

**BOX ELDER WATER & SANITATION DISTRICT
ADAMS COUNTY, COLORADO**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2024**



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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Box Elder Water & Sanitation District

Opinion

We have audited the accompanying financial statements of the governmental activities and the major funds of Box Elder Water & Sanitation District (the "District") as of and for the year ended December 31, 2024 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of the District, as of December 31, 2024 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the 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 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.

Auditors' 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 auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Sincerely,



Littleton, Colorado
February 23, 2026

BASIC FINANCIAL STATEMENTS

Box Elder Water & Sanitation District
Statement of Net Position
December 31, 2024

	2024
Assets	
Cash and cash equivalents	\$ 204,636
Accounts receivable:	
Property taxes	35,989
Total Assets	\$ 240,625
 Liabilities	
Accounts payable	5,308
Total Liabilities	5,308
 Deferred Inflows of Resources	
Property tax revenue	35,989
Total Deferred Inflows of Resources	35,989
 Net Position	
Restricted for:	
Emergency	1,091
Unrestricted	198,237
Total Net Position	199,328
Total Liabilities and Net Position	\$ 240,625

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

Box Elder Water & Sanitation District
Statement of Activites
For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Government Activities:					
General government	\$ 27,293	\$ -	\$ -	\$ -	\$ (27,293)
	\$ 27,293	\$ -	\$ -	\$ -	\$ (27,293)
General revenues:					
Property taxes				\$ 34,103	
Specific Ownership taxes				1,879	
Interest income				395	
Total general revenues				36,377	
Change in net position					9,084
Net position- Beginning					190,244
Net position- Ending					\$ 199,328

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

Box Elder Water & Sanitation District
Governmental Funds Balance Sheet and
and Reconciliation of Fund Balance to Net Position
December 31, 2024

	General Fund
Assets	
Cash and cash equivalents	\$ 204,636
Accounts receivable:	
Property taxes	35,989
Total Assets	\$ 240,625
 Liabilities	
Accounts payable	5,239
Total Liabilities	5,239
 Deferred Inflows of Resources	
Property tax revenue	35,989
Total Deferred Inflows of Resources	35,989
 Fund Balance	
Restricted for:	
Emergency	1,091
Unassigned	198,306
Total Fund Balance	199,397
Total liabilities, deferred inflows of resources, and Fund balance	\$ 240,625

There are no reconciling items between this statement and the Statement of Net Position

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

Box Elder Water & Sanitation District
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2024

	General Fund
Revenues	
Property taxes	\$ 34,103
Specific Ownership taxes	1,879
Interest income	395
Total Revenues	36,377
 Expenditures	
Accounting	14,350
County Treasurer's fees	926
Director's fees	600
Insurance and bonds	1,845
Legal services	8,220
Miscellaneous	1,352
Total Expenditures	27,293
Net Change in Fund Balance	9,084
 Fund Balance:	
Beginning of the year	190,244
End of the year	\$ 199,328

There are no reconciling items between this statement and the Statement of Activities

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

Box Elder Water & Sanitation District
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Property taxes	\$ 35,054	\$ 34,103	\$ (951)
Specific Ownership taxes	2,800	1,879	(921)
Interest income	81	395	314
Total Revenues	<u>37,935</u>	<u>36,377</u>	<u>(1,558)</u>
Expenditures:			
Accounting	15,000	14,350	650
County Treasurer's fees	720	926	(206)
Director's fees	600	600	-
Insurance and bonds	2,000	1,845	155
Legal services	14,000	8,220	5,780
Dues and memberships	500	-	500
Engineering	50,000	-	50,000
Contingency	3,080	-	3,080
Miscellaneous	300	1,352	(1,052)
Total Expenditures	<u>86,200</u>	<u>27,293</u>	<u>58,907</u>
Excess Revenue Over (Under) Expenditures	<u>(48,265)</u>	<u>9,084</u>	<u>57,349</u>
Net Change in Fund Balance	<u>(48,265)</u>	<u>9,084</u>	<u>57,349</u>
Fund Balance—Beginning of Year	<u>151,693</u>	<u>190,244</u>	<u>38,551</u>
Fund Balance—End of Year	<u>\$ 103,428</u>	<u>\$ 199,328</u>	<u>\$ 95,900</u>

Box Elder Water & Sanitation District

Notes to Financial Statements

December 31, 2024

1. Definition of Reporting Entity

Box Elder Water & Sanitation District (the “District”), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized in 1978 and is governed pursuant to the Colorado Special District Act (§32-1-101, et al, C.R.S). The District operates under a service plan initially approved by the Adams County Board of Commissioners in July 1978, which was subsequently amended and approved by the County in 1985. The District’s service area is located in Adams County, Colorado.

The District was established to finance public improvements for the use and benefit of the residents and taxpayers of the District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body. Board members are elected or can be appointed to fill a vacancy if necessary.

The District has no employees and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

2. Summary of Significant Accounting Policies

The accompanying financial statements are presented in accordance with GASB Statement No. 34, *Special Purpose Governments*.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. For the most part, the effect of interfund activity has been removed from these statements. These financial statements include all of the activities of the District.

Governmental activities are normally supported by property taxes collected. Both statements distinguish between governmental activities, which normally are supported by taxes and business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the District. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the District is being reported as net position.

Box Elder Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2024

2. Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Redemption of bonds is recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without public notification. The total appropriation can only be modified by public hearing after publication of notice. The budget includes each fund on its basis of accounting unless otherwise indicated.

Box Elder Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2024

2. Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash

The District's cash consists of cash on deposit with a financial institution. The District does not hold investments. All cash receipts are deposited into, and all disbursements are made from, a single bank account. Cash balances are maintained to meet current operating requirements.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to be imposed on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes are considered fully collectible and are recorded initially as deferred inflows of resources in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the year ended December 31, 2024 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current fiscal year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Use of Estimates

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

Box Elder Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2024

2. Summary of Significant Accounting Policies (continued)

Fund Balance – Governmental Funds

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

3. Cash

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

Box Elder Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2024

3. Cash (continued)

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2024, the District had a bank balance of \$204,636 which was FDIC Insured.

4. Related Parties

The developer of the property is Southwestern Property Corporation. Certain individuals associated with the developer serve as members of the District's Board of Directors. In addition, the Developer provides accounting services to the District. These relationships are disclosed for purposes of transparency. Management is not aware of any material related-party transactions requiring disclosure during the year.

5. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2024. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public official's liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

6. Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in

Box Elder Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2024

6. Tax, Spending and Debt Limitations (continued)

excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Revenue (excluding bond proceeds). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. As of December 31, 2024, the District had \$1,091 restricted for emergencies.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

7. Net Position

The District has net position consisting of two components – restricted and unrestricted.

The Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position as of December 31, 2024 consisted solely of amounts restricted for emergency purposes totaling \$1,091.

The District's unrestricted net position as of December 31, 2024 totaled \$198,237.