



# FINANCIAL STATEMENTS

Year Ended December 31, 2018

## TABLE OF CONTENTS

---

Management Discussion and Analysis .....	1
Independent Auditors' Report.....	5
STATEMENT OF NET POSITION.....	7
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION.....	8
STATEMENT OF CASH FLOWS .....	9
NOTES TO FINANCIAL STATEMENTS.....	10
REQUIRED SUPPLEMENTARY INFORMATION .....	30
SUPPLEMENTARY INFORMATION .....	32

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This is an analysis and overview of the financial activities of the Upper Thompson Sanitation District (UTSD) for the year ended December 31, 2018. This information should be read in conjunction with the financial statements and notes which follow:

### FINANCIAL HIGHLIGHTS

- As of December 31, 2018, approximately \$31.1 million was held in net position for the provision of future services to citizens.
- For fiscal year 2018, the total net position increased by \$2,082,958 or 7% from 2017. This was primarily from increased fees.
- Operating revenue for 2018 totaled \$3.9 million, which is an increase of 5% from 2017.
- The District treated 286.39 million gallons of wastewater in 2018 – a decrease of 13.8 million gallons or 4.6% from 2017. The cost of treatment was \$.0079 per gallon and a \$.0011 increase from 2017.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to UTSD's financial statements which follow. The statements include:

1. Statement of Net Position
2. Statement of Revenue, Expenses, and Changes in Net Position
3. Statement of Cash Flows
4. Notes to Financial Statements.

The *statement of revenue, expenses, and changes in net position* presents UTSD revenue and expenses for the year ended December 31, 2018.

The *statement of cash flows* shows the net cash flows from activities for the year ended December 31, 2018.

These statements are in compliance with Governmental Accounting Standards Board (GASB) Statements. These pronouncements address the requirements for financial statement presentation and certain disclosures for state and local governmental entities. UTSD's financial statements comply with all material requirements of these pronouncements.

These statements provide a snapshot of UTSD's assets and liabilities as of December 31, 2018 and the activities which occurred during the year. All statements were prepared using the accrual basis of accounting as required by GASB.

*Notes to financial statements* provide additional information which is essential to a full understanding of the basic financial statements.

## FINANCIAL ANALYSIS

As of December 31, UTSD's net position was:

December 31	2018	2017
Cash	\$ 575,280	\$ 1,614,723
Investments	10,279,612	8,032,407
Receivables	898,087	1,063,581
Inventories	48,924	37,296
Capital Assets, net	20,000,821	20,208,857
Deferred Outflows of resources	294,158	110,735
Total Assets and Deferred Outflows	33,096,882	31,067,599
Less Liabilities and Deferred Inflows	2,045,318	2,098,993
Net Position	\$ 31,051,564	\$ 28,968,606

The following is a comparison of UTSD's results of operations:

Years Ended December 31	2018	2017
Revenues:		
Service charges	\$ 3,849,684	\$ 3,730,065
State and federal flood capital grants	178,493	--
Other income	373,098	146,899
Capital contributions	484,398	249,640
Total Revenues	4,885,673	4,126,604
Expenses:		
Operating expenses:		
Plant	1,216,543	1,427,654
Lines	722,134	1,025,148
Administration	864,038	875,647
Total Expenses	2,802,715	3,328,449
Net Income	\$ 2,082,958	\$ 798,155

Net position has changed due to the following:

- During 2018, operating revenue increased approximately 16.9%, due to a scheduled increase in service rates and additional grant funding.
- During 2018, operating expenses decreased by 15.5%. A portion of the decrease is due to the reforms to Colorado PERA passed by the legislature.

## **CAPITAL ASSETS**

The District experienced the catastrophic failure of approximately 25,000 linear feet of its sanitary sewer collection system along the Fish Creek and Fall River corridors due to the September 2013 flood. The treatment plant and two lift stations were also damaged and rendered temporarily inoperable from excessive silt and debris from the flooding. Damage assessments, prepared by FEMA, totaled \$9.2 million. Considering 75% FEMA and 12.5% State of Colorado reimbursement, the District was responsible for the remaining 12.5%, or approximately \$1.15 million in expenses. Collection system re-construction was completed in the fall of 2015. In 2014 the District received notice of award for additional flood recovery grants totaling \$564,730 from the Community Development Block Grant – Disaster Recovery Program. Final reconciliation of expenses based on project closeout may occur in 2019, subject to federal audit with a 3-year time frame.

## **OTHER MATTERS**

The following factors are expected to have a significant effect on UTSD's future financial position and results of operations:

Staff continues to develop a 20-year master plan to address all future wastewater requirements and needs of the District and the Estes Valley. Additionally, each year the District develops a Capital Improvement Plan which is a dynamic tool used to project the total dollars in needed expansion, improvements, and attention to ongoing maintenance required over a 10-year period moving into the future.

The District's 20-year Capital Improvement Plan identifies major facility upgrades in consideration of the facility's 50-year design life which concludes in 2025. The current wastewater treatment facility will be unable to process future wastewater flows and unable to reduce nutrients and metals to anticipated water quality standard effluent levels without significant modifications and site expansion. To that end, the District's planning will include a wastewater treatment facility site alternatives evaluation and financial forecasting necessary to support future expansion.

The Board of Directors and District Manager, in consultation with the District Engineer, are reviewing the operational upgrades required in order to meet the District's current needs and future plans. Using the Capital Improvement Plan, future allocation of funds are designated for capacity expansion at the wastewater treatment facility, implementation of technology to address newly defined EPA/State of Colorado discharge requirements, upgrade or replacement of the collection system and the increasing costs of fuel, chemicals and utilities. To meet identified budgetary needs, beginning in 2012, the District Board of Directors determined the necessity of a 3-year, 8.5% annual increase in customer service rates, concluding in 2014. In order to assess rates moving forward, the District retained the services of Hatch Mott MacDonald (now Mott MacDonald) and Raffelis Financial Consultants, Inc. to conduct a comprehensive wastewater cost of service study. The primary conclusions and recommendations resulting from this study determined that the District should incrementally increase service rates and explore paying for some portion of its forecasted capital expenditures using debt. To maintain operational solvency and continue funding short term capital projects, the Board of Directors adopted an additional 3-year, 8.5% annual customer service rate increase beginning in 2015 and ending in 2018.

Additionally, the District may consider the use of debt financing as early as 2020 and has immediately began investigating options regarding external debt financing.

Federal and State agencies are in the process of implementing more stringent nutrient requirements, specifically regarding wastewater effluent discharge of nitrogen and phosphorus. The District's Colorado Discharge Permit System (CDPS) permit, effective November 1, 2011, also includes a compliance schedule to meet metals limits for total recoverable arsenic, potentially dissolved (PD) cadmium, PD copper, total mercury, and PD silver. The CDPS permit indicates the metals limits become effective on October 1, 2016. Once the State nutrient and metals requirements are implemented, the District will be required to initiate upgrades at the wastewater treatment plant, which will significantly impact the District's financial resources.

### **REQUESTS FOR INFORMATION**

This discussion and analysis is designed to provide a general overview of UTSD's activities for the year ended December 31, 2018. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: District Manager, Upper Thompson Sanitation District, P.O. Box 568, Estes Park, CO 80517.



## Independent Auditors' Report

Board of Directors  
Upper Thompson Sanitation District  
Estes Park, Colorado

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Upper Thompson Sanitation District as of December 31, 2018, and for the year then ended, and the notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Upper Thompson Sanitation District as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

## Emphasis of Matter

As discussed in Notes 1 and 8 to the basic financial statements, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* which has resulted in a restatement of the net position as of January 1, 2018. Our opinions are not modified with respect to this matter.

## Other Matters

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 32-37 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Accounting principles generally accepted in the United States require that management discussion and analysis and pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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 evidence sufficient to express an opinion or provide any assurance.

*Anderson & Whitney, P.C.*

September 17, 2019

# UPPER THOMPSON SANITATION DISTRICT

## STATEMENT OF NET POSITION

December 31	2018
<u>ASSETS AND DEFERRED OUTFLOWS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 575,280
Investments	10,279,612
Receivables:	
Trade accounts	157,804
Grant receivables, net of allowance	740,283
Inventories	48,924
<u>    Total Current Assets</u>	<u>11,801,903</u>
Capital Assets:	
Land, other property rights, and construction in progress	37,301,040
Other capital assets, net of accumulated depreciation	(16,300,219)
<u>    Total Capital Assets</u>	<u>21,000,821</u>
Deferred Outflows of Resources:	
Pension Plan	294,158
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS</u>	<u>\$ 33,096,882</u>
<u>LIABILITIES AND DEFERRED INFLOWS</u>	
Current Liabilities:	
Accounts payable	\$ 39,571
Customer prepayments	17,417
Accrued wages and payroll liabilities	60,730
Compensated absences	81,736
Net pension liability	1,709,810
Net OPEB liability	136,054
Deferred Inflows of Resources:	
Pension Plan	-
<u>    Total Liabilities and Deferred Inflows of Resources</u>	<u>2,045,318</u>
<u>NET POSITION</u>	
Investment in Capital Assets	21,000,821
Unrestricted Net Position	10,050,743
<u>TOTAL NET POSITION</u>	<u>\$ 31,051,564</u>

See Accompanying Notes to Financial Statements.

# UPPER THOMPSON SANITATION DISTRICT

## STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31	2018
Operating Revenue:	
Sewer charges	\$ 3,849,684
Dump fees	73,654
Access and permit fees	31,590
Total Operating Revenue	3,954,928
Operating Expenses:	
Plant	1,216,543
Lines	722,134
Administration	864,038
Total Operating Expenses	2,802,715
Operating Income	1,152,213
Non-operating Revenue (Expenses):	
Interest income	184,206
Other income	83,648
Net Non-operating Revenue	267,854
Income Before Contributions	1,420,067
Capital contributions	484,398
Grant income	178,493
Net Income	2,082,958
Net Position, Beginning of Year	28,968,606
Net Position, End of Year	\$ 31,051,564

See Accompanying Notes to Financial Statements.

# UPPER THOMPSON SANITATION DISTRICT

## STATEMENT OF CASH FLOWS

Year Ended December 31	2018
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 3,979,047
Payments to suppliers and employees	(1,987,702)
Net Cash Provided by Operating Activities	1,991,345
Cash Flows from Capital and Related Financing Activities:	
Acquisition of property, plant and equipment	(1,630,680)
Federal and state capital grants	178,493
Capital contributions	484,398
Net Cash Used by Capital and Related Financing Activities	(967,789)
Cash Flows from Noncapital Financing Activities:	
Other	-
Net Cash Provided by Noncapital Financing Activities	-
Cash Flows from Investing Activities:	
Interest and dividends received	184,206
Purchase of investments	(2,247,205)
Net Cash Flows from Investing Activities	(2,062,999)
Net Decrease in Cash and Cash Equivalents	(1,039,443)
Cash and Cash Equivalents, Beginning of Year	\$1,614,723
Cash and Cash Equivalents, End of Year	\$ 575,280

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 1,235,861
Depreciation	838,715
Change in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	165,494
Inventories	(11,627)
Increase (decrease) in:	
Accounts payable and accrued expenses	(11,277)
Net pension liability and deferrals	(225,821)
Net Cash Provided by Operating Activities	\$ 1,991,345

See Accompanying Notes to Financial Statements.

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### **NOTE 1 – Summary of Significant Accounting Policies:**

This summary of the Upper Thompson Sanitation District's significant accounting policies is to assist the reader with interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

---

#### Form of Organization:

Upper Thompson Sanitation District is an independent governmental entity organized in July 1971, under the provisions of the Colorado Revised Statutes. The District's Board of Directors is elected by property owners of the District and has the responsibilities for designation of management, operational decisions, and budget matters. The District is fully responsible for its financial matters and is not financially interdependent with another governmental unit. Revenues are derived by service charges determined by the Board. The District exists for the benefit of its residents and services of the District are generally available to the residents of the District.

---

#### Scope of Reporting Entity:

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

---

#### Financial Reporting Entity:

For financial reporting purposes, management has considered all potential component units in defining the District. The basic criterion for including a potential component unit is the District's ability to exercise significant operational control or financial accountability with the District. Financial relationship or operational control is determined on the basis of the District's obligation to fund deficits, responsibility for debt, budgetary authority, fiscal management, selection of governing authority and/or management, and the ability to significantly influence operations.

Based on the criteria mentioned above, no other entities are considered to be component units of the District, nor is the District a component unit of any other governmental entity.

---

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1 – Summary of Significant Accounting Policies - Continued:

#### Basis of Accounting:

The District currently operates as an “Enterprise Fund” as prescribed in governmental accounting standards because the intent of the Board is that costs and expenses (including depreciation) of providing services to its customers be financed or recovered primarily through user charges. The accrual basis of accounting is utilized for its operations. The District does not use encumbrance accounting.

The Enterprise Fund is accounted for on a cost of services “capital maintenance” measurement focus. Under this concept, all assets and all liabilities (whether current or noncurrent) associated with the activity are reported on the balance sheet. The reported fund equity (net position) is segregated into net investment in capital and unrestricted components. The proprietary fund type operation statement reports increases (revenues) and decreases (expenses) in net position.

Enterprise funds distinguish *operating* revenues from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principal ongoing operations. The principal operating revenues of the District are sewer charges and related services. Operating expenses for enterprise funds 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.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

---

#### Cash Equivalents:

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

---

#### Capital Assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are stated at cost except for property received by donation or contribution, which is stated at its estimated fair market value at the time it is received by the District. The cost of maintenance and repairs is charged against income as incurred; significant renewals, betterments, and improvements are capitalized.

Depreciation has been computed using the straight-line method based on lives of 20 to 50 years for the treatment plant and collection lines and 5 to 10 years for service equipment.

---

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1 – Summary of Significant Accounting Policies - Continued:

#### Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

---

#### Connection Fees:

Potential customers seeking to connect to the sewer treatment system must make a formal written request to the District. If the application is approved, the applicant may purchase a tap by paying a system development fee (SDF) of \$8,700 per single-family equivalent unit (SFE). System development fees for nonresidential customers are assessed using actual metered flow data obtained from an outside source. In addition to the SDF, a line extension fee is charged. System development fees and line extension fees are recorded as capital contributions from customers and subdividers.

---

#### Compensated Absences:

Employees of the District are entitled to paid vacation time depending on length of service. Accrued compensated absences totaled \$81,736 at December 31, 2018.

---

#### Budgets:

Colorado state law requires the adoption of an annual budget. Appropriations lapse at the end of each year. The budget and related appropriations are prepared on the budgetary basis, which differs from accounting principles generally accepted in the United States, in that:

- \* Capital outlays are budgeted as expenditures.
- \* Depreciation is not budgeted.

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### **NOTE 1 – Summary of Significant Accounting Policies - Continued:**

The District's Board of Directors adopts total budget appropriations for each of its funds. This is normally done in December of each year when notice is published in local newspapers and the proposed budget is held open for inspection by the taxpayers and a public hearing is held. The Board may transfer budget amounts between departments within any fund; however, any revision that alters the total appropriation of any fund requires that a budget revision be adopted by resolution in the same manner described above for adoption of the original budget. The level of budgetary responsibility is by total fund appropriations.

---

#### **Pensions:**

Upper Thompson Sanitation District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multi-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.

---

#### **Other Postemployment Benefits (OPEB):**

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

---

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### **NOTE 1 – Summary of Significant Accounting Policies - Continued:**

Implementation of GASB Statement No. 75:

As of January 1, 2018, UTSD adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The implementation of this standard requires governments calculate and report the costs and obligations associated with postemployment benefits in their basic financial statements. Employers are required to recognize other postemployment benefit amounts for all benefits provided through the plan which include the net postemployment liability, deferred outflows of resources, deferred inflows of resources, and postemployment expense.

---

### **NOTE 2 – Cash and Investments:**

The District's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the Authority's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

The District's investment policy is not more restrictive than State statutes. The District's investments are concentrated in bank CD's of \$250,000 or less.

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from increasing interest rates.

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – Cash and Investments: - Continued:

Investments are reported at fair value and held as of December 31, 2018 as follows:

December 31, 2018	Cost	Fair Value
ColoTrust	\$ 8,395,901	\$ 8,395,901
Cash	15,351	15,351
Bank CD's	1,269,358	1,241,216
U.S. Agency Bonds, rated AAA	643,295	627,144
	<u>\$ 10,323,905</u>	<u>\$ 10,279,612</u>

At December 31, 2018, the District had invested \$8,395,901 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is valued at the net asset value (NAV) of \$1.00. Investments of COLOTRUST consist of bills, notes, and bonds issued by the U.S. Treasury or a government agency, and repurchase agreements secured by such obligations. COLOTRUST is rated AAA by Standard & Poor's. The District's interest is valued at NAV.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – Cash and Investments: - Continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

Description	Fair Value Measurements at Reporting Date Using		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2018</u>			
Bank C.D.'s	\$ --	\$ 1,241,216	\$ --
Cash	15,351	--	--
U.S. Agency Bonds	--	627,144	--

### NOTE 3 – Capital Assets:

	Balance 1/1/18	Additions	Deletions	Balance 12/31/18
Not depreciated:				
Land and easements	\$ 159,962	\$ 1,016,172	\$ --	\$ 1,176,134
Construction-in-process	--	276,250	--	276,250
	159,962	1,292,422	--	1,452,384
Depreciable capital assets:				
Buildings	706,059	--	--	706,059
Collection system	20,618,205	189,559	--	20,807,765
Sewage treatment plant	11,101,221	13,159	--	11,114,380
Equipment and vehicles	3,084,913	135,541	--	3,220,453
	35,510,398	338,259	--	35,848,657
Less Accumulated				
Depreciation	(15,461,504)	(838,715)	--	(16,300,219)
<b>Net Capital Assets</b>	<b>\$20,208,856</b>	<b>\$ 791,966</b>	<b>\$ --</b>	<b>\$21,000,822</b>

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 4 – PERA:

Upper Thompson Sanitation 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.

*Plan description:* Eligible employees of the Upper Thompson Sanitation District are provided with pensions through the Local Government Division Trust Fund - a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided:* 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.

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

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

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

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 4 – PERA – Continued:

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's annual increase reserve for the LGDTF.

*Contributions:* Eligible employees and Upper Thompson Sanitation 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.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized as follows:

Years Ended December 31	2018	2017
Employer contribution rate as a percentage of salary	10.00%	10.00%
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)
Amount Apportioned to the LGDTF	8.98	8.98
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20	2.20
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50	1.50
<b>Total Employer Contribution Rate to the LGDTF</b>	<b>12.68%</b>	<b>12.68%</b>

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 4 – PERA – Continued:

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Upper Thompson Sanitation District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from Upper Thompson Sanitation District were \$113,550 for the year ended December 31, 2018.

At December 31, 2018, Upper Thompson Sanitation District reported a liability of \$1,709,810 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The Upper Thompson Sanitation District proportion of the net pension liability was based on Upper Thompson Sanitation District contributions to the LGDTF for the calendar year 2018 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2018, the Upper Thompson Sanitation District proportion was .13 percent, which was approximately the same as of December 31, 2017.

For the year ended December 31, 2018, Upper Thompson Sanitation District recognized pension expense of (\$237,658). At December 31, 2018, Upper Thompson Sanitation District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 71,492	\$ --
Net difference between projected and actual earnings on pension plan investments	222,666	--
Total	\$ 294,158	\$ --

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Amount
2019	\$ 130,061
2020	30,143
2021	12,407
2022	121,547
	\$ 294,158

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 4 – PERA – Continued:

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

Price inflation	2.4 percent
Real wage growth	1.1 percent
Wage inflation	3.5 percent
Salary increases, including wage inflation	3.5 - 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07 (automatic)	2.0 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4 – PERA – Continued:

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.2%	4.3%
U.S. Equity – Small Cap	7.42%	4.8%
Non U.S. Equity – Developed	18.55%	5.2%
Non U.S. Equity – Emerging	5.83%	5.4%
Core Fixed Income	19.32%	1.2%
High Yield	1.38%	4.3%
Non-U.S. Fixed Income	1.84%	0.6%
Emerging Market Debt	0.46%	3.9%
Core Real Estate	8.5%	4.9%
Private Equity	8.5%	6.6%
Opportunity Fund	6.0%	3.8%
Cash	1.0%	0.2%
Total	100.00%	

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

*Discount rate:* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.5 percent every year until they are zero. Based on those assumptions, the 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 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. There was no change in the discount rate from the prior measurement date.

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 4 – PERA – Continued:

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

December 31, 2018	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 2,615,655	\$ 1,709,810	\$ 951,978

*Pension plan fiduciary net position:* Detailed information about the LGDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Employees of the Upper Thompson Sanitation 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 a publicly available comprehensive annual financial report for the Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill 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 the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 4 – PERA – Continued:

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online as [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates by 0.25 percent on July 1, 2019;
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the LGDTF based on the proportionate amount of annual payroll of the LGDTF to the other divisions eligible for the direct distribution;
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees;
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

---

### NOTE 5 – Other Postemployment Benefits:

UTSD participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit Other Postemployment Benefit Plan (OPEB) fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, 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.

#### General Information about the OPEB Plan:

*Plan description:* Eligible employees of UTSD 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.

*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

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### **NOTE 5 – Other Postemployment Benefits – Continued:**

General Information about the OPEB Plan – Continued:

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.

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.

*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.

*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 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and UTSD is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from UTSD were \$9,134 for the year ended December 31, 2018.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* At December 31, 2018, UTSD reported a liability of \$136,054 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. UTSD proportion of the net OPEB liability was based on UTSD contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, UTSD proportion was .01 percent, which was approximately the same as its proportion measured as of December 31, 2017.

For the year ended December 31, 2018, UTSD recognized OPEB expense of \$6,094. At December 31, 2018, UTSD did not have deferred outflows of resources and deferred inflows of resources related to OPEB that were material to the financial statements.

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 5 – Other Postemployment Benefits – Continued:

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025

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.

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.

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 5 – Other Postemployment Benefits – Continued:

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

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

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

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

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

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

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 – Other Postemployment Benefits – Continued:

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

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

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

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

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 – Other Postemployment Benefits – Continued:

*Sensitivity of UTSD 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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$ 132,297	\$ 136,054	\$ 140,375

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above.

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 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of UTSD 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 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25 percent) or one percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
December 31, 2018			
Proportionate share of the net OPEB liability	\$ 152,233	\$ 136,054	\$122,223

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

# UPPER THOMPSON SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 6 – Risk Management:

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors and omissions, or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization composed of approximately 200 members created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials' liability, and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability and public officials' coverage for claims up to \$1,000,000.

---

### NOTE 7 – Commitments and Contingencies:

Substantially all of the District's facilities are subject to federal, state, and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the District expect such compliance to have, any material effect upon the capital expenditures, net income and financial condition of the District. Management believes that its current practices and procedures for the control and disposition of such waste comply with applicable federal and state requirements.

In 1992, the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from District enterprise activities and federal funds. The District believes it is in compliance with the requirements of TABOR.

---

### NOTE 8 – Restatement of Beginning Net Position:

As of January 1, 2018, Upper Thompson Sanitation District has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The implementation of this standard requires governments to calculate and report the cost and obligations associated with post-employment benefits in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net postemployment benefits liability.

The adjustment to the beginning balance of net position is as follows:

Net position – December 31, 2017, as previously reported	\$ 29,098,566
Restatement due to implementation of GASB 75	(129,960)
Net position – December 31, 2017, as restated	\$ 28,968,606

---

## UPPER THOMPSON SANITATION DISTRICT

### SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

---

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2018	\$ 113,550	\$ 113,550	\$ 895,505	12.68%
2017	108,795	108,795	858,011	12.68%
2016	101,618	101,618	801,402	12.68%
2015	96,975	96,975	764,787	12.68%

---

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

### SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

---

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2018	\$ 9,134	\$ 9,134	\$ 895,505	1.02%
2017	8,752	8,752	858,011	1.02%

---

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**UPPER THOMPSON SANITATION DISTRICT**

**SCHEDULE OF THE DISTRICT’S PROPORTIONATE SHARE OF NET PENSION LIABILITY**

Year Ended December 31	Cumulative Proportion of Net Pension Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Total Pension Liability
2018	.13%	\$ 1,709,810	\$ 895,505	191%	76.0%
2017	.13%	1,472,151	858,011	172%	79.4%
2016	.13%	1,818,479	801,402	227%	73.6%
2015	.13%	1,483,445	764,787	194%	76.9%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**SCHEDULE OF THE DISTRICT’S PROPORTIONATE SHARE OF NET OPEB LIABILITY**

Year Ended December 31	Cumulative Proportion of Net OPEB Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net OPEB Liability
2018	.01%	\$ 136,054	\$ 895,505	15%	17.0%
2017	.01%	129,960	858,011	15%	17.5%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**SUPPLEMENTARY INFORMATION**

# UPPER THOMPSON SANITATION DISTRICT

## Schedule of Revenue and Expenditures - Actual (Budgetary Basis) Compared to Budget

Year Ended December 31, 2018	Actual	Final Budget	Variance
<b>Revenue:</b>			
Sewer charges	\$ 3,849,684	\$ 3,924,945	\$ (75,261)
Dump fees	73,654	59,767	13,887
Access fees	13,665	13,681	(16)
Miscellaneous	83,648	7,000	76,648
<b>Non-operating revenues:</b>			
Interest income	184,206	47,925	136,281
<b>Capital contributions:</b>			
System development fees	484,398	130,500	353,898
Permit fees	17,925	4,500	13,425
Grant income	178,493	-	178,493
<b>Total Revenue and Contributions</b>	<b>4,885,673</b>	<b>4,188,318</b>	<b>697,355</b>
<b>Expenditures:</b>			
<b>Plant Expenses:</b>			
<b>Payroll:</b>			
Salaries	337,417	419,177	81,760
Employee benefits	71,372	85,817	14,445
Payroll taxes	24,329	34,174	9,845
Pension contributions	(30,519)	58,523	89,042
Cell phone allowance	5,197	960	(4,237)
Payroll expenses	1,040	6,354	5,314
<b>Total Payroll - Plant</b>	<b>408,836</b>	<b>605,005</b>	<b>196,169</b>
<b>Operations:</b>			
Clothing and uniforms	2,156	2,250	94
Chemicals	88,131	94,698	6,567
Maintenance and repair	88,594	94,919	6,325
Lab chemicals and supplies	14,109	29,100	14,991
Consulting	22,581	20,000	(2,581)
Garbage	9,036	9,000	(36)
Eagle Rock reimbursements	6,082	6,000	(82)
Plant tools	502	500	(2)
Sludge hauling	49,163	58,180	9,017
<b>Total Operations - Plant</b>	<b>280,354</b>	<b>314,647</b>	<b>34,293</b>

Continued on next page.

# UPPER THOMPSON SANITATION DISTRICT

## Schedule of Revenue and Expenditures - Actual (Budgetary Basis) Compared to Budget - Continued

Year Ended December 31, 2018	Actual	Final Budget	Variance
Expenditures - Continued:			
Plant Expenses - Continued			
Other:			
Cell phones	\$ 475	\$ 1,150	\$ 675
Dues and subscriptions	1,199	1,304	105
Safety	1,666	2,000	334
Janitorial	4,073	4,900	827
Meals	1,410	1,850	440
Software maintenance	1,220	2,915	1,695
Staff development	3,638	6,175	2,537
Travel	-	-	-
Telephone	1,498	1,600	102
Office supplies	1,122	2,400	1,278
Security	372	384	12
Postage	3,199	3,100	(99)
Vehicle and truck	3,470	5,600	2,130
Utilities	143,422	160,000	16,578
Miscellaneous	-	-	-
<b>Total Other - Plant</b>	<b>166,764</b>	<b>193,378</b>	<b>26,614</b>
Lines Operation:			
Payroll:			
Salaries	252,491	277,269	24,778
Employee benefits	49,641	54,018	4,377
Payroll taxes	18,720	22,182	3,462
Pension contributions	(41,397)	37,986	79,383
Payroll expenses	3,954	4,247	293
Cell phone allowance	2,480	2,640	160
<b>Total Payroll - Lines</b>	<b>285,889</b>	<b>398,341</b>	<b>112,452</b>
Operations:			
Clothing and uniforms	2,903	2,875	(28)
Maintenance and repair	16,460	51,000	34,540
Supplies and tools	1,382	1,300	(82)
Mapping	198	5,000	4,802
Physicals	380	1,800	1,420
Locate services	2,772	4,000	1,228
<b>Total Operations - Lines</b>	<b>24,095</b>	<b>65,975</b>	<b>41,880</b>

Continued on next page.

# UPPER THOMPSON SANITATION DISTRICT

## Schedule of Revenue and Expenditures - Actual (Budgetary Basis) Compared to Budget - Continued

Year Ended December 31, 2018	Actual	Final Budget	Variance
Expenditures - Continued:			
Lines Operation - Continued:			
Other:			
Building maintenance/repair	\$ 103	\$ 10,000	\$ 9,897
Software maintenance	1,580	2,480	900
Telephone	599	650	51
Meals	792	1,100	308
Utilities	3,657	4,100	443
Office supplies	123	1,000	877
Cell phones	454	200	(254)
Postage	-	-	-
Security	372	384	12
Janitorial	715	900	185
Safety	3,425	3,500	75
Miscellaneous	-	-	-
Staff development	1,030	4,400	3,370
Vehicle and truck expense	15,797	16,200	403
Total Other - Lines	28,647	44,914	16,267
General Administration:			
Payroll:			
Salaries	319,201	322,759	3,558
Bonus	14,635	15,000	365
Employee benefits	47,797	48,132	335
Payroll taxes	26,726	26,541	(185)
Pension contributions	(31,222)	160,451	191,673
Payroll expenses	5,567	5,107	(460)
Total Payroll - Administration	382,704	577,990	195,286

Continued on next page.

# UPPER THOMPSON SANITATION DISTRICT

## Schedule of Revenue and Expenditures - Actual (Budgetary Basis) Compared to Budget - Continued

Year Ended December 31, 2018	Actual	Final Budget	Variance
Expenditures - Continued:			
General Administration - Continued:			
Other:			
Election Expense	\$ -	\$ 8,000	\$ 8,000
Board of Directors	4,906	10,725	5,819
Internet	2,796	3,100	304
Miscellaneous	18	400	382
Office supplies	7,092	8,000	908
Cell phones	1,035	1,700	665
Reconciliation discrepancies	6,305	-	(6,305)
Contingency	4,675	60,000	55,325
District functions	6,260	6,850	590
Building maintenance and repair	12,766	11,000	(1,766)
Equipment maintenance and repair	12,892	16,000	3,108
Computer Repair/Maintenance	6,917	19,011	12,094
Software maintenance	6,038	21,180	15,142
Publications	2,108	2,500	392
Public outreach	6,552	9,500	2,948
Postage and delivery	4,666	4,800	134
Printing	2,214	3,395	1,181
Insurance - workers comp	17,640	22,000	4,360
Insurance - property and liability	36,175	48,000	11,825
Meals and food	1,579	3,500	1,921
Legal filings	503	175	(328)
Travel	676	2,600	1,924
Telephone	6,546	4,900	(1,646)
Safety	919	1,000	81
Security	397	459	62
Janitorial	4,678	5,400	722
Utilities	5,732	4,500	(1,232)
Legal fees	39,152	45,000	5,848
Tech support	19,879	27,000	7,121
New employee hiring	630	600	(30)
Accounting	235	6,000	5,765
Audit	20,023	20,000	(23)
Professional services expense	29,807	25,000	(4,807)
Property acquisition	63,479	100,000	36,521
Permits and licenses	13,681	15,000	1,319
Vehicle and truck expense	2,084	1,550	(534)
Employee alcohol and drug testing	75	500	425
Staff development	5,813	12,300	6,487
Engineering services	83,143	345,000	261,857

Continued on next page.

# UPPER THOMPSON SANITATION DISTRICT

## Schedule of Revenue and Expenditures - Actual (Budgetary Basis) Compared to Budget - Continued

Year Ended December 31, 2018	Actual	Final Budget	Variance
Expenditures - Continued:			
General Administration - Continued:			
Other - Continued:			
Website	\$ 16	\$ 100	\$ 84
Environmental services	896	2,250	1,354
Banking and credit card fees	674	1,016	342
Dues and subscriptions	8,519	9,795	1,276
Total Administration - Other	450,191	889,806	439,615
Capital Outlay:			
Permanent sewer lines	-	-	-
Office equipment	-	21,000	21,000
Software	18,188	69,293	51,105
Plant equipment	13,159	6,107	(7,052)
Building Improvements	31,307	650,000	618,693
Vehicle purchase/improvements	36,975	40,000	3,025
Capital contingency	-	1,100,000	1,100,000
Plant Expansion	-	750,000	750,000
Lines equipment	80,376	86,500	6,124
Lines improvement	434,502	1,400,000	965,498
Collection system development	-	75,000	75,000
Total Capital Outlay	614,507	4,197,900	3,508,393
Total Expenditures	2,641,987	7,287,956	4,570,969
NET INCOME - BUDGET BASIS	\$ 2,243,686	\$ (3,099,638)	\$ 5,268,324

### Reconciliation of Net Income - Budget Basis

to Net Income - GAAP Basis:	
Capital Outlay	677,987
Depreciation Expense	(838,715)
Net Income - GAAP Basis	\$ 2,082,958