

**BLACK HAWK-CENTRAL CITY
SANITATION DISTRICT**

**FINANCIAL STATEMENTS
December 31, 2022**



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Black Hawk-Central City Sanitation District
Black Hawk, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Black Hawk-Central City Sanitation District, which comprise the statements of net position as of December 31, 2022, and the related statements of revenues, expenses and changes in fund net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Black Hawk-Central City Sanitation District as of December 31, 2022, and the changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Black Hawk-Central City Sanitation District, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i – viii, and schedule of the proportionate share of the net pension liability, the schedule of district contributions, schedule of net OPEB liability and the schedule of district OPEB contributions on pages 32 – 35, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide

any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information (budgetary comparison schedule - (non-GAAP basis) with reconciliation to GAAP basis) and other information (schedule of ten year summary of assessed valuation, mill levy and property taxes collected) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and , accordingly, we do not express an opinion or provide any assurance on them.

Logan and Associates, LLC

Aurora, Colorado
June 20, 2023

**BLACK HAWK – CENTRAL CITY SANITATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2022**

This Management’s Discussion and Analysis (MD&A) is designed to provide a narrative overview of the financial condition and operating results of the Black Hawk-Central City Sanitation District (The District). This MD&A should be read in conjunction with the District’s basic financial statements, notes to the financial statements, and supplementary information (beginning on page 1).

The District treats wastewater to customers primarily in Gilpin County, Colorado.

Overview of The Financial Statements

The financial statements included in this annual report are those of a quasi-municipal corporation and a political subdivision of the State of Colorado, governed by Colorado Revised Statutes Title 32 Special Districts, engaged only in a business type activity. As an enterprise fund, the District’s financial statements include:

Statements of Net Position - report the District’s current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating. (See page 1).

Statements of Revenues, Expenses and Changes in Fund Net Position - report the District’s operating and non-operating revenues by major source, along with operating and non-operating expenses and capital contributions. (See page 2).

Statements of Cash Flows - report the District’s cash flows from operating, investing, capital and non-capital activities. (See page 3).

Notes to the Financial Statements - provide additional required disclosures that are essential to a full understanding of the data provided in the financial statements. (See page 4)

Schedule of Revenues and Expenditures-Budget and Actual (Budgetary Basis) - reports the budgeted revenue and expenditure activities as compared with actual activities. Though this schedule is not required by Generally Accepted Accounting Principles in the United States of America (GAAP) to be part of the audited financial statements, it is added for review as other supplementary information. (See page 36).

**BLACK HAWK – CENTRAL CITY SANITATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2022**

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2022

- Total Net Capital assets, after Accumulated Depreciation Expense decreased by \$652,956.
- Total Net Position increased by \$836,426.
- Depreciation Expense was in the amount of \$1,125,910.
- Total Liabilities decreased by \$21,293.
- Operating Revenues increased by \$24,693.

The purpose of this section is to provide non-technical information, so that the average District “citizen” can understand the financial condition of the District. This understanding can then be utilized when evaluating rate increases and the effectiveness and efficiency of the District’s operations.

Who We Are

Black Hawk – Central City Sanitation District is a “Quasi-Private Public Entity” formed under Colorado Special District’s Laws. This means that we are a public body which is overseen by an elected Board of Directors (the Board), similar to a city and City Council. Unlike a city however, we operate as a non-profit business commonly referred to as an “enterprise fund”. All of the people living within or owning property, and an eligible elector in the State of Colorado, within our boundaries are eligible to vote on who is to sit on the Board of Directors. Only people who live or own property within the District’s boundaries are eligible to be elected to sit on the Board of Directors. The Board’s primary responsibilities are to protect the public’s health and its capital investment in treatment and collection systems, while meeting environmental protection laws. The District provides collection system and wastewater treatment services. The wastewater system services about 500 residences and 52 businesses (mostly casinos) within a 20 square mile service area. The District recovers cost of service through user fees.

**BLACK HAWK – CENTRAL CITY SANITATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2022**

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Statement of Net Position (page 1) includes information on the District’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations of District creditors (liabilities). The Statement of Revenues, Expenses and Changes in Fund Net Position (page 2) identifies the District’s revenues and expenses for the fiscal year ended December 31, 2022. The third financial statement is the Statement of Cash Flows (page 3). This statement provides information on the District’s cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash and cash equivalents balance for the past fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT

When evaluating the financial condition of an entity, the first thing to look at is the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position. For 2022, the District’s current assets (cash and equivalent) show an increase. Current Assets, which is considered to be an asset that consists of cash and other resources and is reasonably expected to be realized in cash or consumed within one year, increased by \$1,488,794. Total Assets, which is defined as the total resources owned by the District, increased by \$838,332. A large majority of total assets of the District resides within our system of pipelines, and the Wastewater Treatment Plant. In order to maintain an acceptable accounting standard of reporting, the District annually makes an adjustment of “Accumulated Depreciation” for these types of assets. In 2022, the District had \$1,125,910 in accumulated depreciation adjustments. As a rule of thumb, if Current Assets and Total Assets are increasing, everything is probably fine. If Current or Total Liabilities begin to increase more than the Current or Total Assets accounts are, then further assessment is warranted.

**BLACK HAWK – CENTRAL CITY SANITATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2022**

REVENUES

District operations are funded from revenues received from the various fees charged for services, interest income, and capital recovery through connection fees.

Condensed Comparative Statement of Revenues

| Revenue Source | 2022 | 2021 | Change Gain / Loss |
|----------------------------|--------------------|--------------------|-----------------------|
| Residential and Commercial | | | |
| Customers | \$ 124,196 | \$ 125,232 | \$ (1,036) |
| Gaming Customers | 2,872,585 | 2,847,305 | 25,280 |
| Capital Contributions | 294,254 | 265,189 | 29,065 |
| Interest Income | 253,738 | 19,371 | 234,367 |
| Other Revenue | 148,825 | 110,195 | 38,630 |
| Total Revenues | <u>\$3,693,598</u> | <u>\$3,367,292</u> | <u>\$ 326,306</u> |

EXPENSES

Condensed Comparative Statement of Expenses

| | 2022 | 2021 | Change Gain / Loss |
|-------------------------|--------------------|--------------------|-----------------------|
| Waste Transmission | \$ 511,032 | \$ 462,608 | \$ 48,424 |
| Treatment Plant | 2,014,553 | 1,922,842 | 91,711 |
| District Administration | 331,587 | 349,210 | (17,623) |
| Total Expenses | <u>\$2,857,172</u> | <u>\$2,734,660</u> | <u>\$ 122,512</u> |

**BLACK HAWK – CENTRAL CITY SANITATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2022**

CAPITAL ASSETS

As of December 31, 2022, the District had capital assets of \$30,530,643.

| | 2022 | 2021 | Change Gain / Loss |
|--|---------------------|---------------------|-----------------------|
| Cash and Other Assets | \$18,951,144 | \$17,459,856 | \$ 1,491,288 |
| Capital Assets | 30,530,643 | 31,183,599 | (652,956) |
| Total Assets | <u>\$49,481,787</u> | <u>\$48,643,455</u> | <u>\$ 838,332</u> |
| Deferred Outflow of Resources | <u>\$ 22,289</u> | <u>\$ 48,146</u> | <u>\$ (25,857)</u> |
| Non-Current Liabilities | \$ 11,332 | \$ 123,464 | \$ (112,132) |
| Current Liabilities | 223,598 | 132,759 | 90,839 |
| Total Liabilities | <u>\$ 234,930</u> | <u>\$ 256,223</u> | <u>\$ (21,293)</u> |
| Deferred Inflow of Resources | <u>\$ 158,512</u> | <u>\$ 161,170</u> | <u>\$ (2,658)</u> |
| <u>Net Position</u> | | | |
| Invested in Capital Assets, Net of Related Debt | \$30,530,643 | \$31,183,599 | \$ (652,956) |
| Restricted | - | - | - |
| Unrestricted | 18,579,991 | 17,090,609 | 1,489,382 |
| Total Net Position | <u>\$49,110,634</u> | <u>\$48,274,208</u> | <u>\$ 836,426</u> |

Capital Assets represent the longest portion of The District’s Assets (61.7%) and has a net decrease of \$652,956. Depreciation expense was \$1,125,910. Unrestricted net position is the portion of net position that can be used to finance day to day operations without external constraints of debt covenants, legislation or other legal requirements. As of December 31, 2022, unrestricted net position was \$1,489,382 more than December 31, 2021.

**BLACK HAWK – CENTRAL CITY SANITATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2022**

Condensed Schedule of Revenues-Expenses Budget and Actual

| | Budget Original and Final 2022 | Actual 2022 |
|----------|--------------------------------------|----------------|
| Revenues | \$3,865,826 | \$3,693,598 |
| Expenses | \$4,332,725 | \$2,204,213 |

REQUEST FOR INFORMATION

This financial report is designed to provide rate papers and creditors with a general overview of the District’s finances and demonstrate the District’s accountability for the monies it receives. If you have any questions about this report or need additional information, please contact:

The Administrator, PO Box 362, Black Hawk, CO 80422.

BASIC FINANCIAL STATEMENTS

BLACK HAWK CENTRAL CITY SANITATION AUTHORITY

STATEMENTS OF NET POSITION

December 31, 2022

| | <u>WASTEWATER SYSTEM FUND</u> |
|--|-----------------------------------|
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents | \$ 17,429,792 |
| Investments | 742,668 |
| Accounts Receivable | |
| Customers | 99,326 |
| Grants | 42,282 |
| Property Taxes Receivable | 53,603 |
| Prepaid Expenses | 124,979 |
| Total Current Assets | <u>18,492,650</u> |
| Capital Assets | |
| Capital Assets, Not Being Depreciated | 3,466,962 |
| Capital Assets, Net of Accumulated Depreciation | 27,063,681 |
| Total Capital Assets | <u>30,530,643</u> |
| Noncurrent Assets | |
| Prepaid Expense | 444,000 |
| Net Pension Asset | 14,494 |
| Total Noncurrent Assets | <u>458,494</u> |
| TOTAL ASSETS | <u>49,481,787</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows of Resources Related to Pensions | 20,393 |
| Deferred Outflows of Resources Related to OPEB | 1,896 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>22,289</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 177,817 |
| Compensated Absences | 45,781 |
| Total Current Liabilities | <u>223,598</u> |
| Noncurrent Liabilities | |
| Net OPEB Liability | 11,332 |
| TOTAL LIABILITIES | <u>234,930</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Taxes | 53,603 |
| Deferred Inflows of Resources Related to Pensions | 100,436 |
| Deferred Inflows of Resources Related to OPEB | 4,473 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>158,512</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 30,530,643 |
| Unrestricted | 18,579,991 |
| TOTAL NET POSITION | <u>\$ 49,110,634</u> |

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

BLACK HAWK CENTRAL CITY SANITATION AUTHORITY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
 Year Ended December 31, 2022

| | WASTEWATER SYSTEM FUND |
|---|---------------------------|
| OPERATING REVENUES | |
| Charges for Services | \$ 2,968,152 |
| Miscellaneous | 32,211 |
| TOTAL OPERATING REVENUES | 3,000,363 |
| OPERATING EXPENSES | |
| Sources of Supply, Dumping, Treatment and Distribution | 1,400,053 |
| General and Administration | 331,209 |
| Depreciation | 1,125,910 |
| TOTAL OPERATING EXPENSES | 2,857,172 |
| OPERATING INCOME (LOSS) | 143,191 |
| NON-OPERATING REVENUES (EXPENSES) | |
| Property Taxes | 55,982 |
| Specific Ownership Taxes | 4,195 |
| Intergovernmental Revenues | 243,629 |
| Investment Income | 253,738 |
| PERA Pension Income Adjustment | 85,066 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | 642,610 |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | 785,801 |
| CAPITAL CONTRIBUTIONS | |
| Tap Fees | 50,625 |
| TOTAL CAPITAL CONTRIBUTIONS | 50,625 |
| CHANGE IN NET POSITION | 836,426 |
| NET POSITION, Beginning | 48,274,208 |
| NET POSITION, Ending | \$ 49,110,634 |

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

BLACK HAWK CENTRAL CITY SANITATION AUTHORITY

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2022

| | <u>WASTEWATER SYSTEM FUND</u> |
|---|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Customers | \$ 3,103,347 |
| Miscellaneous Receipts | 32,211 |
| Cash Payments to Employees | (174,747) |
| Cash Payments to Suppliers | (1,480,510) |
| Net Cash Provided by Operating Activities | <u>1,480,301</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of Capital Assets | (472,951) |
| Cash Received from Taxes | 60,177 |
| Cash Received from Capital Grants | 201,347 |
| System Development Fees Received | 50,625 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(160,802)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Net Change in Investments | 480,367 |
| Interest Received | 253,738 |
| Net Cash Provided (Used) by Investing Activities | <u>734,105</u> |
| Increase (Decrease) in Cash and Cash Equivalents | 2,053,604 |
| CASH AND CASH EQUIVALENTS, Beginning | <u>15,376,188</u> |
| CASH AND CASH EQUIVALENTS, Ending | <u>\$ 17,429,792</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating Income (Loss) | \$ 143,191 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities | |
| Depreciation | 1,125,910 |
| Net Change in Deferred Outflows and Inflows Related to Pensions and OPEB | (2,228) |
| Changes in Assets and Liabilities | |
| Accounts Receivable | 151,164 |
| Prepaid Insurance | (12,606) |
| Accounts Payable | 89,207 |
| Deferred Revenues - Customer Deposits | (15,969) |
| Compensated Absences Payable | 1,632 |
| Net Cash Provided by Operating Activities | <u>\$ 1,480,301</u> |

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

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Black Hawk-Central City Sanitation District (the "District"), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Gilpin County, Colorado. The District was established to provide sewer services to the District residents and business. The District is governed by an elected five-member Board of Directors.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, the District does not include additional organizations in its reporting entity.

Fund Accounting

The District uses a proprietary fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses a proprietary fund-type, an enterprise fund, to account for its activities of providing sewer collection, transmission and treatment services to District residents. The enterprise fund uses the economic resources measurement focus and the accrual basis of accounting for reporting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The fund distinguishes operating revenues and expenses from non-operating revenues and expenses, and capital contributions. Operating revenues and

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position

Cash Equivalents and Investments - Cash equivalents include cash deposits and highly liquid investments with original maturities of three months or less when purchased. Certificate of deposits with original maturities greater than three months when purchased are reported as investments. Investments are reported at fair value or the net asset value method.

Receivables - The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service. The District has chosen to turn over delinquent accounts to the Gilpin County, Colorado Treasurer to collect the delinquent sums while collecting property taxes. The District has determined that no allowance is necessary at December 31, 2022, based on historical collection expense.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements. Noncurrent assets include a long-term prepaid expense relating to a rental agreement with the City of Black Hawk, Colorado.

Capital Assets - Capital assets, which include land, land rights, sewer transmission and distribution system, treatment facilities, furniture and equipment, are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. All infrastructure assets owned by the District, which include sewer collection and transmission systems, have been capitalized.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

| | |
|---------------------------------------|---------------|
| Treatment Facilities and Improvements | 20 – 50 years |
| Transmission and Distribution System | 20 - 50 years |
| Furniture and Equipment | 3 - 20 years |

Compensated Absences - Employees of the District are allowed to accumulate unused vacation time and sick leave. Employees will be paid for all accrued vacation time up to 320 hours and 500 hours of accrued sick time at the current rate of pay, upon separation of employment subject to restrictions set forth in the District's policy manual. Management has determined that the accrued compensated absences balances are due within one year. A current liability in the amount of \$45,781, is reported in the financial statements for the accrued compensated absences at December 31, 2022.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense) until then. The District has items related to pensions and Other Postemployment Benefits (OPEB) that are reported as deferred outflows of resources at December 31, 2022.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has items related to pensions, OPEB and property tax revenues that is reported as deferred inflows of resources at December 31, 2022.

Net Position – Net position results from the accumulation of net earnings from operating income, non-operating revenues and expenses, and capital contributions and are classified in the financial statements as follows:

- Net Investment in Capital Assets – The net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the long-term debt issued to acquire, construct, or improve the related capital assets. The long-term debt attributable to the unspent long-term debt

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

proceeds at the end of the year is excluded from the calculation. Instead it is included in the same net position component as the unspent proceeds.

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This classification includes the residual net position that does not meet the classification of “net investment in capital assets” or “restricted.”

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 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 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, of these changes were in effect as of December 31, 2022.

OPEB

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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, benefit payments on behalf of health care

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

OPEB (Continued)

participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2022 through June 20, 2023, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

Concentration of Customer Risk

The District receives approximately 75% of its sewer service revenues from five customers. The loss of this revenue, if it were to occur could significantly affect the District's operations. District management does not expect the relationship with the two customers to change in the near future.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- In October, management submits to the Board of Directors 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.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Management is authorized to transfer budgeted amounts between departments within the fund. However, any revisions that alter the total expenditures of the fund must be approved by the Board of Directors.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets and Budgetary Accounting (Continued)

- The budget is legally adopted by the District. The budget is adopted on a non-GAAP budgetary basis. Capital outlay and long-term debt principal payments are budgeted as expenditures, and depreciation, and amortization of debt issue costs are not budgeted. Deferred revenues are reported as revenue for budgetary presentation.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2022, follows:

| | |
|---------------|-----------------------------|
| Cash Deposits | \$ 2,920,186 |
| Investments | <u>15,252,274</u> |
| Total | <u>\$ 18,172,460</u> |

Cash and investments are reported in the financial statements as follows:

| | |
|---------------------------|-----------------------------|
| Cash and Cash Equivalents | \$ 17,429,792 |
| Investments | <u>742,668</u> |
| Total | <u>\$ 18,172,460</u> |

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2022, the District had deposits totaling \$3,093,430 of which \$250,000 were FDIC insured and \$2,843,430 were collateralized with securities held by the financial institutions' agents but not in their name.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

The Board of Directors has adopted an investment policy, which specifies investment instruments meeting defined rating, and risk criteria in which the District may invest, which include the following:

- Direct obligations of the United States with a maximum maturity of 5 years.
- Obligations of U.S. Government Agencies with a maximum maturity of 5 years.
- Securities of entities or organization not listed above, but created by, or authorized to be created by legislation of the U.S. Congress where the issuing agency is subject to control by the federal government.
- General obligations of any state of the United States, the District of Columbia, the territorial possessions of the U.S., or political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental agencies. These securities must be rated in the highest two rating categories by two or more nationally recognized rating agencies. The period from the settlement date to its maturity shall be no longer than three years.
- The District's own securities including certificates of participation and lease obligations.
- Local government investment pools.
- Repurchase agreements for any of the U.S. Government and agency securities listed above.
- Reverse repurchase agreements for any of the U.S. Government and agency securities listed above.
- Securities lending agreement, subject to certain statutory conditions including that necessary transfer documents must be transferred to the investing public entity.
- Certain money market funds subject to statutory conditions including registration of the fund under the federal "Investment Company Act of 1940", that the fund seeks to maintain a constant share price.
- Certain guaranteed investment contracts rated in one of the two highest rating categories by two or more nationally recognized securities rating agencies that regularly issue such ratings.
- U.S. dollar denominated corporate or bank securities, issued by a corporation or bank organized and operating with the United States; the debt matures within three years; the debt must carry at least two ratings not below "AA- or Aa3" from any nationally recognized rating agency.

District policy is to hold investments until maturity.

Interest Rate Risk

The District has adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, which is consistent with state statutes. Colorado Revised Statutes limit investment maturities to five years or less from date of purchase.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through the PDPA.

At December 31, 2022, the District had the following investments, which are recorded at amortized costs:

| | <u>Maturity</u> | <u>2022</u> |
|--|-----------------------------------|----------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted Average under 60 days | \$ 15,252,274 |

CSAFE

The District invested in the Colorado Surplus Asset Fund (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rate commercial paper. A designated custodial bank serves as custodian for CSAFE's investment portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as a depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the Town records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2022, is summarized below:

| | Balances 12/31/2021 | Additions | Deletions | Balances 12/31/2022 |
|--|------------------------|---------------------|----------------|------------------------|
| Capital Assets, not being depreciated | | | | |
| Land and Land Rights | \$ 1,965,289 | \$ - | \$ - | \$ 1,965,289 |
| Construction in Progress | 1,033,796 | 467,877 | - | 1,501,673 |
| Total Capital Assets, not being depreciated | <u>2,999,085</u> | <u>467,877</u> | <u>-</u> | <u>3,466,962</u> |
| Capital Assets, being depreciated | | | | |
| Treatment Facilities and Improvements | 27,771,722 | - | - | 27,771,722 |
| Transmission and Distribution System | 18,150,029 | - | - | 18,150,029 |
| Furniture and Equipment | 636,514 | 5,074 | 2,971 | 638,617 |
| Total Capital Assets, being depreciated | <u>46,558,265</u> | <u>5,074</u> | <u>2,971</u> | <u>46,560,368</u> |
| Less accumulated depreciation | | | | |
| Treatment Facilities and Improvements | (10,665,425) | (693,525) | - | (11,358,950) |
| Transmission and Distribution System | (7,158,402) | (416,752) | - | (7,575,154) |
| Furniture and Equipment | (549,921) | (15,633) | (2,971) | (562,583) |
| Total accumulated depreciation | <u>(18,373,748)</u> | <u>(1,125,910)</u> | <u>(2,971)</u> | <u>(19,496,687)</u> |
| Total Capital Assets, being depreciated, net | <u>28,184,517</u> | <u>(1,120,836)</u> | <u>-</u> | <u>27,063,681</u> |
| Total Capital Assets, net | <u>\$ 31,183,602</u> | <u>\$ (652,959)</u> | <u>\$ -</u> | <u>\$ 30,530,643</u> |

NOTE 5: RETIREMENT COMMITMENTS

Multiple-Employer Defined Benefit Pension Plan

Plan Description. Eligible employees of the District are provided with pensions through the LGDTF—a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), 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.

Benefits Provided as of December 31, 2021. 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 C.R.S. § 24-51-602, 604, 1713, and 1714.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 5: RETIREMENT COMMITMENTS (Continued)

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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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% 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% or 100% 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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit are generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. 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 the 1.00% AI cap or the average CPI for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified 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.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 5: RETIREMENT COMMITMENTS (Continued)

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.

Contribution provisions as of December 31, 2021. 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 C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period January 1, 2021 through December 31, 2022 are summarized in the table below:

| | January 1, 2021 through June 30, 2021 | July 1, 2021 through December 31, 2021 | January 1, 2022 through June 30, 2022 | July 1, 2022 through December 31, 2022 |
|----------------------------|---|---|---|---|
| Employee Contribution Rate | 8.50% | 8.50% | 8.50% | 9.00% |
| State Troopers Only | 12.00% | 12.50% | 12.50% | 13.00% |

Contribution rates for the LGDTF are expressed as a percentage of salary as defined by C.R.S. § 24-51-101(42).

The employer contribution requirements for all employees other than State Troopers are summarized in the table below:

| | January 1, 2021 through June 30, 2021 | July 1, 2021 through December 31, 2021 | January 1, 2022 through June 30, 2022 | July 1, 2022 through December 31, 2022 |
|--|---|---|---|---|
| Employer Contribution Rate | 10.50% | 10.50% | 10.50% | 11.00% |
| 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% |
| Amount Apportioned to the SCHDTF | 9.48% | 9.48% | 9.48% | 9.98% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-1411 | 2.20% | 2.20% | 2.20% | 2.20% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-1411 | 1.50% | 1.50% | 1.50% | 1.50% |
| Defined Contribution Supplement as specified in C.R.S. 24-51-415 | 0.02% | 0.02% | 0.03% | 0.03% |
| Total Employer Contribution Rate to the LGDTF | 13.20% | 13.20% | 13.21% | 13.71% |

Contribution rates for the LGDTF are expressed as a percentage of salary as defined by C.R.S. § 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 \$16,604 for the year ended December 31, 2021.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 5: RETIREMENT COMMITMENTS (Continued)

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

At December 31, 2021 the District reported a/an liability/(asset) of (\$14,494) for its proportionate share of the net pension liability(asset). The net pension liability/(asset) was measured as of December 31, 2021, and the total pension Liability (TPL) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of December 31, 2020. Standard updated procedures were used to roll forward the TPL to December 31, 2021. The District's proportion of the net pension liability/(asset) was based on District contributions to the LGDTF for the calendar year 2021 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2021, the District's proportion was .016905439%, which was an increase of .001199932% from its proportion measured as of December 31, 2020. For the year ended December 31, 2021, the District recognized pension income of \$85,065. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 392 | \$ (134) |
| Net difference between projected and actual earnings on pension plan investments | - | (100,302) |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 686 | (6,201) |
| Changes of assumptions and other inputs | 2,720 | - |
| Contributions subsequent to the measurement date | 16,595 | - |
| Total | <u>\$ 20,393</u> | <u>\$ (106,637)</u> |

\$16,595 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,

| | |
|------|-------------|
| 2023 | \$ (26,989) |
| 2024 | (25,699) |
| 2025 | (25,076) |
| 2026 | (25,075) |

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 5: RETIREMENT COMMITMENTS (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs:

| | |
|--|------------------------------|
| 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% |
| Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation: | 7.25% |
| Discount rate: | 7.25% |
| Future post-retirement benefit increases: | |
| PERA Benefit Structure hired prior to 1/1/07: | 1.00% compounded annually |
| PERA Benefit Structure hired after 12/31/06 ⁽¹⁾ : | Financed by the AIR |

(1) Post Retirement benefit increases are provided by 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.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions for members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to ages 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 5: RETIREMENT COMMITMENTS (Continued)

Post-retirement non-disabled beneficiary mortality assumptions were based upon the PubG-2010 Contingent Survivor , adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, were reviewed and adopted by the PERA Board during the November 18, 2020, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% 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:

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 5: RETIREMENT COMMITMENTS (Continued)

| 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 ⁽¹⁾ | 6.00% | 4.70% |
| Total | 100.00% | |

(1) - The Opportunity Funds' name changed to Alternatives, effective January 1, 2020.

NOTE: 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%.

Discount Rate. The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions as 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%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50%

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 5: RETIREMENT COMMITMENTS (Continued)

every year until they are zero. Additionally, estimated employer contributions reflect 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 to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- 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 were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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% 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%. 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%, 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%) or 1-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|--------------------------------|--|--------------------------------|
| Proportionate Share of Net Pension Liability | \$ 99,381 | \$ (14,494) | \$ (109,746) |

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 5: RETIREMENT COMMITMENTS (Continued)

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

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues public available annual comprehensive financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Services, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2022, program members contributed \$6,000 and the District recognized pension expense and a liability of \$6,739 and \$0, respectively, for the Voluntary Investment Program.

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

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.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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 one or more of the four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated to the. 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 under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. 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 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% 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

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% 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 \$1,283 for the year ended December 31, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At December 31 2022, the District reported a liability of \$11,332 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. The District's proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the District's proportion was 0.0013142006%, which was a decrease of 0.00689772% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2021, the District recognized OPEB income of \$2,228. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 14 | \$ (2,252) |
| Net difference between projected and actual earnings on pension plan investments | - | (560) |
| Changes of assumptions or other inputs | 197 | (516) |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 350 | (1,145) |
| Contributions subsequent to the measurement date | 1,335 | - |
| Total | <u>\$ 1,896</u> | <u>\$ (4,473)</u> |

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

\$1,335 reported as deferred 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,

| | | |
|------|----|-------|
| 2023 | \$ | (836) |
| 2024 | | (851) |
| 2025 | | (803) |
| 2026 | | (690) |
| 2027 | | (618) |
| 2028 | | (114) |

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BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

Actuarial assumptions. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | State Division | School Division | Local Government Division | Judicial Division |
|--|----------------|-----------------|---|-------------------|
| Actuarial cost method | | | Entry age | |
| Price inflation | | | 2.30% | |
| Real wage growth | | | 0.70% | |
| Wage inflation | | | 3.00% | |
| Salary increases, including wage inflation | | | | |
| Members other than State Troopers | 3.30%-10.90% | 3.40%-11.00% | 3.20%-11.30% | 2.80%-5.30% |
| State Troopers | 3.20%-12.40% | N/A | 3.20%-12.40% | N/A |
| Long-term investment rate of return, net of OPEB 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% | |
| PERACare Medicare plans | | | 4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029 | |
| Medicare Part A premiums | | | 3.75% in 2021, gradually increasing to 4.50% in 2029 | |

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

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, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

| Medicare Plan | Initial Costs ofr Members without Medicare Part A | | |
|--|---|-----------------|---------------------------------|
| | Monthly Cost | Monthly Premium | Monthly Cost Adjusted to Age 65 |
| Medicare Advantage/Self-Insured Rx | \$ 633 | \$ 230 | \$ 591 |
| Kaiser Permanente Medicare Advantage HMO | 596 | 199 | 562 |

The 2021 Medicare Part A Premium is \$471 (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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

| Year | PERACare Medicare Plans | Medicare Part A Premium |
|-------|-------------------------|-------------------------|
| 2021 | 4.50% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.80% | 4.00% |
| 2024 | 5.60% | 4.00% |
| 2025 | 5.40% | 4.00% |
| 2026 | 5.10% | 4.25% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

Mortality assumptions used in the December 31, 2020 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the total OPEB liability for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The following health care costs assumptions were updated and used in the roll forward calculation for the Trust Fund:

- 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 2021 plan year.
- 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.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, were reviewed and adopted by PERA's Board during the November 20, 2020, Board meeting.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30 Year Expected Geometric Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| 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 ⁽¹⁾ | 6.00% | 4.70% |
| Total | <u>100.00%</u> | |

(1) - The Opportunity Funds' name changed to Alternatives, effective January 1, 2020.

NOTE: 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:

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

| | 1% Decrease in Trend Rates | Current Trend Rate | 1% Increase in Trend Rates |
|--|-------------------------------|-----------------------|-------------------------------|
| Initial PERACare Medicare trend rate | 7.10% | 8.10% | 9.10% |
| Ultimate PERA Care 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 | \$ 13,161 | \$ 11,332 | \$ 9,770 |

Discount rate. The discount rate used to measure the total OPEB liability was 7.25%. 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:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.

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%.
- 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.
- 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- 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 projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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%.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|-----------------------------------|------------------------|
| Proportionate Share of Net OPEB Liability | \$ 11,007 | \$ 11,332 | \$ 11,709 |

OPEB plan fiduciary net position. 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.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; natural disasters; or environmental liabilities due to the nature of its operations. The District maintains commercial insurance for all risks of loss through private insurance. Settled claims have not exceeded the District’s insurance coverage in any of the past three years. The District has not had any settled claims in any of the past three years.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation.

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 has made certain interpretations of the Amendment’s language in order to determine compliance.

The District’s management believes a significant portion of its operations qualifies for the “enterprise” exclusion allowed by the Amendment. The District believes it is in compliance with the requirements of the Amendment.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Intergovernmental Agreement – City of Black Hawk

In 2021, The District entered into an intergovernmental agreement with the City of Black Hawk regarding the planning, construction and financing of the Miner's Mesa Sanitary Sewer Interceptor Line. The agreement involved the addition of a sewer line in the Miner's Mesa subdivision. Per the agreement, the District will pay for up to \$900,000 of the expenditures related to the project, and the District will accept ownership and perpetual maintenance immediately upon completion of the project. As of December 31, 2022, the project is still ongoing and is expected to be completed in 2023.

REQUIRED SUPPLEMENTARY INFORMATION

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA Local Government Division Trust Fund Pension Plan
Last Ten Years*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------------------|------------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Proportion of the Net Pension Liability | 0.016905439% | 0.018105371% | 0.017570920% | 0.018028268% | 0.018291562% | 0.018415332% | 0.019484461% | 0.019644034% | 0.020359843% |
| Proportionate Share of the Net Pension Liability(Asset) | \$ (14,494) | \$ 94,352 | \$ 128,512 | \$ 226,654 | \$ 203,664 | \$ 248,670 | \$ 211,332 | \$ 176,071 | \$ 167,545 |
| Total Covered Payroll | \$ 130,873 | \$ 125,793 | \$ 127,908 | \$ 121,281 | \$ 118,456 | \$ 122,889 | \$ 116,659 | \$ 114,412 | \$ 113,922 |
| Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll | -11.07% | 75.01% | 100.47% | 186.88% | 171.93% | 202.35% | 181.15% | 153.89% | 147.07% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 101.49% | 101.49% | 90.88% | 86.26% | 75.96% | 79.37% | 73.65% | 76.87% | 80.72% |
| Total Pension Liability | \$ 5,758,380,000 | \$ 5,758,380,000 | \$ 5,715,765,000 | \$ 5,324,353,000 | \$ 5,228,602,000 | \$ 5,396,516,000 | \$ 5,123,847,000 | \$ 4,762,090,000 | \$ 4,647,777,000 |
| Plan Fiduciary Net Position | 5,844,117,000 | 5,844,117,000 | 5,194,638,000 | 4,592,962,000 | 3,971,389,000 | 4,283,086,000 | 3,773,506,000 | 3,660,509,000 | 3,751,468,000 |
| Net Pension Liability(Asset) | <u>\$ (85,737,000)</u> | <u>\$ (85,737,000)</u> | <u>\$ 521,127,000</u> | <u>\$ 731,391,000</u> | <u>\$ 1,257,213,000</u> | <u>\$ 1,113,430,000</u> | <u>\$ 1,350,341,000</u> | <u>\$ 1,101,581,000</u> | <u>\$ 896,309,000</u> |

* - The amounts presented for each fiscal year were determined as of 12/31.

NOTE: Information prior to 2014 was not available to report.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS
PERA Pension Plan
Last Ten Fiscal Years

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually Required Contribution | \$ 16,604 | \$ 15,952 | \$ 16,219 | \$ 15,378 | \$ 15,020 | \$ 14,632 | \$ 14,153 | \$ 14,781 | \$ 14,645 | \$ 14,445 |
| Contributions in Relation to the Contractually Required Contribution | <u>16,604</u> | <u>15,952</u> | <u>16,219</u> | <u>15,378</u> | <u>15,020</u> | <u>14,632</u> | <u>14,153</u> | <u>14,781</u> | <u>14,645</u> | <u>14,445</u> |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Covered Payroll | \$ 125,793 | \$ 125,793 | \$ 127,908 | \$ 121,281 | \$ 118,456 | \$ 115,391 | \$ 111,620 | \$ 116,569 | \$ 115,497 | \$ 113,922 |
| Contributions as a Percentage of Total Covered Payroll | 13.20% | 12.68% | 12.68% | 12.68% | 12.68% | 12.68% | 12.68% | 12.68% | 12.68% | 12.68% |

See the accompanying Independent Auditor's Report.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OTHER POST EMPLOYMENT BENEFIT LIABILITY
 PERA HCTF OPEB Plan
 Last Ten Years*

| Plan Measurement Date | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|--------------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| Proportion of the Net OPEB Liability (Asset) | 0.0013142006% | 0.0013831778% | 0.0013457249% | 0.0013980915% | 0.0014213420% | 0.0014136228% |
| Proportionate Share of the Net OPEB Liability (Asset) | \$ 11,332 | \$ 13,143 | \$ 15,126 | \$ 19,022 | \$ 18,472 | \$ 18,328 |
| Total Covered Payroll | \$ 130,873 | \$ 125,793 | \$ 127,908 | \$ 121,281 | \$ 118,456 | \$ 122,889 |
| Proportionate Share of Net OPEB Liability as a Percentage of its Covered Employee Payroll | 8.66% | 10.45% | 11.83% | 15.68% | 15.59% | 14.91% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 32.78% | 32.78% | 24.49% | 17.03% | 17.53% | 16.72% |
| Total OPEB Liability | \$ 1,413,526,000 | \$ 1,413,526,000 | \$ 1,488,508,000 | \$ 1,639,734,000 | \$ 1,575,822,000 | \$ 1,556,762,000 |
| Plan Fiduciary Net Position | 463,301,000 | 463,301,000 | 364,510,000 | 279,192,000 | 276,222,000 | 260,228,000 |
| Net OPEB Liability | <u>950,225,000</u> | <u>950,225,000</u> | <u>1,123,998,000</u> | <u>1,360,542,000</u> | <u>1,299,600,000</u> | <u>1,296,534,000</u> |

* - The amounts presented for each fiscal year were determined as of 12/31.

NOTE: Information prior to 2016 was not available to report.

See the accompanying Independent Auditors' Report.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF OPEB CONTRIBUTIONS

PERA HCTF OPEB Plan

Last Ten Fiscal Years

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution | 1,335 | 1,283 | 1,305 | 1,237 | 1,208 | 1,253 |
| Contributions in Relation to the Contractually Required Contribution | <u>1,335</u> | <u>1,283</u> | <u>1,305</u> | <u>1,237</u> | <u>1,208</u> | <u>1,253</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Covered Payroll | 130,873 | 125,793 | 127,908 | 121,281 | 118,456 | 122,889 |
| Contributions as a Percentage of Total Covered Payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

NOTE: Information prior to 2017 was not available to report.

See the accompanying Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

BLACK HAWK CENTRAL CITY SANITATION AUTHORITY

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS
 Year Ended December 31, 2022

| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) |
|--|---------------------------------|----------------------|------------------------------------|
| REVENUES | | | |
| Operating | | | |
| Sewer Service Charges | \$ 2,890,000 | \$ 2,968,152 | \$ (78,152) |
| Miscellaneous | 11,500 | 32,211 | (20,711) |
| Non-Operating | | | |
| Property Taxes | 53,626 | 55,982 | (2,356) |
| Specific Ownership Taxes | 3,000 | 4,195 | (1,195) |
| Capital Grants | 638,700 | 243,629 | 395,071 |
| Investment Income | 19,000 | 253,738 | (234,738) |
| Tap Fees | 250,000 | 50,625 | 199,375 |
| PERA Pension Income Adjustment | - | 85,066 | (85,066) |
| | <u>3,865,826</u> | <u>3,693,598</u> | <u>172,228</u> |
| EXPENDITURES | | | |
| Treatment Plant Operation and Maintenance | 1,402,000 | 1,400,053 | 1,947 |
| General and Administrative | 660,725 | 331,209 | 329,516 |
| Capital Outlay | 2,270,000 | 472,951 | 1,797,049 |
| | <u>4,332,725</u> | <u>2,204,213</u> | <u>2,128,512</u> |
| CHANGE IN NET POSITION, Budgetary Basis | <u>\$ (466,899)</u> | 1,489,385 | <u>\$ 2,300,740</u> |
| ADJUSTMENTS TO GAAP BASIS | | | |
| Capital Outlay | | 472,951 | |
| Depreciation | | <u>(1,125,910)</u> | |
| CHANGE IN NET POSITION, GAAP Basis | | 836,426 | |
| NET POSITION, Beginning | | <u>48,274,208</u> | |
| NET POSITION, Ending | | <u>\$ 49,110,634</u> | |

See the accompanying Independent Auditor's Report.

OTHER INFORMATION

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF TEN YEAR SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2022

| <u>Levy Year</u> | <u>Collection Year</u> | <u>Assessed Valuation</u> | <u>Mill Levy</u> | <u>Total Levied</u> | <u>Total Collected</u> | <u>Collection Rate</u> |
|------------------|------------------------|---------------------------|------------------|---------------------|------------------------|------------------------|
| 2013 | 2014 | \$ 248,851,715 | 0.168 | \$ 41,807 | \$ 41,723 | 99.80% |
| 2014 | 2015 | 248,461,730 | 0.168 | 41,742 | 41,710 | 99.92% |
| 2015 | 2016 | 268,328,494 | 0.168 | 45,079 | 42,342 | 93.93% |
| 2016 | 2017 | 263,220,830 | 0.168 | 44,221 | 44,193 | 99.94% |
| 2017 | 2018 | 269,003,343 | 0.168 | 45,193 | 45,175 | 99.96% |
| 2018 | 2019 | 272,087,278 | 0.168 | 45,711 | 45,566 | 99.68% |
| 2019 | 2020 | 327,178,464 | 0.168 | 54,966 | 52,416 | 95.36% |
| 2020 | 2021 | 343,587,668 | 0.168 | 57,723 | 57,722 | 100.00% |
| 2021 | 2022 | 319,926,981 | 0.168 | 53,748 | 55,982 | 104.16% |
| 2022 | 2023 | \$ 319,066,780 | 0.168 | \$ 53,603 | | |

Note: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

Source: Gilpin County Assessor and Treasurer.

See the accompanying Independent Auditor's Report.