

# **Boxelder Sanitation District**

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

**December 31, 2021 and 2020**

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1221 W. Mineral Avenue, Suite 202  
Littleton, CO 80120

 303-734-4800

 303-795-3356

 [www.HaynieCPAs.com](http://www.HaynieCPAs.com)

## Independent Auditor's Report

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

### Opinion

We have audited the accompanying financial statements of the business-type activities of Boxelder Sanitation District (the "District") as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Boxelder Sanitation District, as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Boxelder Sanitation District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Boxelder Sanitation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Boxelder Sanitation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Boxelder Sanitation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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.

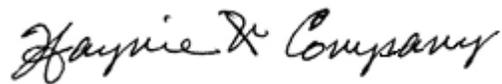
### *Other Information*

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 section is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of revenues, expenses and changes in net position budget and actual (non-GAAP budgetary basis) and the schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to

the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic 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 May 20, 2022, 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

The image shows a handwritten signature in cursive script that reads "Haynie & Company". The signature is written in black ink and is positioned above the typed address and date.

Littleton, Colorado  
May 20, 2022

**Boxelder Sanitation District  
Management Discussion and Analysis  
December 31, 2021 and 2020**

**2021 Year in Perspective**

The below table illustrates year-over-year changes in customer base, operating revenue and capital assets for Boxelder Sanitation District (the "District").

| Category                             | Growth over the previous year |       |      |
|--------------------------------------|-------------------------------|-------|------|
|                                      | 2021                          | 2020  | 2019 |
| Customer base                        | 8%                            | 9%    | 9%   |
| Operating revenue                    | (2%)                          | (17)% | 11%  |
| Capital assets (net of depreciation) | 26%                           | 40%   | 11%  |

**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, 2021 and 2020. 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, 2021, and 2020. 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:

| <b>Category</b>                         | <b>2021<br/>(In Millions)</b> | <b>2020<br/>(In Millions)</b> | <b>2019<br/>(In Millions)</b> |
|---|-------------------------------|-------------------------------|-------------------------------|
| <b>Current Assets</b>                   | \$34.394                      | \$30.575                      | \$22.800                      |
| <b>Non-Current Assets</b>               | \$ .888                       | \$11.588                      | \$27.063                      |
| <b>Net Capital Assets</b>               | \$79.231                      | \$62.798                      | \$44.931                      |
| <b>Deferred Outflows</b>                | \$ .440                       | \$.147                        | \$.867                        |
| <b>Current Liabilities</b>              | \$ 3.090                      | \$6.003                       | \$3.141                       |
| <b>Non-Current Liabilities</b>          | \$33.487                      | \$35.197                      | \$37.738                      |
| <b>Deferred Inflows</b>                 | \$ 1.028                      | \$0.537                       | \$0.000                       |
| <b>Net Assets Position:</b>             |                               |                               |                               |
| <b>Net Investment in Capital Assets</b> |                               |                               |                               |
| <b>Restricted</b>                       | \$45.618                      | \$27.860                      | \$34.955                      |
| <b>Unrestricted</b>                     | \$ .888                       | \$11.588                      | \$26.254                      |
| <b>Total</b>                            | <u>\$30.841</u>               | <u>\$23.923</u>               | <u>\$(6.427)</u>              |
|   | \$77.348                      | \$63.372                      | \$54.782                      |

**Current Assets:** The 2021 current assets increased by approximately 12% 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 \$10,717,371 were received in 2021 and \$15,526,280 were received in 2020. Additional information on the borrowings can be found in Note 6 of this report.

**Capital Assets:** During the fiscal year 2021, the primary increase in capital assets was a result of Construction in Process related to the new wastewater treatment plant. A net increase in capital assets net of depreciation was \$16,432,369.

During the fiscal year 2020, 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 \$17,867,606.

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

Current Liabilities: At December 31, 2021 current liabilities were \$2,912,714 less than the amount at December 31, 2020. Current portion of long-term debt increased as result of work performed on the new plant and accumulation of retainers as the district approaches completion of the project.

Non-Current Liabilities: The 2021 non-current liabilities decreased by \$1,710,074 when compared to 2020 primarily due to payments on the 2019 CWRPDA note. (Note 6)

Net Position: Net position at fiscal year-end of 2021 was approximately \$77.3 million, an increase of 22% (approximately \$14.0 million) over the total net position at the end of fiscal year 2020. Net position at fiscal year-end of 2020 was approximately \$63.4 million, an increase of 16% (approximately \$8.6 million) over the total net position at the end of fiscal year 2019.

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

| <b>Category</b>                        | <b>2021<br/>(In Millions)</b> | <b>2020<br/>(In Millions)</b> | <b>2019<br/>(In Millions)</b> |
|--|-------------------------------|-------------------------------|-------------------------------|
| <b>Total Operating Revenue</b>         | \$4.859                       | \$5.094                       | \$6.120                       |
| <b>Total Operating Expenses</b>        | \$(3.624)                     | \$(3.425)                     | \$(3.594)                     |
| <b>Income from Operations</b>          | \$1.356                       | \$1.669                       | \$2.526                       |
| <b>Non-Operating Income (Expenses)</b> | \$(0.609)                     | \$(0.589)                     | \$(0.257)                     |
| <b>Capital Contributions</b>           | \$13.228                      | \$7.510                       | \$6.713                       |
| <b>Increase in Net Position</b>        | \$13.975                      | \$8.590                       | \$8.982                       |
| <b>Net Position - January 1</b>        | \$63.372                      | \$54.782                      | \$45.800                      |
| <b>Net Position - December 31</b>      | \$77.347                      | \$63.372                      | \$54.782                      |

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. 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 \$6,477,917 in 2021 and \$580,100, in 2020 which is a increase of \$5,897,817 from 2020.

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 2021, net PIF revenue was approximately \$6.750 million for a total of approximately 528 taps purchased. In 2020, net PIF revenue was approximately \$6.930 million for a total of approximately 542 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 2021, in decreasing rank by amount, were depreciation of District's capital assets, interest expense on notes payable, and salaries and benefits. 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 2021 increased by \$199,096 from 2020 .

Total 2021 operating revenue (sewer charges, growth, and other revenue) were lower than 2020 operating revenue by approximately 2%. The 2021 operating expenses (exclusive of depreciation) were higher than 2020 operating expenses by 9% largely due to increased sewage treatment costs of \$459,248 in the current year as opposed to \$243,502 in the prior year.

### **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, 2021 and 2020**

|                                       | <b>2021</b>    | <b>2020</b>    |
|---------------------------------------|----------------|----------------|
| <b>Assets</b>                         |                |                |
| <b>Current Assets</b>                 |                |                |
| Cash and cash equivalents             | \$ 33,918,053  | \$ 30,113,628  |
| Accounts receivable, net              | 428,258        | 421,896        |
| Prepaid expenses                      | 47,234         | 39,051         |
| Total Current Assets                  | 34,393,545     | 30,574,575     |
| <b>Non-Current Assets</b>             |                |                |
| Restricted assets                     |                |                |
| Cash and cash equivalents             | 877,619        | 861,070        |
| Loan Proceeds Receivable              | 10,000         | 10,727,371     |
| Total restricted assets               | 887,619        | 11,588,441     |
| Capital assets                        |                |                |
| Buildings and improvements            | 1,103,657      | 1,262,711      |
| Collection and disposal system        | 39,569,488     | 32,154,631     |
| Treatment plant                       | 14,817,157     | 14,818,095     |
| Equipment                             | 1,965,606      | 2,081,467      |
| Less accumulated depreciation         | (12,117,971)   | (11,416,006)   |
|                                       | 45,337,937     | 38,900,898     |
| Land and easements                    | 759,665        | 759,665        |
| Construction in progress              | 33,133,236     | 23,137,906     |
|                                       | 33,892,901     | 23,897,571     |
| Capital assets, net                   | 79,230,838     | 62,798,469     |
| Total Assets                          | \$ 114,512,002 | \$ 104,961,485 |
| <b>Deferred Outflows of Resources</b> |                |                |
| Deferred outflows related to pension  | 421,445        | 238,073        |
| Deferred outflows related to OPEB     | 18,758         | 25,006         |
| Total Deferred Outflows of Resources  | \$ 440,203     | \$ 263,079     |

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

**Boxelder Sanitation District**  
**Statements of Net Position (continued)**  
**December 31, 2021 and 2020**

|  | <b>2021</b>  | <b>2020</b>   |
|--|--------------|---------------|
| <b>Liabilities and Net Position</b>  |              |               |
| <b>Liabilities</b>   |              |               |
| Current liabilities  |              |               |
| Accounts payable   | \$ 1,246,960 | \$ 3,983,164  |
| Current portion of long-term debt  | 1,279,620    | 1,251,844     |
| Current portion of accrued absences  | 62,128       | 43,462        |
| Wages payable  | 105,308      | 91,124        |
| Other accrued expenses   | 163,722      | 369,751       |
| Accrued interest expense   | 294,603      | 307,044       |
| Total Current Liabilities  | 3,152,341    | 6,046,389     |
| <b>Non-Current Liabilities</b>   |              |               |
| Long-term debt, net of current portion<br>and unamortized premium/(discount) | 32,343,347   | 33,686,745    |
| Net pension liability  | 894,705      | 1,246,288     |
| Net OPEB liability   | 124,564      | 146,728       |
| Accrued compensated absences   | 62,129       | 73,724        |
| Total Non-Current Liabilities  | 33,424,745   | 35,153,485    |
| Total Liabilities  | 36,577,086   | 41,199,874    |
| <b>Deferred Inflows of Resources</b>   |              |               |
| Deferred inflows related to pension  | 988,244      | 625,791       |
| Deferred inflows related to OPEB   | 40,113       | 27,105        |
| Total Deferred Inflows of Resources  | 1,028,357    | 652,896       |
| <b>Net Position</b>  |              |               |
| Net investment in capital assets   | 45,617,871   | 38,587,251    |
| Restricted   | 887,619      | 11,588,441    |
| Unrestricted   | 30,841,272   | 13,196,102    |
| Total Net Position   | \$77,346,762 | \$ 63,371,794 |

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, 2021 and 2020**

|  | <u>2021</u>          | <u>2020</u>          |
|--|----------------------|----------------------|
| <b>Operating Revenues</b>                  |                      |                      |
| Sewer charges and other services           | \$ 4,859,166         | \$ 4,818,017         |
| Growth revenue                             | 79,746               | 208,550              |
| Other revenue                              | <u>41,296</u>        | <u>67,238</u>        |
| Total operating revenues                   | 4,980,208            | 5,093,805            |
| <b>Operating Expenses</b>                  |                      |                      |
| General and administrative expenses        | 552,902              | 455,035              |
| Collection and transmission                | 81,676               | 76,203               |
| Sewage treatment                           | 459,248              | 243,502              |
| Pretreatment                               | 18,263               | 75                   |
| Personnel costs                            | 1,518,199            | 1,758,535            |
| Depreciation expense                       | <u>986,429</u>       | <u>891,241</u>       |
| Total operating expenses                   | <u>3,616,717</u>     | <u>3,424,591</u>     |
| <b>Operating Income</b>                    | 1,363,491            | 1,669,214            |
| <b>Nonoperating Revenues (Expenses)</b>    |                      |                      |
| Gain (loss) on disposal of capital assets  | (6,967)              | 2,000                |
| Net investment income                      | 13,011               | 98,449               |
| Interest expense                           | <u>(622,484)</u>     | <u>(689,582)</u>     |
| Total Nonoperating Revenues (Expenses)     | <u>(616,440)</u>     | <u>(589,133)</u>     |
| <b>Income Before Capital Contributions</b> | 747,051              | 1,080,081            |
| <b>Capital Contributions</b>               |                      |                      |
| System development charges                 | 6,750,000            | 6,930,000            |
| Contributed capital assets                 | <u>6,477,917</u>     | <u>580,100</u>       |
| Total capital contributions                | <u>13,227,917</u>    | <u>7,510,100</u>     |
| <b>Change in Net Position</b>              | 13,974,968           | 8,590,181            |
| <b>Net Position—Beginning of Year</b>      | <u>63,371,794</u>    | <u>54,781,613</u>    |
| <b>Net Position—End of Year</b>            | <u>\$ 77,346,762</u> | <u>\$ 63,371,794</u> |

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

**Boxelder Sanitation District**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2021**

|   | <b>2021</b>                 | <b>2020</b>                |
|---|-----------------------------|----------------------------|
| Cash Flows from Operating Activities:   |                             |                            |
| Cash received from customers  | \$ 4,973,846                | \$ 5,278,114               |
| Cash paid to suppliers for goods and services   | (4,154,993)                 | (1,856,833)                |
| Cash paid to employees for services   | <u>(1,579,865)</u>          | <u>(1,696,585)</u>         |
| Net Cash From Operating Activities  | <u>(761,012)</u>            | <u>1,724,696</u>           |
| Cash Flows from Capital and Related Financing Activities:                             |                             |                            |
| System development charges received   | 6,750,000                   | 6,930,000                  |
| Acquisition and construction of capital assets  | (10,947,849)                | (14,281,943)               |
| Proceeds from sale of capital assets  | -                           | 2,000                      |
| Loan proceeds received  | 10,717,371                  | 15,526,280                 |
| Payment of principal on long-term debt  | (1,251,844)                 | (1,224,170)                |
| Payment of interest on long-term debt   | <u>(698,703)</u>            | <u>(768,417)</u>           |
| Net Cash From Capital and Related Financing Activities                                | <u>4,568,975</u>            | <u>6,183,750</u>           |
| Cash Flows from Investing Activities:   |                             |                            |
| Net investment income received  | <u>13,011</u>               | <u>98,449</u>              |
| Net Cash from Investing Activities  | <u>13,011</u>               | <u>98,449</u>              |
| <b>Net Change in Cash and Cash Equivalents</b>  | <b>3,820,974</b>            | <b>8,006,895</b>           |
| Cash and Cash Equivalents—Beginning of Year   | <u>30,974,698</u>           | <u>22,967,803</u>          |
| Cash and Cash Equivalents—End of Year   | <u><b>\$ 34,795,672</b></u> | <u><b>\$30,974,698</b></u> |
| <b>Reconciliation of Net Operating Income to Net Cash From Operating Activities:</b>  |                             |                            |
| Net operating income  | <u>\$ 1,363,491</u>         | <u>\$ 1,669,214</u>        |
| Adjustments to reconcile operating loss to net cash provided by operating activities: |                             |                            |
| Depreciation  | 986,429                     | 891,241                    |
| Changes in assets and liabilities:  |                             |                            |
| Receivables   | (6,360)                     | 184,309                    |
| Prepaid expenses  | (8,183)                     | (2,965)                    |
| Accounts payable  | (2,736,204)                 | (972,285)                  |
| Accrued liabilities   | (191,845)                   | (78,336)                   |
| Accrued compensated absences  | 7,071                       | 43,232                     |
| Pension liability and related deferrals   | (172,503)                   | (12,844)                   |
| OPEB liability and related items  | <u>(2,908)</u>              | <u>3,130</u>               |
| Total Adjustments   | <u>(2,124,503)</u>          | <u>55,482</u>              |
| <b>Net Cash From Operating Activities</b>   | <u><b>\$ (761,012)</b></u>  | <u><b>\$ 1,724,696</b></u> |
| <b>Cash and Cash Equivalents as stated on the Statements of Net Position:</b>         |                             |                            |
| Cash and cash equivalents   | \$ 33,918,053               | \$ 30,113,628              |
| Restricted cash   | 877,619                     | 861,070                    |
|   | <u><b>\$ 34,795,672</b></u> | <u><b>\$30,974,698</b></u> |

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

# **Boxelder Sanitation District**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

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#### **1. Definition of Reporting Entity**

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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.

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#### **2. Summary of Significant Accounting Policies**

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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, 2021 and 2020**

**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 2021:

|                          | Original Budget | Total Revisions | Revised Budget |
|--------------------------|-----------------|-----------------|----------------|
| Enterprise fund expenses | \$ 23,344,813   | \$ _____        | \$ 23,344,813  |

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**2. Summary of Significant Accounting Policies (continued)**

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**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 \$124,257 and \$117,186 at December 31, 2021 and 2020, 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, 2021 and 2020**

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**2. Summary of Significant Accounting Policies (continued)**

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**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, 2021 and 2020**

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**2. Summary of Significant Accounting Policies (continued)**

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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.

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 High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, were in effect at the end of 2021.

**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 years ended December 31, 2020 and 2021.

**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.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**2. Summary of Significant Accounting Policies (continued)**

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**New Accounting Pronouncements**

The GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance in May 2020. The objective of GASB 95 is to postpone effective dates to provide temporary relief in light of the COVID-19 pandemic. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 91, Conduit Debt Obligations and Statement No. 92. The effective dates of the following pronouncement is postponed by 18 months: Statement No. 87 Leases. The District does not anticipate these standards will have a significant impact on its financial reporting. GASB No. 93 "Replacement of Interbank Offered Rates", was effective for the current reporting period, but had no effect on the District's financial reporting.

**Reclassifications**

Certain prior year amounts have been adjusted to conform to the current year presentation. These reclassifications did not have an impact on the District's change in net assets.

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**3. Cash, Cash Equivalents and Investments**

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**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, 2021 and 2020, the District had deposits with a financial institution with carrying amounts of \$10,249,744 and \$6,436,826, respectively. The bank balance with the financial institution were \$12,121,284 and \$7,642,248, respectively. Of these amounts, \$278,259 was covered by federal depository insurance. The remaining balances of \$11,843,025 and \$7,392,248, 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, 2021 and 2020**

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**3. Cash, Cash Equivalents and Investments (continued)**

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Cash and cash equivalents, including restricted cash and cash equivalents, held by the District at December 31, 2021 and 2020 were as follows:

|  | <b>2021</b>   | <b>2020</b>   |
|--|---------------|---------------|
| Cash on hand                               | \$ 200        | \$ 200        |
| Cash on deposit with financial institution | 10,249,744    | 6,436,826     |
| Local government investment pool           | 24,545,728    | 24,537,672    |
| Total                                      | \$ 34,795,672 | \$ 30,974,698 |

**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, 2021 and 2020, none of the District's investments were exposed to custodial credit risk.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**3. Cash, Cash Equivalents and Investments (continued)**

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**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, 2021 and 2020, the District had \$24,545,728 and \$24,537,672, 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, 2021 and 2020 were as follows:

|                                      | 2021          | 2020          |
|--------------------------------------|---------------|---------------|
| Cash and cash equivalents            | \$ 33,918,053 | \$ 30,113,628 |
| Restricted cash and cash equivalents | 877,619       | 861,070       |
| Total                                | \$ 34,795,672 | \$ 30,974,698 |

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**4. Restricted Assets**

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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, 2021 and 2020 were \$877,619 and \$861,070, respectively.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**5. Capital Assets**

An analysis of the changes in net capital asset for the year ended December 31, 2021 follows:

|  | Balance<br>December 31,<br>2020 | Transfers/<br>Additions | Transfers/<br>Retirements | Balance<br>December 31,<br>2021 |
|--|---------------------------------|-------------------------|---------------------------|---------------------------------|
| Capital assets, not being depreciated:       |                                 |                         |                           |                                 |
| Land and easements                           | \$ 759,665                      | \$ -                    | \$ -                      | \$ 759,665                      |
| Construction in progress                     | <u>23,137,906</u>               | <u>10,905,554</u>       | <u>(910,224)</u>          | <u>33,133,236</u>               |
| Total capital assets, not being depreciated  | <u>23,897,571</u>               | <u>10,905,554</u>       | <u>(910,224)</u>          | <u>33,892,901</u>               |
| Capital assets, being depreciated:           |                                 |                         |                           |                                 |
| Buildings and improvements                   | 1,262,711                       | -                       | (159,054)                 | 1,103,657                       |
| Collection and disposal system               | 32,154,631                      | 7,414,857               | -                         | 39,569,488                      |
| Treatment plant                              | 14,818,095                      | -                       | (938)                     | 14,817,157                      |
| Equipment                                    | <u>2,081,467</u>                | <u>15,579</u>           | <u>(131,440)</u>          | <u>1,965,606</u>                |
| Total capital assets, being depreciated      | <u>50,316,904</u>               | <u>7,430,436</u>        | <u>(291,432)</u>          | <u>57,455,908</u>               |
| Less accumulated depreciation:               | <u>(11,416,006)</u>             | <u>(986,429)</u>        | <u>284,464</u>            | <u>(12,117,971)</u>             |
| Total capital assets, being depreciated, net | <u>38,900,898</u>               | <u>6,444,007</u>        | <u>(6,968)</u>            | <u>45,337,937</u>               |
| Capital assets, net                          | <u>\$ 62,798,469</u>            | <u>\$ 17,349,561</u>    | <u>\$ (917,192)</u>       | <u>\$ 79,230,838</u>            |

An analysis of the changes in net capital asset for the year ended December 31, 2020 follows:

|  | Balance<br>December 31,<br>2019 | Transfers/<br>Additions | Transfers/<br>Retirements | Balance<br>December 31,<br>2020 |
|--|---------------------------------|-------------------------|---------------------------|---------------------------------|
| Capital assets, not being depreciated:       |                                 |                         |                           |                                 |
| Land and easements                           | \$ 759,665                      | \$ -                    | \$ -                      | \$ 759,665                      |
| Construction in progress                     | <u>5,049,788</u>                | <u>18,119,418</u>       | <u>(31,300)</u>           | <u>23,137,906</u>               |
| Total capital assets, not being depreciated  | <u>5,809,453</u>                | <u>18,119,418</u>       | <u>(31,300)</u>           | <u>23,897,571</u>               |
| Capital assets, being depreciated:           |                                 |                         |                           |                                 |
| Buildings and improvements                   | 1,262,711                       | -                       | -                         | 1,262,711                       |
| Collection and disposal system               | 31,574,531                      | 580,100                 | -                         | 32,154,631                      |
| Treatment plant                              | 14,818,095                      | -                       | -                         | 14,818,095                      |
| Equipment                                    | <u>2,029,560</u>                | <u>90,629</u>           | <u>(38,722)</u>           | <u>2,081,467</u>                |
| Total capital assets, being depreciated      | <u>49,684,897</u>               | <u>670,729</u>          | <u>(38,722)</u>           | <u>50,316,904</u>               |
| Less accumulated depreciation:               | <u>(10,563,487)</u>             | <u>(891,241)</u>        | <u>38,722</u>             | <u>(11,416,006)</u>             |
| Total capital assets, being depreciated, net | <u>39,121,410</u>               | <u>(220,512)</u>        | <u>-</u>                  | <u>38,900,898</u>               |
| Capital assets, net                          | <u>\$ 44,930,863</u>            | <u>\$ 17,898,906</u>    | <u>\$ (31,300)</u>        | <u>\$ 62,798,469</u>            |

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**6. Long-Term Liabilities**

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**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.

CWR & PDA refunded certain bonds in May 2021 to generate savings for their borrowers. The refunding savings for the District totaled \$509,517 and will be applied as payment credits to the scheduled loan repayments. The principal reductions due to the refunding savings credits do not reduce the total loan payable until the period the credits are realized. In the periods where the refunding credit exceeds loan interest, the credit will be applied against loan interest first with any remaining credit applied to principal.

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 \$10,000 and \$10,727,371 as of December 31, 2021 and 2020, respectively.

A summary of changes in long-term liabilities for the year ended December 31, 2021 was as follows:

|                              | Balance at<br>December 31, |                  | Payments<br>(Amortization) | Balance at<br>December 31, |                     | Due<br>Within |
|------------------------------|----------------------------|------------------|----------------------------|----------------------------|---------------------|---------------|
|                              | 2020                       | Additions        |                            | 2021                       | One Year            |               |
| 2010 CWR & PDA Loan          | \$ 6,705,000               | \$ -             | \$ 505,000                 | \$ 6,200,000               | \$ 515,000          |               |
| Unamortized premium          | 159,666                    | -                | 18,776                     | 140,890                    | -                   |               |
| 2019 CWR & PDA Loan          | 27,339,145                 | -                | 746,844                    | 26,592,301                 | 764,620             |               |
| Unamortized premium          | 734,779                    | -                | 45,003                     | 689,776                    | -                   |               |
| Total long-term debt         | 34,938,590                 | -                | 1,315,623                  | 33,622,967                 | 1,279,620           |               |
| Accrued compensated absences | 117,186                    | 14,142           | 7,071                      | 124,257                    | 62,128              |               |
|                              | <u>\$ 35,055,776</u>       | <u>\$ 14,142</u> | <u>\$ 1,322,694</u>        | <u>\$ 33,747,224</u>       | <u>\$ 1,341,748</u> |               |

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**6. Long-Term Liabilities (continued)**

Loan requirements to maturity are as follows:

| <u>Year ending December 31,</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Administrative<br/>Fee</u> | <u>Total</u>         |
|---------------------------------|----------------------|---------------------|-------------------------------|----------------------|
| 2022                            | \$ 1,279,620         | \$ 399,674          | \$ 308,921                    | \$ 1,988,215         |
| 2023                            | 1,305,585            | 375,250             | 308,921                       | 1,989,756            |
| 2024                            | 1,328,409            | 350,282             | 308,921                       | 1,987,612            |
| 2025                            | 1,356,038            | 327,042             | 308,921                       | 1,992,001            |
| 2026                            | 1,383,238            | 298,678             | 83,280                        | 1,765,196            |
| 2027-2031                       | 5,807,581            | 1,089,196           | 1,544,607                     | 8,441,384            |
| 2032-2036                       | 6,035,737            | 1,236,550           | 1,211,487                     | 8,483,774            |
| 2037-2041                       | 5,008,293            | 347,400             | 1,100,002                     | 6,455,695            |
| 2042-2046                       | 5,561,830            | 178,500             | 719,232                       | 6,459,562            |
| 2047-2048                       | 3,725,970            | 22,350              | 126,923                       | 3,875,243            |
| Total                           | <u>\$ 32,792,301</u> | <u>\$ 4,624,922</u> | <u>\$ 6,021,218</u>           | <u>\$ 43,438,441</u> |

A summary of changes in long-term liabilities for the year ended December 31, 2020 was as follows:

|                              | <u>Balance at<br/>December 31,</u> |                  | <u>Payments<br/>(Amortization)</u> | <u>Balance at<br/>December 31,</u> |                     | <u>Due<br/>Within<br/>One Year</u> |
|------------------------------|------------------------------------|------------------|------------------------------------|------------------------------------|---------------------|------------------------------------|
|                              | <u>2019</u>                        | <u>Additions</u> |                                    | <u>2020</u>                        | <u>2020</u>         |                                    |
| 2010 CWR & PDA Loan          | \$ 7,200,000                       | \$ -             | \$ 495,000                         | \$ 6,705,000                       | \$ 505,000          |                                    |
| Unamortized premium          | 179,562                            | -                | 19,897                             | 159,665                            | -                   |                                    |
| 2019 CWR & PDA Loan          | 28,068,315                         | -                | 729,170                            | 27,339,145                         | 746,844             |                                    |
| Unamortized premium          | 781,308                            | -                | 46,529                             | 734,779                            | -                   |                                    |
| Total long-term debt         | 36,229,185                         | -                | 1,290,596                          | 34,938,589                         | 1,251,844           |                                    |
| Accrued compensated absences | 73,954                             | 49,237           | 6,005                              | 117,186                            | 43,462              |                                    |
|                              | <u>\$ 36,303,139</u>               | <u>\$ 49,237</u> | <u>\$ 1,296,601</u>                | <u>\$ 35,055,775</u>               | <u>\$ 1,295,306</u> |                                    |

The District is not in default of its covenants and obligations under these loans. The District maintained operation and maintenance reserve funds totaling \$877,619 and has established rates and charges for its services and products in accordance with the covenants of these loans.

**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.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**8. Retirement Plans**

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**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 C.C.R 1502-1, 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](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided as of December 31, 2020*

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.

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.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**8. Retirement Plans (continued)**

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As of December 31, 2020, 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., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients who began membership before January 1, 2001, will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007 will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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. This increased to 8.50% of their PERA-includable salary effective July 1, 2020.

The employer contribution requirements are summarized in the table below:

|  | January 1, 2020<br>Through<br>June 30, 2020 | July 1, 2020<br>Through<br>December 31, | January 1, 2021<br>Through<br>June 30, 2021 | July 1, 2021<br>Through<br>December 31, |
|--|---|---|---|---|
| Employer contribution rate   | 10.00%                                      | 10.50%                                  | 10.50%                                      | 10.50%                                  |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02)%                                     | (1.02)%                                 | (1.02)%                                     | (1.02)%                                 |

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**8. Retirement Plans (continued)**

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Amount apportioned to the LGDTF   | 8.98%         | 9.48%         | 9.48%         | 9.48%         |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411               | 2.20%         | 2.20%         | 2.20%         | 2.20%         |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 1.50%         | 1.50%         | 1.50%         | 1.50%         |
| Defined Contribution Supplement as specified in C.R.S. § 24-51-415                            | N/A           | N/A           | 0.02%         | 0.02%         |
| <b>Total employer contribution rate to the LGDTF</b>  | <b>12.68%</b> | <b>13.18%</b> | <b>13.20%</b> | <b>13.20%</b> |

<sup>1</sup>Rates 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 \$161,972 and \$156,495 for the years ended December 31, 2021 and 2020.

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

At December 31, 2021 and 2020, the District reported a net pension liability of \$894,705 and \$1,246,288 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2020. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2020 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2020, the District's proportion was 0.17169 percent, which was an increase of .00124 percent from its proportion measured as of December 31, 2019.

For the years ended December 31, 2021 and 2020, the District recognized pension (income)/expense of \$(10,530) and \$143,430, respectively.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**8. Retirement Plans (continued)**

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At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>2021</b>  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 43,258                                     | \$ -   |
| Differences between expected and actual experience   | 216,215                                       |  |
| Net difference between projected and actual earnings on<br>pension plan investments                                | -   | 967,573                                      |
| Changes in proportion and differences between contributions<br>recognized and proportionate share of contributions | -   | 20,671                                       |
| District contributions subsequent to the measurement date  | 161,972                                       | -  |
| Total  | <u>\$ 421,445</u>                             | <u>\$ 988,244</u>                            |

The \$161,972 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ending December 31,</b> | <b>Amortization</b> |
|---------------------------------|---------------------|
| 2022                            | \$ (132,208)        |
| 2023                            | (115,869)           |
| 2024                            | (327,990)           |
| 2025                            | <u>(152,704)</u>    |
|                                 | <u>\$ (728,771)</u> |

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**8. Retirement Plans (continued)**

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At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| 2020  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 81,578                                     | \$ -   |
| Net difference between projected and actual earnings on pension plan investments                                | -   | 510,013                                      |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | -   | 115,778                                      |
| District contributions subsequent to the measurement date   | 156,495                                       | -  |
| Total   | <u>\$ 238,073</u>                             | <u>\$ 625,791</u>                            |

***Actuarial Assumptions***

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

|   |                     |
|---|---------------------|
| Actuarial cost method   | Entry age           |
| 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 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 (compounded annually)            | 1.25%               |
| PERA benefit structure hired after 12/31/06 <sup>1</sup>  |                     |
|   | Financed by the AIR |

<sup>1</sup> Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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, 2021 and 2020**

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**8. Retirement Plans (continued)**

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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, 2019 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.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

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 the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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,

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**8. Retirement Plans (continued)**

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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.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class               | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|---------------------------|-------------------|--|
| Global Equity             | 54.00%            | 5.60%  |
| Fixed Income              | 23.00%            | 1.30%  |
| Private Equity            | 8.50%             | 7.10%  |
| Real Estate               | 8.50%             | 4.40%  |
| Alternatives <sup>1</sup> | 6.00%             | 4.70%  |
| <b>Total</b>              | <b>100.00%</b>    |  |

<sup>1</sup> The Opportunity Fund's name changed to Alternatives, effective January 1, 2020

***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 3.00 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.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**8. Retirement Plans (continued)**

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- 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 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 (measured in thousands)

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**8. Retirement Plans (continued)**

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|   | 1%<br>Decrease<br>(6.25%) | Current<br>Discount<br>Rate<br>(7.25%) | 1%<br>Increase<br>(8.25%) |
|---|---------------------------|--|---------------------------|
| District's proportionate share of the net pension liability (asset) | \$2,061,043               | \$894,705                              | \$(79,036)                |

***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](http://www.copera.org/investments/pera-financial-reports).

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**9. Other Post-Employment Benefits**

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***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](http://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

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**9. Other Post-Employment Benefits (continued)**

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between the HCTF and the Denver Public Schools Health Care Trust Fund ("DPS HCTF"). 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.<sup>25</sup> PERA-affiliated employers of the State, School,

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**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 \$12,364 and \$11,972 for the years ended December 31, 2021 and 2020, respectively.

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

At December 31, 2021 and 2020, the District reported a liability of \$124,564 and \$146,728, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

For the years ended December 31, 2021 and 2020 the District recognized OPEB expense of \$9,888 and \$3,130, respectively.

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| 2021   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience                               | \$ 331  | \$ 27,385                                    |
| Changes in assumptions or other inputs   | 931   | 7,638  |
| Net difference between projected and actual earnings on<br>OPEB plan investments | -   | 5,090  |
| Changes in proportionate share   | 4,701   | -  |
| District contributions subsequent to the measurement date                        | 12,795  | -  |
| Total  | <u>\$ 18,758</u>                              | <u>\$ 40,113</u>                             |

The \$12,795 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, 2021.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**9. Other Post-Employment Benefits (continued)**

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

| <b>Year ending December 31,</b> | <b>Amortization</b> |
|---------------------------------|---------------------|
| 2022                            | \$ (2,336)          |
| 2023                            | (6,853)             |
| 2024                            | (8,087)             |
| 2025                            | (13,514)            |
| 2026                            | (3,161)             |
| Thereafter                      | (201)               |
|                                 | \$ (34,150)         |

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <b>2020</b>  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience                               | \$ 487  | \$ 24,656                                    |
| Changes in assumptions or other inputs   | 1,217   | -  |
| Net difference between projected and actual earnings on<br>OPEB plan investments | -   | 2,449  |
| Changes in proportionate share   | 10,713  | -  |
| District contributions subsequent to the measurement date                        | 12,589  | -  |
| Total  | \$ 25,006                                     | \$ 27,105                                    |

***Actuarial Assumptions***

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

|   |                    |
|---|--------------------|
| Actuarial cost method   | Entry age          |
| 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<br>plan investment expenses, including price inflation | 7.25%              |
| Discount rate   | 7.25%              |
| Health care cost trend rates  |                    |
| PERA benefit structure:   |                    |
| Service-based premium subsidy   | 0.00 %             |

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**9. Other Post-Employment Benefits (continued)**

|                          |  |
|--------------------------|--|
| PERACare Medicare plans  | 8.10% in 2020,<br>gradually decreasing<br>to 4.50% in 2029 |
| Medicare Part A premiums | 3.50% in 2020,<br>gradually increasing<br>to 4.50% in 2029 |

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

| <b>Medicare Plan</b>                    | <b>Initial Costs for Members<br/>without Medicare Part A</b> |                            |   |
|---|--|----------------------------|---|
|   | <b>Monthly<br/>Cost</b>                                      | <b>Monthly<br/>Premium</b> | <b>Monthly<br/>Cost<br/>Adjusted to</b> |
| Medicare Advantage/Self-Insured Rx      | \$588  | \$227                      | \$550                                   |
| KaiserPermanente Medicare Advantage HMO | 621  | 232                        | 586                                     |

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

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.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**9. Other Post-Employment Benefits (continued)**

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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 |
|-------|-------------------------|--------------------------|
| 2020  | 8.10%                   | 3.50%                    |
| 2021  | 6.40%                   | 3.75%                    |
| 2022  | 6.00%                   | 3.75%                    |
| 2023  | 5.70%                   | 3.75%                    |
| 2024  | 5.50%                   | 4.00%                    |
| 2025  | 5.30%                   | 4.00%                    |
| 2026  | 5.10%                   | 4.00%                    |
| 2027  | 4.90%                   | 4.25%                    |
| 2028  | 4.70%                   | 4.25%                    |
| 2029+ | 4.50%                   | 4.50%                    |

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.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**9. Other Post-Employment Benefits (continued)**

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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 2019 plan year.
2. The morbidity assumptions were updated to reflect the assumed standard aging factors.
3. 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, 2018, 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.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

|  |  |
|--|--|
| Actuarial cost method                      | Entry age  |
| Price inflation                            | 2.30 %   |
| Real wage growth                           | 0.70 %   |
| Wage inflation                             | 3.00%  |
| Salary increases, including wage inflation | 3.20% - 11.30%   |
| Medicare Part A premiums                   | 3.50% in 2020,<br>gradually increasing<br>to 4.50% in 2029 |

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**9. Other Post-Employment Benefits (continued)**

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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.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class               | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|---------------------------|-------------------|--|
| Global Equity             | 54.00%            | 5.60%  |
| Fixed Income              | 23.00%            | 1.30%  |
| Private Equity            | 8.50%             | 7.10%  |
| Real Estate               | 8.50%             | 4.40%  |
| Alternatives <sup>1</sup> | 6.00%             | 4.70%  |
| <b>Total</b>              | <b>100.00%</b>    |  |

<sup>1</sup> The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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, 2021 and 2020**

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**9. Other Post-Employment Benefits (continued)**

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|                                       | <b>1% Decrease in<br/>Trend Rates</b> | <b>Current<br/>Trend Rates</b> | <b>1% Increase in<br/>Trend Rates</b> |
|---------------------------------------|---------------------------------------|--------------------------------|---------------------------------------|
| PeraCare Medicare trend rate          | 7.10%                                 | 8.10%                          | 9.10%                                 |
| Ultimate PERACare Medicare Trend Rate | 3.50%                                 | 4.50%                          | 5.50%                                 |
| Initial Medicare Part A trend rate    | 2.50%                                 | 3.50%                          | 4.50%                                 |
| Ultimate Medicare Part A trend rate   | 3.50%                                 | 4.50%                          | 5.50%                                 |
| Net OPEB Liability                    | \$ 121,344                            | \$ 124,564                     | \$ 128,312                            |

***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, 2020 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 3.00 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. 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. There was no change in the discount rate from the prior measurement date.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**9. Other Post-Employment Benefits (continued)**

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

|  | 1%<br>Decrease<br>(6.25%) | Current<br>Discount<br>Rate<br>(7.25%) | 1%<br>Increase<br>(8.25%) |
|--|---------------------------|--|---------------------------|
| District's proportionate share of the net OPEB Liability | \$ 142,690                | \$ 124,564                             | \$ 109,076                |

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](http://www.copera.org/investments/pera-financial-reports).

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**10. Voluntary Investment Program**

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*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](http://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, 2021 and 2020.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**11. Deferred Compensation Plan**

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*Plan Description*

The District currently offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 administered by PERA. Participation in the plan is voluntary for all employees and contributions are separate from those that PERA members make to their Defined Benefit member accounts. Information on the 457 plan may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203, or by calling PERA at 393-832-9550 or 1-800-759-PERA(7372).

*Funding Policy*

The plan allows employees to defer a portion of their salary until future years. All amounts deferred are held in trust for the exclusive benefit of participating employees. For the year ended December 31, 2021, members contributed \$1,885 to the plan.

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**12. TABOR**

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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 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.

**Boxelder Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**13. Commitments and Contingencies**

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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.

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**14. Related Party Transactions**

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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, 2021 and 2020, the District paid \$190,960 and \$151,032, respectively, directly to the director of the Board. There was \$33,852 and \$72,478 payable to the director of the Board at December 31, 2021 and 2020, respectively, which is included in current liabilities in the accompanying statements of net position.

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**15. Subsequent Events**

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The District has evaluated subsequent events \_\_\_\_\_, 2022, the date that the financial statements were available to be issued. There were no material subsequent events to be recognized or disclosed.

## **Required Supplementary Information**

**Boxelder Sanitation District**  
**Retirement Plan Supplementary Information**  
**For the Year Ended December 31, 2021**

**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   | 1,280,026                    | 191.68%  | 75.96%   |
| 12/31/2020          | 0.17044%                                       | 1,246,288   | 1,170,670                    | 106.46%  | 86.26%   |
| 12/31/2021          | 0.17168%                                       | 894,705   | 1,209,336                    | 73.98%   | 90.88%   |

**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          | 0.01513%                                    | 205,911  | 1,280,026                    | 16.09%  | 17.03%  |
| 12/31/2020          | 0.01305%                                    | 146,728  | 1,170,670                    | 12.53%  | 24.49%  |
| 12/31/2021          | 0.01310%                                    | 124,564  | 1,209,336                    | 10.30%  | 32.78%  |

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 District'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%  |
| 12/31/2020         | 156,495                                   | 156,495                              | -                                       | 1,209,336                    | 12.94%  |
| 12/31/2021         | 161,972                                   | 161,972                              | -                                       | 1,221,785                    | 13.26%  |

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, 2021**

|  | Original and<br>Final<br>Budgeted<br>Amounts | 2021<br>Actual       | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2020<br>Actual       |
|--|--|----------------------|---|----------------------|
| <b>Revenues</b>  |  |                      |   |                      |
| Sewer charges and other services                         | \$ 3,903,119                                 | \$ 4,859,166         | \$ 956,047  | \$ 4,495,806         |
| Growth revenue   | 825,247                                      | 79,746               | (745,501)   | 208,550              |
| Rehabilitation revenue                                   | -  | -                    | -   | 322,211              |
| Other revenue  | 66,000                                       | 41,296               | (24,704)  | 67,238               |
| Total revenues   | <u>4,794,366</u>                             | <u>4,980,208</u>     | <u>185,842</u>  | <u>5,093,805</u>     |
| <b>Expenditures</b>                                      |  |                      |   |                      |
| Collection and transmission                              | 103,666                                      | 81,676               | 21,990  | 76,203               |
| Sewage treatment   | 887,500                                      | 459,248              | 428,252   | 243,502              |
| Pretreatment   | 5,700  | 18,263               | (12,563)  | 75                   |
| General and administrative                               | 1,843,269                                    | 552,902              | 1,290,367   | 455,035              |
| Personnel related costs                                  | 678,740                                      | 1,518,199            | (839,459)   | 1,758,535            |
| Total expenditures                                       | <u>3,518,875</u>                             | <u>2,630,288</u>     | <u>888,587</u>  | <u>2,533,350</u>     |
| <b>Operating Income (Loss)</b>                           | <u>1,275,491</u>                             | <u>2,349,920</u>     | <u>1,074,429</u>  | <u>2,560,455</u>     |
| <b>Nonoperating Revenues (Expenses)</b>                  |  |                      |   |                      |
| Net investment income                                    | 27,500                                       | 13,011               | (14,489)  | 98,449               |
| Proceeds from loan receivable                            | 10,667,008                                   | 10,717,371           | 50,363  | 15,526,280           |
| System development charges                               | 3,888,000                                    | 6,750,000            | 2,862,000   | 6,930,000            |
| Debt service:  |  |                      |   |                      |
| Principal paid   | (1,251,844)                                  | (1,251,844)          | -   | (1,224,170)          |
| Interest expense   | (738,519)                                    | (622,484)            | 116,035   | (689,582)            |
| Capital outlay   | <u>(17,835,575)</u>                          | <u>(10,947,849)</u>  | <u>6,887,726</u>  | <u>(14,281,943)</u>  |
| Total Nonoperating Revenues (Expenses)                   | <u>(5,243,430)</u>                           | <u>4,658,205</u>     | <u>9,901,635</u>  | <u>6,359,034</u>     |
| <b>Change in Net Position</b>                            | <u>(3,967,939)</u>                           | <u>7,008,125</u>     | <u>10,976,064</u>                                       | <u>8,919,489</u>     |
| <b>Net Position—Beginning of Year</b>                    | <u>27,004,872</u>                            | <u>63,371,794</u>    | <u>36,366,922</u>                                       | <u>54,781,613</u>    |
| <b>Net Position—End of Year</b>                          | <u>\$ 23,036,933</u>                         | <u>\$70,379,919</u>  | <u>\$ 70,379,919</u>                                    | <u>\$ 63,701,102</u> |
| <b>Reconciliation to GAAP-Basis Financial Statements</b> |  |                      |   |                      |
| Depreciation   |  | (986,429)            |   | (891,241)            |
| Capital outlay   |  | 10,947,849           |   | 14,281,943           |
| Gain (loss) on disposal of assets                        |  | (6,967.00)           |   | 2,000                |
| Loan proceeds  |  | (10,717,371)         |   | (15,526,280)         |
| Principal paid   |  | 1,251,844            |   | 1,224,170            |
| Contributed capital assets                               |  | 6,477,917            |   | 580,100              |
| <b>Net Position—End of Year (GAAP-Basis)</b>             |  | <u>\$ 77,346,762</u> |   | <u>\$ 63,371,794</u> |

**Boxelder Sanitation District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

| <b>Federal Agency/Pass-through Entity/Cluster/Program</b>              | <b>CFDA<br/>Number</b> | <b>Grant or<br/>Identifying<br/>Number</b> | <b>Amount</b>       |
|--|------------------------|--|---------------------|
| <i>U.S. Environmental Protection Agency</i>                            |                        |  |                     |
| Pass Through: Colorado Water Resources and Power Development Authority |                        |  |                     |
| Capitalization Grants for Clean Water State Revolving Funds            | 66.458                 | Loan No. W19AX270                          | <u>\$ 2,773,175</u> |
| <i>Total U.S. Environmental Protection Agency</i>                      |                        |  | <u>2,773,175</u>    |
| Total Expenditures of Federal Awards                                   |                        |  | <u>\$ 2,773,175</u> |

**Boxelder Sanitation District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

***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.

**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 business-type activities of Boxelder Sanitation District, as of and for the year ended December 31, 2021, 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 May 20, 2022.

**Report on 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.

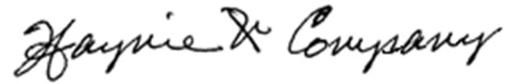
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

**Report on 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  
May 20, 2022

**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**

***Opinion on Each Major Federal Program***

We have audited Boxelder Sanitation District's compliance with the types of compliance requirement identified as subject to audit 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, 2021. 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.

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, 2021.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Boxelder Sanitation District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Boxelder Sanitation District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Boxelder Sanitation District's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Boxelder Sanitation District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than

for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Boxelder Sanitation District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Boxelder Sanitation District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Boxelder Sanitation District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Boxelder Sanitation District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

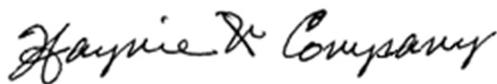
#### **Report on Internal Control over Compliance**

*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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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  
May 20, 2022

# Boxelder Sanitation District Supplemental Information

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## Schedule of Findings and Questioned Costs for the Year Ended December 31, 2021

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### **1. Summary of Auditor's Results**

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

### **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