28%

General Discussion

The District is a single fund entity whose primary function is to collect and treat wastewater. The operating revenues and expenses relate to the core function of operating the District and its facilities, while the non-operating revenues and expenses include items not related to day-to-day operations such as gain on disposal of capital assets, investment income and interest expense on debt. The basic financial statements of the District consist of two primary statements: *Statements of Net Position* and *Statements of Revenues, Expenses and Changes in Net Position*.

Statements of Net Position reflect the cumulative financial condition of the District at two points in time: December 31, 2019 and 2018. The net position category of the *Statements of Net Position* reflects the sum total of earnings (revenues less expenses) and contributions to the District over its lifetime, net of any losses incurred.

Statements of Revenues, Expenses and Changes in Net Position shows the change in financial condition from operations and other activities during the fiscal years ending December 31, 2019, and 2018. Changes in net position for this period are the net sum of operations, non-operating incomes and expenses, and capital contributions.

Discussion of Statements of Net Position

Changes in the primary constituent of net position are summarized in the table below:

Category	2019 (In Millions)	2018 (In Millions)	2017 (In Millions)
Current Assets	\$22.800	\$15.899	\$11.797
Non-Current Assets	\$27.063	\$0.918	\$0.764
Net Capital Assets	\$44.931	\$40.305	\$34.059
Deferred Outflows	\$.867	\$0.487	\$0.521
Current Liabilities	\$3.141	\$2.031	\$1.058
Non-Current Liabilities	\$37.738	\$9.424	\$9.907
Deferred Inflows	\$0.000	\$0.355	\$0.005
Net Assets Position:			
Net Investment in Capital Assets			
Restricted	\$34.955	\$32.419	\$25.681
Unrestricted	\$26.254	\$ 0.918	\$0.764
Total	<u>\$(6.427)</u>	<u>\$12.463</u>	<u>\$9.726</u>
Total	\$54.782	\$45.800	\$36.171

Current Assets: The 2019 current assets increased by approximately 43% from the prior year, primarily due to higher balances in cash and cash equivalents in preparation for the wastewater treatment plant expansion.

Non-Current Assets: Non-current assets reflect the restricted assets associated with the 2010 and 2019 borrowings from the Colorado Water Resources and Power Development Authority ("CWR&PDA ") for the change of wastewater treatment process necessary to comply with the District's National Pollutant Discharge Elimination System ("NPDES") permit. The restricted amount is comprised of an operational and maintenance reserve in an amount equal to three months of operating expenses excluding depreciation as set forth in the annual budget for the current fiscal year. Loan proceeds of \$2,746,349 were received in 2019 and no loan proceeds were reported in 2018. Additional information on the borrowings can be found in Note 6 of this report.

Capital Assets: During the fiscal year 2019, the primary increase in capital assets was a result of Construction in Process related to the new wastewater treatment plant. The net increase in capital assets net of depreciation was \$4,625,854.

During the fiscal year 2018, the primary increase in capital assets was a result of rehabilitation of collection lines. A new vac truck was also added to the fleet to assist with line maintenance. The net increase in capital assets net of depreciation was \$6,245,898.

Additional information on the District's capital assets can be found in Note 5 of this report.

Current Liabilities: At December 31, 2019 current liabilities were \$1,110,109 more than the amount at December 31, 2019. Current portion of long-term debt increased due to the CWRPDA loan issued in the current year.

Non-Current Liabilities: The 2019 non-current liabilities increased by \$28,314,493 when compared to 2018 primarily due to the new note signed with CWRPDA in 2019. (Note 6)

Net Position: Net position at fiscal year-end of 2019 was approximately \$54.8 million, an increase of 20% (approximately \$9.0 million) over the total net position at the end of fiscal year 2018. Net position at fiscal year-end of 2018 was approximately \$45.8 million, an increase of 27% (approximately \$9.6 million) over the total net position at the end of fiscal year 2017.

Discussion of Statements of Revenues, Expenses and Changes in Net Position

Category	2019 (In Millions)	2018 (In Millions)	2017 (In Millions)
Total Operating Revenue	\$6.120	\$5.521	\$4.978
Total Operating Expenses	\$(3.594)	\$(4.092)	\$(3.766)
Income from Operations	\$2.526	\$1.429	\$1.212
Non-Operating Income (Expenses)	\$(0.257)	\$0.023	\$(0.136)
Capital Contributions	\$6.713	\$8.178	\$9.041
Increase in Net Position	\$8.982	\$9.630	\$10.117
Net Position - January 1	\$45.800	\$36.171	\$26.178
Restatement - Change in Accounting	n/a	n/a	\$(0.124)
Net Position - December 31	\$54.782	\$45.800	\$36.171

Revenue Streams: The main revenue streams to the District consist of sewer utility charges and Plant Investment Fees (PIF). The sewer utility charges are on-going monthly charges paid by District customers while the PIF are one-time capital infusions from new construction and development. In 2017, a \$20.00 monthly fee was added to the monthly charges to pay for existing infrastructure rehabilitation. A smaller revenue stream (other revenues) consists mainly of delinquent penalty charges, growth related plan review fees, and infrastructure inspection charges. The District does not levy a tax on properties in the District.

Capital Contributions: The District received sanitary sewer infrastructure valued at \$833,224 in 2019 and \$4,062,255, in 2018 which is a decrease of \$3,229,031 from 2018.

Historically, PIF collections have been a barometer of growth, as they are capital investments paid to the District related to new residential and non-residential construction. In 2019, net PIF revenue was approximately \$5.880 million for a total of approximately 490 taps purchased. In 2018, net PIF revenue was approximately \$4.116 million for a total of approximately 343 taps purchased.

Operating Expenses: There are three categories of operating expenses tied integrally to the District's primary mission of providing sanitary sewer service: collection and transmission of the

wastewater to the treatment plant, treatment of the wastewater, and the industrial pretreatment program.

The three largest expenses in 2019, in decreasing rank by amount, were salaries and benefits, bio-solids handling and sewage treatment utilities, and depreciation of District's capital assets. General and Administrative Expenses are included in the operating expenses and quantify the cost of support services provided to the District's activities centered on its core mission. These expenses for 2019 decreased by approximately \$480,130 from 2018 (Note 2).

Total 2019 operating revenue (sewer charges, growth, and other revenue) exceeded 2018 operating revenue by approximately 12%. The 2019 operating expenses (exclusive of depreciation) were lower than 2018 operating expenses by 17% largely due to decreased personnel costs and pension expense of \$112,908 in the current year as opposed to pension expense of \$407,917 in the prior year.

During the 2017 fiscal year, the district implemented a rate increase necessary to accommodate critical infrastructure rehabilitation. In 2018, the District moved forward with plans to execute the expansion of the wastewater treatment facility. In 2019, the District began expansion of the wastewater treatment facility.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in this matter. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's office at P.O. Box 1518, FortCollins, CO 80522.

Basic Financial Statements

Boxelder Sanitation District
Statements of Net Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$22,158,415	\$15,294,280
Accounts receivable, net	606,205	565,190
Prepaid expenses	36,086	39,848
Total Current Assets	<u>22,800,706</u>	<u>15,899,318</u>
Non-Current Assets		
Restricted assets		
Cash and cash equivalents	809,388	918,111
Loan Proceeds Receivable	26,253,651	-
Total restricted assets	<u>27,063,039</u>	<u>918,111</u>
Capital assets		
Buildings and improvements	1,262,711	1,262,711
Collection and disposal system	31,574,531	28,498,703
Treatment plant	14,818,095	14,900,138
Equipment	2,029,559	2,170,576
Less accumulated depreciation	(10,563,488)	(9,887,787)
	<u>39,121,408</u>	<u>36,944,341</u>
Land and easements	759,665	783,932
Construction in progress	5,049,790	2,576,736
	<u>5,809,455</u>	<u>3,360,668</u>
Capital assets, net	<u>44,930,863</u>	<u>40,305,009</u>
Total Assets	<u>\$94,794,608</u>	<u>\$57,122,438</u>
Deferred Outflows of Resources		
Deferred outflows related to pension	\$ 806,472	\$ 450,120
Deferred outflows related to OPEB	60,527	37,333
Total Deferred Outflows of Resources	<u>\$ 866,999</u>	<u>\$ 487,453</u>

The accompanying notes are an integral part of these financial statements.

Boxelder Sanitation District
Statements of Net Position (continued)
December 31, 2019 and 2018

	2019	2018
Liabilities and Net Position		
Liabilities		
Current liabilities		
Accounts payable	\$ 1,058,425	\$ 1,096,737
Current portion of long-term debt	1,224,170	485,000
Wages payable	72,404	35,833
Other accrued expenses	466,806	326,952
Accrued interest expense	319,453	86,627
Total Current Liabilities	3,141,258	2,031,149
Non-Current Liabilities		
Long-term debt, net of current portion and unamortized premium/(discount)	35,005,015	7,400,625
Net pension liability	2,453,543	1,810,137
Net OPEB liability	205,911	164,174
Accrued compensated absences	73,954	48,774
Total Non-Current Liabilities	37,738,423	9,423,710
Total Liabilities	40,879,681	11,454,859
Deferred Inflows of Resources		
Deferred inflows related to pension	-	351,847
Deferred inflows related to OPEB	313	2,747
Total Deferred Inflows of Resources	313	354,594
Net Position		
Net investment in capital assets	34,955,329	32,419,384
Restricted	26,253,651	918,111
Unrestricted	(6,427,367)	12,462,943
Total Net Position	\$54,781,613	\$45,800,438

The accompanying notes are an integral part of these financial statements.

Boxelder Sanitation District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Sewer charges and other services	\$ 5,973,008	\$ 5,385,472
Growth revenue	29,701	14,482
Other revenue	<u>117,530</u>	<u>120,556</u>
Total operating revenues	6,120,239	5,520,510
Operating Expenses		
General and administrative expenses	552,592	466,398
Collection and transmission	60,084	89,233
Sewage treatment	500,925	575,561
Pretreatment	1,070	653
Personnel costs	1,582,420	2,137,955
Depreciation expense	<u>897,439</u>	<u>822,423</u>
Total operating expenses	<u>3,594,530</u>	<u>4,092,223</u>
Operating Income (Loss)	2,525,709	1,428,287
Nonoperating Revenues (Expenses)		
Gain (loss) on disposal of capital assets	(20,610)	28,353
Net investment income	335,497	187,651
Interest expense	<u>(572,645)</u>	<u>(193,166)</u>
Total Nonoperating Revenues (Expenses)	<u>(257,758)</u>	<u>22,838</u>
Income Before Capital Contributions	2,267,951	1,451,125
Capital Contributions		
System development charges	5,880,000	4,116,000
Contributed capital assets	<u>833,224</u>	<u>4,062,255</u>
Total capital contributions	<u>6,713,224</u>	<u>8,178,255</u>
Change in Net Position	8,981,175	9,629,380
Net Position—Beginning of Year	<u>45,800,438</u>	<u>36,171,058</u>
Net Position—End of Year	<u>\$ 54,781,613</u>	<u>\$ 45,800,438</u>

The accompanying notes are an integral part of these financial statements.

Boxelder Sanitation District
Statement of Cash Flows
For the Year Ended December 31, 2019

	2019	2018
Cash Flows from Operating Activities:		
Cash received from customers	\$ 6,079,224	\$ 5,453,772
Cash paid to suppliers for goods and services	(1,058,271)	(1,135,979)
Cash paid to employees for services	(1,520,449)	(1,736,012)
Net Cash From Operating Activities	3,500,504	2,581,781
Cash Flows from Capital and Related Financing Activities:		
System development charges received	5,880,000	4,116,000
Acquisition and construction of capital assets	(4,710,679)	(1,956,685)
Proceeds from sale of capital assets	-	28,353
Loan proceeds received	2,746,349	-
Payment of principal on long-term debt	(621,865)	(470,000)
Payment of interest on long-term debt	(374,394)	(220,449)
Net Cash From Capital and Related Financing Activities	2,919,411	1,497,219
Cash Flows from Investing Activities:		
Net investment income received	335,497	187,651
Net Cash from Investing Activities	335,497	187,651
Net Change in Cash and Cash Equivalents	6,755,412	4,266,651
Cash and Cash Equivalents—Beginning of Year	16,212,391	11,945,740
Cash and Cash Equivalents—End of Year	\$ 22,967,803	\$16,212,391
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net operating income (loss)	\$ 2,525,709	\$ 1,428,287
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	897,439	822,423
Changes in assets and liabilities:		
Receivables	(41,015)	(66,738)
Prepaid expenses	3,762	76,734
Accounts payable	(38,312)	(86,377)
Accrued liabilities	176,425	87
Accrued compensated absences	25,180	(552)
Pension liability and related deferrals	(65,013)	402,408
OPEB liability and related items	16,109	5,509
Total Adjustments	974,575	1,153,494
Net Cash From Operating Activities	\$ 3,500,284	\$ 2,581,781
Cash and Cash Equivalents as stated on the Statements of Net Position:		
Cash and cash equivalents	\$ 22,158,415	\$ 15,294,280
Restricted cash	809,388	918,111
	\$ 22,967,803	\$16,212,391

The accompanying notes are an integral part of these financial statements.

Boxelder Sanitation District

Notes to Financial Statements

December 31, 2019 and 2018

1. Definition of Reporting Entity

The Boxelder Sanitation District (the District) is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes ("C.R.S."). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which include the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial principles. The District's significant accounting policies are described below.

2. Summary of Significant Accounting Policies

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either,
 - a) the ability to impose its will by the primary government, or
 - b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an "other standalone government."

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Basic Financial Statements

The District is a special-purpose government engaged only in business-type activities. As such, enterprise fund financial statements are presented.

Basis of Accounting

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statements of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Net position is segregated into net investment in capital assets, restricted for operations and maintenance and loan proceeds, and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors (the "Board") in accordance with state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments are budgeted as expenditures, debt proceeds are budgeted as revenues, and depreciation is not budgeted.

The budget process timeline is as follows:

1. On or about October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at regular Board meetings to obtain taxpayer comments.
3. Prior to December 15, the budget is legally adopted by the Board if levying property taxes, or December 31 if not levying property taxes.
4. Unused appropriations lapse at the end of each year.

The following is a summary of the original budget, total revisions, and revised budget for fiscal year 2019:

	Original Budget	Total Revisions	Revised Budget
Enterprise fund expenses	<u>\$ 13,265,910</u>	<u>\$ -</u>	<u>\$ 13,265,910</u>

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less which are available for operating expenditures to be cash equivalents.

Allowance for Doubtful Accounts

User and other similar fees set from time to time by the District's governing board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed in the same manner as provided by the laws of the State of Colorado. Therefore, no provision for uncollectible receivables is considered necessary.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and Improvements	7 to 20 years
Collection and disposal system	50 to 100 years
Treatment plant	50 years
Equipment	3 to 10 years

Accrued Compensated Absences Payable

Obligations associated with the District's vacation policy are recorded as a liability and expense when earned to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance due under this policy is considered a long-term liability.

The District has recorded a liability of \$73,954 and \$48,774 at December 31, 2019 and 2018, respectively.

Debt Issuance Costs

Debt issuance costs are recognized as an expense during the period of issuance.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Debt Related Deferrals

Premiums and discounts are deferred and amortized to interest expense over the life of the debt using the effective interest method. The net premiums and discounts are presented as an adjustment to the face amount of the debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred outflows and inflows of resources primarily relate to pensions and other post-employment benefits ("OPEB") more fully described in notes 8 and 9.

Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation of these assets and related debt balances reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

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.

Pensions

The District participates in the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments in PERA are reported at fair value.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill ("SB") 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the disclosures in Note 5 do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability.

Other Post-Employment Benefits

The District participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/ or payable in accordance with the benefit terms. Investments are reported at fair value.

Operating Revenue - Sewer Charges

Charges for sewer service consist primarily of monthly charges for services provided to residential and commercial customers within the District's boundaries.

Connection Fees

Customers pay a system development charge called a Plant Investment Fee ("PIF"). The PIF for nonresidential customers is based upon their water meter size and for residential customers it was \$12,000 per single family residential unit, for the year ended December 31, 2018.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

The GASB issued statement No. 89 Accounting for Interest Cost Incurred before the End of a Construction Period to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The District has early adopted this statement effective for the period ending December 31, 2019.

3. Cash, Cash Equivalents and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, C.R.S. requires the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the federal insurance levels to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2019 and 2018, the District had deposits with a financial institution with carrying amounts of \$2,522,119 and \$4,097,269, respectively. The bank balance with the financial institution were \$2,876,815 and \$4,494,673, respectively. Of these amounts, \$250,000 was covered by federal depository insurance. The remaining balances of \$2,626,815 and \$3,847,269, respectively, were collateralized with securities held by the financial institutions' agents but not in the District's name.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

3. Cash, Cash Equivalents and Investments (continued)

Cash and cash equivalents, including restricted cash and cash equivalents, held by the District at December 31, 2019 and 2018 were as follows:

	2019	2018
Cash on hand	\$ 200	\$ 200
Cash on deposit with financial institution	2,522,119	4,097,269
Local government investment pool	20,445,484	12,114,922
Total	\$ 22,967,803	\$ 16,212,391

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria that local governments may invest in, which include:

- Certificates of deposit with an original maturity in excess of three months,
- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities, general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

District policy is to match maturity of investments with cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than three (3) years from the date of purchase or in accordance with state and local statutes and ordinances.

Custodial Credit Risk - Investments

Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2019 and 2018, none of the District's investments were exposed to custodial credit risk.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

3. Cash, Cash Equivalents and Investments (continued)

Interest Rate Risk

The District's written investment policy limits investment maturities to five years or less from the date of purchase as a means of managing its exposure to fair value losses arising from increasing interest rates.

Local Government Investment Pool

As of December 31, 2019 and 2018, the District had \$20,445,484 and \$12,114,922, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAM by Standard and Poor's. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. The District funds are only invested in Colotrust Prime. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colotrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice paid.

Cash and cash equivalents balances reflected on the Statements of Net Position at December 31, 2019 and 2018 were as follows:

	2019	2018
Cash and cash equivalents	\$ 22,158,415	\$ 15,294,280
Restricted cash and cash equivalents	<u>809,388</u>	<u>918,111</u>
Total	<u>\$ 22,967,803</u>	<u>\$ 16,212,391</u>

4. Restricted Assets

Amounts shown as restricted cash and cash equivalents have been restricted by loan indentures to be used for specified purposes. The balances restricted as of December 31, 2019 and 2018 were \$809,388 and \$918,111, respectively.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

5. Capital Assets

An analysis of the changes in net capital asset for the year ended December 31, 2019 follows:

	Balance December 31, 2018	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2019
Capital assets, not being depreciated:				
Land and easements	\$ 783,932	\$ -	\$ (24,267)	\$ 759,665
Construction in progress	<u>2,576,736</u>	<u>4,161,777</u>	<u>(1,688,725)</u>	<u>5,049,788</u>
Total capital assets, not being depreciated	<u>3,360,668</u>	<u>4,161,777</u>	<u>(1,712,992)</u>	<u>5,809,453</u>
Capital assets, being depreciated:				
Buildings and improvements	1,262,711	-	-	1,262,711
Collection and disposal system	28,498,703	3,075,828	-	31,574,531
Treatment plant	14,900,138	-	(82,042)	14,818,096
Equipment	<u>2,170,576</u>	<u>-</u>	<u>(141,017)</u>	<u>2,029,559</u>
Total capital assets, being depreciated	<u>46,832,128</u>	<u>3,075,828</u>	<u>(223,059)</u>	<u>49,684,897</u>
Less accumulated depreciation:	<u>(9,887,787)</u>	<u>(897,439)</u>	<u>221,739</u>	<u>(10,563,487)</u>
Total capital assets, being depreciated, net	<u>36,944,341</u>	<u>2,178,389</u>	<u>(1,320)</u>	<u>39,121,410</u>
Capital assets, net	<u>\$40,305,009</u>	<u>\$ 6,340,166</u>	<u>\$ (1,714,312)</u>	<u>\$44,930,863</u>

An analysis of the changes in net capital asset for the year ended December 31, 2018 follows:

	Balance December 31, 2017	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2018
Capital assets, not being depreciated:				
Land and easements	\$ 788,480	\$ -	\$ (4,548)	\$ 783,932
Construction in progress	<u>46,654</u>	<u>2,530,082</u>	<u>-</u>	<u>2,576,736</u>
Total capital assets, not being depreciated	<u>835,134</u>	<u>2,530,082</u>	<u>(4,548)</u>	<u>3,360,668</u>

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

5. Capital Assets (continued)

	Balance December 31, 2017	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2018
Capital assets, being depreciated:				
Buildings and improvements	1,262,711	-	-	1,262,711
Collection and disposal system	24,436,451	4,062,252	-	28,498,703
Treatment plant	14,900,138	-	-	14,900,138
Equipment	<u>1,690,041</u>	<u>480,535</u>	<u>-</u>	<u>2,170,576</u>
Total capital assets, being depreciated	<u>42,289,341</u>	<u>4,542,787</u>	<u>-</u>	<u>46,832,128</u>
Less accumulated depreciation:	<u>(9,065,364)</u>	<u>(822,423)</u>	<u>-</u>	<u>(9,887,787)</u>
Total capital assets, being depreciated, net	<u>33,223,977</u>	<u>3,720,364</u>	<u>-</u>	<u>36,944,341</u>
Capital assets, net	<u>\$34,059,111</u>	<u>\$ 6,250,446</u>	<u>\$ (4,548)</u>	<u>\$40,305,009</u>

6. Long-Term Liabilities

Water Pollution Control Revolving Fund

In October 2010, the District entered into a loan agreement (the “Agreement”) with the Colorado Water Resource and Power Development Authority (“CWR & PDA”) for a principal amount of \$10,410,000 plus a premium of \$390,000 for total proceeds of \$10,800,000. The loan accrues interest at 2.5% and is payable in semi-annual principal and interest payments beginning on February 1, 2012. The loan is secured by the net revenues of the District, as defined within the Agreement.

In May 2019, the District entered into a loan agreement (the “Agreement”) with the Colorado Water Resource and Power Development Authority (“CWR & PDA”) for a principal amount of \$28,205,180 plus a premium of \$794,820 for total proceeds of \$29,000,000. The loan accrues interest at 1.9% and is payable in semi-annual principal and interest payments beginning on August 1, 2019. The loan is secured by the net revenues of the District, as defined within the Agreement. The total amount of unreceived loan proceeds is reflected on the Statements of Net Position as Loan Proceeds Receivable of \$ 26,253,651 and \$0 as of December 31, 2019 and 2018, respectively.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

6. Long-Term Liabilities (continued)

A summary of changes in long-term liabilities for the year ended December 31, 2019 was as follows:

	Balance at December 31, 2018	Additions	Payment	Balance at December 31, 2019	Due Within One Year
2010 CWR & PDA Loan	\$ 7,685,000	\$ -	\$ (485,000)	\$ 7,200,000	\$ 495,000
Unamortized premium	200,625	-	(21,063)	179,562	-
2019 CWR & PDA Loan	-	28,205,180	(136,865)	28,068,315	729,170
Unamortized premium	-	794,820	(13,512)	781,308	-
Total long-term debt	7,885,625	29,000,000	(656,440)	36,229,185	1,224,170
Accrued compensated absences	48,774	75,858	50,678	73,954	-
	<u>\$ 7,934,399</u>	<u>\$ 29,075,858</u>	<u>\$ (605,762)</u>	<u>\$ 36,303,139</u>	<u>\$ 1,224,170</u>

Loan requirements to maturity are as follows:

Year ending December 31,	Principal	Interest	Administrative Fee	Total
2020	\$ 1,224,170	\$ 459,437	\$ 308,921	\$ 1,992,528
2021	1,227,919	429,597	308,921	1,966,437
2022	1,279,620	399,673	308,921	1,988,214
2023	1,305,585	375,252	308,921	1,989,758
2024	1,328,409	351,281	308,921	1,988,611
2025-2029	7,044,740	1,356,556	1,544,607	9,945,903
2030-2034	6,564,339	705,645	1,295,847	8,565,831
2035-2039	4,944,067	419,700	1,128,207	6,491,974
2040-2044	5,430,122	246,150	817,950	6,494,222
2045-2048	4,919,344	73,350	225,641	5,218,335
Total	<u>\$ 35,268,315</u>	<u>\$ 4,816,641</u>	<u>\$ 6,556,857</u>	<u>\$ 46,641,813</u>

A summary of changes in long-term liabilities for the year ended December 31, 2018 was as follows:

	Balance at December 31, 2017	Additions	Payment	Balance at December 31, 2018	Due Within One Year
2010 CWR & PDA Loan	\$ 8,155,000	\$ -	\$ (470,000)	\$ 7,685,000	\$ 485,000
Unamortized premium	222,905	-	(22,280)	200,625	-
Total long-term debt	8,377,905	-	(492,280)	7,885,625	485,000
Accrued compensated absences	49,326	39,033	(39,585)	48,774	-
	<u>\$ 8,427,231</u>	<u>\$ 39,033</u>	<u>\$ (531,865)</u>	<u>\$ 7,934,399</u>	<u>\$ 485,000</u>

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

7. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors and omissions, or natural disasters. The District maintains commercial insurance coverage to mitigate these risks of loss. Settled claims have not exceeded this commercial insurance coverage in any of the past three years.

8. Retirement Plans

Public Employees' Retirement Association of Colorado

Plan Description

Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes administrative rules set forth at 8 502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided as of December 31, 2018

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/ or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at CRS § 24-51 -602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of:

- The highest average salary multiplied by 2.5 percent and then multiplied by years of service credit; or
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

8. Retirement Plans (continued)

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W") for the prior calendar year.

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve ("AIR") for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under CRS § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

8. Retirement Plans (continued)

The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in CRS § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

¹Rates are expressed as a percentage of salary as defined in CRS § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$148,441 and \$162,433 for the years ended December 31, 2019 and 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019 and 2018, the District reported a net pension liability of \$2,453,543 and \$1,810,137 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2018 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2018, the District's proportion was 0.19515 percent, which was an increase of .03258 from its proportion measured as of December 31, 2017.

For the years ended December 31, 2019 and 2018, the District recognized pension expense of \$84,859 and \$564,841, respectively.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

8. Retirement Plans (continued)

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,590	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	319,522	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	235,919	-
District contributions subsequent to the measurement date	148,441	-
Total	<u>\$ 806,472</u>	<u>\$ -</u>

The \$148,441 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	<u>Amortization</u>
2020	\$ 395,941
2021	69,868
2022	17,804
2023	174,418
	<u>\$ 658,031</u>

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

8. Retirement Plans (continued)

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 113,240	\$ -
Changes of assumptions or other inputs	19,122	-
Net difference between projected and actual earnings on pension plan investments	-	351,847
Changes in proportion and differences between contributions recognized and proportionate share of contributions	155,325	-
District contributions subsequent to the measurement date	162,433	-
Total	<u>\$ 450,120</u>	<u>\$ 351,847</u>

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

<u>Actuarial cost method</u>	<u>Entry age</u>
Price inflation	2.40 %
Real wage growth	1.10 %
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 – 10.45%
Long-term investment rate of return, net of pension plan plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	0% through 2019 and 1.5 % compounded annually thereafter
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

8. Retirement Plans (continued)

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2017 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015 as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

8. Retirement Plans (continued)

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core' Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

8. Retirement Plans (continued)

percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$1,973,276	\$2,453,543	\$1,365,485

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

8. Retirement Plans (continued)

Pension Plan Fiduciary Net Position

Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Changes Between the Measurement Date of the Net Pension Liability and December 31, 2019

During the 2019 legislative session, the Colorado General Assembly passed HB 19-1217: PERA Public Employees' Retirement Association Local Government Division Member Contribution Rate. The bill was signed into law by Governor Polis on May 20, 2019 and eliminates the 2 percent increase in the contribution rate for members in the Local Government Division mandated by SB 18-200.

9. Other Post-Employment Benefits

Plan Description

Eligible employees of the District are provided with OPEB through the HCTF-a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C. R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member 's years of service credit. For members who retire having service credit with employers in the Denver Public Schools ("DPS") Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund ("DPS HCTF").

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

9. Other Post-Employment Benefits (continued)

The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending on which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School,

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

9. Other Post-Employment Benefits (continued)

Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$11,940 and \$13,056 for the years ended December 31, 2019 and 2018, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019 and 2018, the District reported a liability of \$205,911 and \$164,174, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

For the years ended December 31, 2019 and 2018 the District recognized OPEB expense of \$28,049 and \$18,565, respectively.

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 748	\$ 313
Changes in assumptions or other inputs	1,444	
Net difference between projected and actual earnings on OPEB plan investments	1,184	-
Changes in proportionate share	45,211	-
District contributions subsequent to the measurement date	11,940	-
Total	\$ 60,527	\$ 313

The \$11,940 reported as outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

9. Other Post-Employment Benefits (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending December 31,</u>	<u>Amortization</u>
2020	\$ 11,691
2021	11,691
2022	11,692
2023	7,285
2024	5,906
Thereafter	9
	<u>\$ 48,274</u>

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 776	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	2,747
Changes in proportionate share	23,501	-
District contributions subsequent to the measurement date	13,056	-
Total	<u>\$ 37,333</u>	<u>\$ 2,747</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

<u>Actuarial cost method</u>	<u>Entry age</u>
Price inflation	2.40 %
Real wage growth	1.10 %
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of pension plan plan investment expenses, including price inflation	7.25%
Discount rate	7.25%

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

9. Other Post-Employment Benefits (continued)

Health care cost trend rates

PERA benefit structure:

Service-based premium subsidy	0.00 %
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.25% for 2018, gradually rising to 5.00% in 2025

DPS benefit structure:

Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
PERACare Medicare plans	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACARE Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

9. Other Post-Employment Benefits (continued)

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

1. Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
2. Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

1. Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
2. The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

9. Other Post-Employment Benefits (continued)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the District 's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

9. Other Post-Employment Benefits (continued)

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PeraCare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$ 200,225	\$ 205,911	\$ 212,451

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

1. Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018 measurement date.
2. Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
3. Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
4. Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
5. Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
6. Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

9. Other Post-Employment Benefits (continued)

Sensitivity of the District 's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net OPEB Liability	\$ 230,396	\$ 205,911	\$ 184,798

Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

10. Voluntary Investment Program

Plan Description

Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401 (k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from other contributions made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the CRS as amended. In addition, the District has agreed to match employee contributions up to 3 percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. The District did not make a contribution on behalf of eligible members during the years ended December 31, 2019 and 2018.

11. TABOR

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

11. TABOR (continued)

abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the entity under specified voting requirements by the entire electorate.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes they are exempt from the provisions of the bill.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits and qualification as an enterprise, will require judicial interpretation.

12. Commitments and Contingencies

Litigation

The District was subject to various claims and legal proceedings arising in the ordinary course of business. The District believes that adequate insurance coverage exists in situations where monetary damages are claimed and that the final settlements of these matters will not materially affect the financial statements of the District.

13. Related Party Transactions

On January 16, 2008, the District entered into an agreement with North Timnath Properties, LLC ("NTP"), partially owned by a current director of the Board. NTP had constructed a pipeline and the District agreed to pay NTP \$868 per tap on this pipeline until the construction of the pipeline is paid back. During the years ended December 31, 2019 and 2018, the District paid \$126,728 and \$130,634, respectively, directly to the director of the Board. There was \$64,666 and \$44,268 payable to the director of the Board at December 31, 2019 and 2018, respectively, which is included in current liabilities in the accompanying statements of net position.

Boxelder Sanitation District
Notes to Financial Statements (continued)
December 31, 2019 and 2018

14. Subsequent Events

The District has evaluated subsequent events through June 18, 2020 the date that the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which may negatively impact operations of the District. Other financial impact could occur, though such potential impact is unknown at this time.

Required Supplementary Information

Boxelder Sanitation District
Retirement Plan Supplementary Information
For the Year Ended December 31, 2019

Schedule of Proportionate Share of the Net Pension and OPEB Liability and Related Ratios

Colorado PERA - Pension

<u>Year Ending*</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Actual Member Payroll</u>	<u>Net Pension Liability as a Percentage of Member Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
12/31/2014	0.10705%	\$ 800,118	\$ 587,398	136.21%	77.66%
12/31/2015	0.11587%	1,038,533	637,542	162.90%	80.70%
12/31/2016	0.13712%	1,510,495	800,562	188.68%	76.90%
12/31/2017	0.13518%	1,825,393	819,361	222.78%	73.60%
12/31/2018	0.16257%	1,810,357	1,025,579	176.52%	79.40%
12/31/2019	0.19516%	2,453,543	1,170,670	209.58%	75.96%

Colorado PERA - OPEB

<u>Year Ending*</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Actual Member Payroll</u>	<u>OPEB Liability as a Percentage of Member Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total OPEB Liability</u>
12/31/2017	0.01038%	\$ 124,079	\$ 819,361	15.14%	16.72%
12/31/2018	0.01263%	164,174	1,025,579	16.01%	17.53%
12/31/2019	0.15134%	205,911	1,170,670	17.59%	17.03%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

* The data provided in this schedule is based as of the measurement date of the Authority's net pension liability, which is as of the beginning of the year.

Schedule of Employer Contributions

<u>Year Ending</u>	<u>Statutorily Required Contributions</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/(Deficiency)</u>	<u>Actual Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/2013	72,417	72,417	-	587,398	12.33%
12/31/2014	80,506	80,506	-	637,542	12.63%
12/31/2015	98,452	98,452	-	800,562	12.30%
12/31/2016	103,895	103,895	-	819,361	12.68%
12/31/2017	130,044	130,044	-	1,025,579	12.68%
12/31/2018	162,433	162,433	-	1,280,026	12.69%
12/31/2019	148,221	148,221	-	1,170,670	12.66%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Supplementary Information

Boxelder Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

	Original Budgeted Amounts	2019 Actual	Variance with Final Budget Positive (Negative)	2018 Actual
Revenues				
Sewer charges and other services	\$ 4,154,942	\$ 4,300,186	\$ 145,244	\$ 4,062,170
Growth revenue	15,750	29,701	13,951	14,482
Rehabilitation revenue	1,571,200	1,672,822	101,622	1,323,302
Other revenue	134,900	117,530	(17,370)	120,556
Total revenues	<u>5,876,792</u>	<u>6,120,239</u>	<u>243,447</u>	<u>5,520,510</u>
Expenditures				
Collection and transmission	187,346	60,084	127,262	89,233
Sewage treatment	635,800	500,925	134,875	575,561
Pretreatment	13,200	1,070	12,130	653
General and administrative	688,955	552,592	136,363	466,398
Personnel related costs	1,712,252	1,582,420	129,832	2,137,955
Total expenditures	<u>3,237,553</u>	<u>2,697,091</u>	<u>540,462</u>	<u>3,269,800</u>
Operating Income (Loss)	<u>2,639,239</u>	<u>3,423,148</u>	<u>783,909</u>	<u>2,250,710</u>
Nonoperating Revenues (Expenses)				
Net investment income	180,000	335,497	155,497	187,651
Proceeds from loan receivable	7,500,000	2,746,349	(4,753,651)	-
System development charges	2,520,000	5,880,000	3,360,000	4,116,000
Debt service:				
Principal paid	(485,000)	(621,865)	(136,865)	(470,000)
Interest expense	(208,357)	(572,645)	(364,288)	(193,166)
Capital outlay	(9,335,000)	(4,710,679)	4,624,321	(1,956,685)
Total Nonoperating Revenues (Expenses)	<u>171,643</u>	<u>3,056,657</u>	<u>2,885,014</u>	<u>1,683,800</u>
Change in Net Position	2,810,882	6,479,805	3,668,923	3,934,510
Net Position—Beginning of Year	<u>14,738,752</u>	<u>45,800,438</u>	<u>31,061,686</u>	<u>36,171,058</u>
Net Position—End of Year	<u>\$ 17,549,634</u>	<u>\$52,280,243</u>	<u>\$ 34,730,609</u>	<u>\$ 40,105,568</u>
Reconciliation to GAAP-Basis Financial Statements				
Depreciation		(897,439)		(822,423)
Capital outlay		4,710,679		1,956,685
Gain (loss) on disposal of assets		(20,610)		28,353
Loan proceeds receivable		(2,746,349)		-
Principal paid		621,865		470,000
Contributed capital assets		833,224		4,062,255
Net Position—End of Year (GAAP-Basis)		<u>\$ 54,781,613</u>		<u>\$ 45,800,438</u>

Boxelder Sanitation District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency/Pass-through Entity/Cluster/Program	CFDA Number	Grant or Identifying Number	Amount
<i>U.S. Environmental Protection Agency</i>			
Pass Through: Colorado Resources Power Development Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>\$ 905,331</u>
<i>Total U.S. Environmental Protection Agency</i>			<u>905,331</u>
Total Expenditures of Federal Awards			<u>\$ 905,331</u>

Boxelder Sanitation District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Notes to the Schedule

1. This schedule includes the federal awards activity of Boxelder Sanitation District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of *the Uniform Guidance*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Boxelder Sanitation District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.
3. Of the federal expenditures presented in this schedule, the Agency provided no federal awards to sub-recipients.



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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
Boxelder Sanitation District

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 financial statements of the governmental activities, the business-type activities, and each major fund of Boxelder Sanitation District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Boxelder Sanitation District's basic financial statements, and have issued our report thereon dated June 18, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boxelder Sanitation 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 Boxelder Sanitation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Boxelder Sanitation 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

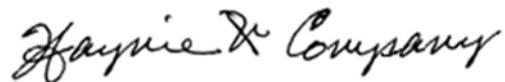
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boxelder Sanitation 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 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Haynie & Company".

Littleton, Colorado

June 18, 2020



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors
Boxelder Sanitation District

Report on Compliance for Each Major Federal Program

We have audited Boxelder Sanitation District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Boxelder Sanitation District's major federal programs for the year ended December 31, 2019. Boxelder Sanitation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Boxelder Sanitation District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boxelder Sanitation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Boxelder Sanitation District's compliance.

Opinion on Each Major Federal Program

In our opinion, Boxelder Sanitation District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

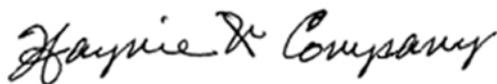
Report on Internal Control over Compliance

Management of Boxelder Sanitation District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Boxelder Sanitation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boxelder Sanitation District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Littleton, CO
June 18, 2020

Boxelder Sanitation District Supplemental Information

Schedule of Findings and Questioned Costs for the Year Ended December 31, 2019

1. Summary of Auditor's Results

Type of report issued on the financial statements:	Unmodified
Material weaknesses in financial reporting internal control noted:	None
Significant deficiency(s) identified that are not considered to be material weaknesses in financial reporting:	None
Material noncompliance noted:	None
Material weaknesses in internal control over major programs:	None
Significant deficiency(s) identified that are not considered to be material weaknesses over major programs:	None
Type of report issued on compliance for major programs:	Unmodified
Audit findings required to be reported:	None
The following programs are considered to be major:	
Colorado Water Resources and Power Development Authority Capitalization Grants for Clean Water State Revolving Funds — CFDA 66.458	
Dollar threshold used to distinguish Type A and Type B programs:	\$750,000
Risk type qualification:	Not low-risk

2. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

None

3. Findings and questioned costs for Federal Awards

None

4. Summary Schedule of Prior Audit Findings

None