



UPPER THOMPSON SANITATION DISTRICT
FINANCIAL STATEMENTS

Year Ended December 31, 2019

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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, 2019. This information should be read in conjunction with the financial statements and notes which follow:

FINANCIAL HIGHLIGHTS

- As of December 31, 2019, approximately \$33.26 million was held in net position for the provision of future services to citizens.
- For fiscal year 2019, the total net position increased by \$2,207,405 or 7% from 2018. This was primarily from increased fees.
- Operating revenue for 2019 totaled \$4.04 million, which is an increase of 5% from 2018.
- The District treated 307 million gallons of wastewater in 2019 – a increase of 21 million gallons or 7% from 2018. The cost of treatment was \$.0081 per gallon and a \$.0002 increase from 2018.

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, 2019.

The *statement of cash flows* shows the net cash flows from activities for the year ended December 31, 2019.

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, 2019 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	2019	2018
Cash	\$ 639,605	\$ 575,280
Investments	10,074,613	10,279,612
Receivables	703,050	898,087
Inventories	48,924	48,924
Capital Assets, net	23,494,143	20,000,821
Deferred Outflows of resources	64,846	294,158
Total Assets and Deferred Outflows	35,025,181	33,096,882
Less Liabilities and Deferred Inflows	1,766,212	2,045,318
Net Position	\$ 33,258,969	\$ 31,051,564

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

Years Ended December 31	2019	2018
Revenues:		
Service charges	\$ 4,038,409	\$ 3,849,684
State and federal flood capital grants	946,774	178,493
Other income	419,300	373,098
Capital contributions	578,262	484,398
Total Revenues	5,982,745	4,885,673
Expenses:		
Operating expenses:		
Plant	1,483,476	1,216,543
Lines	1,336,862	722,134
Administration	955,002	864,038
Total Expenses	3,775,340	2,802,715
Net Income	\$ 2,207,405	\$ 2,082,958

Net position has changed due to the following:

- During 2019, operating revenue increased approximately 5.1%, due to a scheduled increase in service rates and additional grant funding.
- During 2019, operating expenses increased by 34.7%. A portion of the increase is due to increased capital asset construction and acquisition that took place throughout the year.

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 2020, subject to federal audit with a 3-year time frame. In 2019 the District received notice of an award for additional flood recovery grants totaling \$946,775 from the Community Development Block Grant – Disaster Recovery Program and the State’s Disaster Emergency Fund.

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 10-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, metals and temperature to anticipated water quality standard effluent levels without significant modifications and site expansion. To that end, the District’s planning includes development of a new wastewater treatment facility and system improvements 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 Raftelis 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. In 2019 the District, again, engaged the services of Mott MacDonald and Raftelis Financial Consultants, Inc. to conduct a new cost of service study to identify future budgetary needs in support of forecasted capital expenditures. The new rate study report is anticipated in 2020.

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 October 1, 2019, also includes a compliance schedule to meet temperature and metals limits for total recoverable arsenic, potentially dissolved (PD) cadmium, PD copper and selenium. 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, 2019. 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

We have audited the accompanying basic financial statements of the Upper Thompson Sanitation District as of December 31, 2019 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, 2019, 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.

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 22, 2020

UPPER THOMPSON SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31	2019
<u>ASSETS AND DEFERRED OUTFLOWS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 639,605
Investments	10,074,613
Receivables:	
Trade accounts	160,355
Grant receivables, net of allowance	542,695
Inventories	48,924
Total Current Assets	11,466,192
Capital Assets:	
Land, other property rights, and construction in progress	1,136,419
Other capital assets, net of accumulated depreciation	22,357,724
Total Capital Assets	23,494,143
Deferred Outflows of Resources:	
Pension Plan	64,846
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 35,025,181
<u>LIABILITIES AND DEFERRED INFLOWS</u>	
Current Liabilities:	
Accounts payable	\$ 70,070
Customer prepayments	15,024
Accrued wages and payroll liabilities	67,041
Compensated absences	98,451
Net pension liability	994,692
Net OPEB liability	112,400
Deferred Inflows of Resources:	
Pension Plan	408,534
Total Liabilities and Deferred Inflows of Resources	1,766,212
<u>NET POSITION</u>	
Investment in Capital Assets	23,494,143
Unrestricted Net Position	9,764,826
TOTAL NET POSITION	\$ 33,258,969

See Accompanying Notes to Financial Statements.

UPPER THOMPSON SANITATION DISTRICT

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31	2019
Operating Revenue:	
Sewer charges	\$ 4,038,409
Dump fees	87,248
Access and permit fees	31,375
Total Operating Revenue	4,157,032
Operating Expenses:	
Plant	1,483,476
Lines	1,336,862
Administration	955,002
Total Operating Expenses	3,775,340
Operating Income	381,692
Non-operating Revenue (Expenses):	
Interest income	260,827
Other income	39,850
Net Non-operating Revenue	300,677
Income Before Contributions	682,369
Capital contributions	578,262
Grant income	946,774
Net Income	2,207,405
Net Position, Beginning of Year	31,051,564
Net Position, End of Year	\$ 33,258,969

See Accompanying Notes to Financial Statements.

UPPER THOMPSON SANITATION DISTRICT

STATEMENT OF CASH FLOWS

Year Ended December 31	2019
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 4,288,600
Payments to suppliers and employees	(2,461,042)
Net Cash Provided by Operating Activities	1,827,558
Cash Flows from Capital and Related Financing Activities:	
Acquisition of property, plant and equipment	(3,754,095)
Federal and state capital grants	946,774
Capital contributions	578,262
Net Cash Used by Capital and Related Financing Activities	(2,229,059)
Cash Flows from Noncapital Financing Activities:	
Other	-
Net Cash Provided by Noncapital Financing Activities	-
Cash Flows from Investing Activities:	
Interest and dividends received	260,827
Sale of investments	204,999
Net Cash Flows from Investing Activities	465,826
Net Decrease in Cash and Cash Equivalents	64,325
Cash and Cash Equivalents, Beginning of Year	\$575,280
Cash and Cash Equivalents, End of Year	\$ 639,605
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 442,054
Depreciation	1,248,643
Change in operating assets and liabilities:	381,692
(Increase) decrease in:	
Receivables	(195,037)
Inventories	-
Increase (decrease) in:	
Accounts payable and accrued expenses	51,132
Net pension liability and deferrals	(100,926)
Net Cash Provided by Operating Activities	\$ 1,827,558

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 \$98,451 at December 31, 2019.

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, 2019 as follows:

December 31, 2019	Cost	Fair Value
ColoTrust	\$ 8,406,357	\$ 8,406,357
Cash	14,439	14,439
Bank CD's	1,619,690	1,653,817
	\$ 10,040,486	\$ 10,074,613

At December 31, 2019, the District had invested \$8,406,357 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, 2019</u>			
Bank C.D.'s	\$ --	\$ 1,602,105	\$ --
Cash	14,439	--	--

NOTE 3 – Capital Assets:

	Balance 1/1/19	Additions	Deletions	Balance 12/31/19
Not depreciated:				
Land and easements	\$ 1,176,134	\$ --	\$ --	\$ 1,176,134
Construction-in-process	276,250	43,100	284,506	34,844
	1,452,384	43,100	284,506	1,210,978
Depreciable capital assets:				
Buildings	706,059	750,537	--	1,456,596
Collection system	20,807,765	3,186,772	--	23,994,536
Sewage treatment plant	11,114,380	--	--	11,114,380
Equipment and vehicles	3,220,453	46,060	--	3,266,514
	35,848,657	3,983,370	--	39,832,026
Less Accumulated				
Depreciation	(16,300,219)	(1,248,643)	--	(17,548,862)
Net Capital Assets	\$21,000,822	\$ 2,777,827	\$ 284,506	\$23,494,143

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.

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	2019	2018
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
Total Employer Contribution Rate to the LGDTF	12.68%	12.68%

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 \$123,435 for the year ended December 31, 2019.

At December 31, 2019, Upper Thompson Sanitation District reported a liability of \$994,692 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, 2019. 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 2019 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2019, the Upper Thompson Sanitation District proportion was .13 percent, which was approximately the same as of December 31, 2018.

For the year ended December 31, 2019, Upper Thompson Sanitation District recognized pension expense of (\$46,163). At December 31, 2019, Upper Thompson Sanitation District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 64,846	\$ --
Net difference between projected and actual earnings on pension plan investments	--	408,533
Total	\$ 64,846	\$ 408,533

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
2020	\$ 9,195
2021	117,501
2022	17,396
2023	139,595
	<u>\$343,687</u>

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

Actuarial assumptions. The total pension liability in the December 31, 2018 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)	1.25 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, 2018, 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.

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, 2019	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 1,827,175	\$ 994,692	\$ 294,581

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.

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.

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.

- 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 \$9,929 for the year ended December 31, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2019, UTSD reported a liability of \$112,400 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. UTSD proportion of the net OPEB liability was based on UTSD contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, UTSD proportion was .01 percent, which was approximately the same as its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, UTSD recognized OPEB expense of \$23,654. At December 31, 2019, 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, 2018 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, 2018 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	\$ 109,730	\$ 112,400	\$ 115,485

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, 2019			
Proportionate share of the net OPEB liability	\$ 127,091	\$ 112,400	\$99,836

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.

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.

UPPER THOMPSON SANITATION DISTRICT

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2019	\$ 123,435	\$ 123,435	\$ 973,460	12.68%
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
2019	\$ 9,929	\$ 9,929	\$ 973,460	1.02%
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
2019	.13%	\$ 994,692	\$ 973,460	102%	86.3%
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
2019	.01%	\$ 112,400	\$ 973,460	15%	24.5%
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, 2019	Actual	Final Budget	Variance
Revenue:			
Sewer charges	\$ 4,038,409	\$ 4,270,547	\$ (232,138)
Dump fees	87,248	65,967	21,281
Access fees	14,569	13,900	669
Miscellaneous	39,850	8,000	31,850
Non-operating revenues:			
Interest income	260,827	130,100	130,727
Capital contributions:			
System development fees	578,262	130,500	447,762
Permit fees	16,806	4,500	12,306
Grant income	946,774	-	946,774
Total Revenue and Contributions	5,982,745	4,623,514	1,359,231
Expenditures:			
Plant Expenses:			
Payroll:			
Salaries	356,205	434,175	77,970
Employee benefits	82,226	88,433	6,207
Payroll taxes	28,409	34,734	6,325
Pension contributions	14,164	59,482	45,318
Cell phone allowance	1,670	2,640	970
Payroll expenses	-	6,490	6,490
Total Payroll - Plant	482,674	625,954	143,280
Operations:			
Clothing and uniforms	2,249	3,250	1,001
Chemicals	125,173	103,675	(21,498)
Maintenance and repair	131,782	175,810	44,028
Lab chemicals and supplies	15,383	20,000	4,617
Consulting	22,260	24,000	1,740
Garbage	9,833	10,200	367
Eagle Rock reimbursements	10,792	6,000	(4,792)
Plant tools	217	500	283
Sludge hauling	59,915	60,000	85
Total Operations - Plant	377,604	403,435	25,831

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2019	Actual	Final Budget	Variance
Expenditures - Continued:			
Plant Expenses - Continued			
Other:			
Cell phones	\$ 429	\$ 1,500	\$ 1,071
Dues and subscriptions	700	1,210	510
Safety	1,457	2,000	543
Janitorial	3,585	4,900	1,315
Meals	953	1,850	897
Software maintenance	1,460	1,550	90
Staff development	3,864	7,000	3,136
Telephone	1,511	1,650	139
Office supplies	1,715	2,400	685
Security	372	384	12
Postage	2,241	3,100	859
Vehicle and truck	2,974	6,200	3,226
Utilities	156,828	160,000	3,172
Miscellaneous	-	-	-
Total Other - Plant	178,089	193,744	15,655
Lines Operation:			
Payroll:			
Salaries	300,895	305,168	4,273
Employee benefits	61,133	58,506	(2,627)
Payroll taxes	25,024	24,414	(610)
Pension contributions	7,737	41,808	34,071
Payroll expenses	-	4,497	4,497
Cell phone allowance	2,640	2,640	-
Total Payroll - Lines	397,429	437,033	39,604
Operations:			
Clothing and uniforms	2,101	2,875	774
Maintenance and repair	21,330	63,000	41,670
Supplies and tools	1,136	1,800	664
Mapping	1,326	5,000	3,674
Vehicle and truck expense	19,547	18,700	(847)
Physicals	480	1,800	1,320
Safety	1,591	3,500	1,909
Locate services	4,241	4,000	(241)
Total Operations - Lines	51,752	100,675	48,923

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2019	Actual	Final Budget	Variance
Expenditures - Continued:			
Lines Operation - Continued:			
Other:			
Building maintenance/repair	\$ 2,245	\$ 5,000	\$ 2,755
Software maintenance	1,580	2,480	900
Telephone	702	700	(2)
Meals	752	1,100	348
Utilities	3,109	5,000	1,891
Office supplies	903	1,000	97
Cell phones	377	1,000	623
Security	372	384	12
Janitorial	989	900	(89)
Staff development	3,615	4,400	785
Miscellaneous	-	-	-
Total Other - Lines	14,644	21,964	7,320
General Administration:			
Payroll:			
Salaries	365,286	360,688	(4,598)
Bonus	12,107	15,000	2,893
Employee benefits	61,441	59,208	(2,233)
Payroll taxes	32,261	30,055	(2,206)
Pension contributions	14,896	189,414	174,518
Payroll expenses	1,836	7,420	5,584
Total Payroll - Administration	487,827	661,785	173,958

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2019	Actual	Final Budget	Variance
Expenditures - Continued:			
General Administration - Continued:			
Other:			
Board of Directors	\$ 5,132	\$ 11,135	\$ 6,003
Internet	1,603	3,100	1,497
Miscellaneous	12,705	400	(12,305)
Office supplies	5,317	8,000	2,683
Cell phones	1,267	1,500	233
Contingency	-	60,000	60,000
District functions	8,438	6,850	(1,588)
Building maintenance and repair	4,683	16,000	11,317
Equipment maintenance and repair	7,646	11,500	3,854
Computer Repair/Maintenance	10,989	14,000	3,011
Software maintenance	9,725	18,160	8,435
Publications	3,173	2,500	(673)
Public outreach	3,804	9,500	5,696
Postage and delivery	5,089	4,800	(289)
Printing	1,869	5,500	3,631
Insurance - workers comp	22,556	28,000	5,444
Insurance - property and liability	36,560	50,000	13,440
Meals and food	1,869	3,500	1,631
Legal filings	104	500	396
Travel	1,016	2,100	1,084
Telephone	7,032	6,700	(332)
Safety	338	1,000	662
Security	647	1,459	812
Janitorial	4,433	5,400	967
Utilities	6,289	6,300	11
Legal fees	20,167	55,000	34,833
Tech support	27,096	32,000	4,904
New employee hiring	753	750	(3)
Accounting	-	4,000	4,000
Audit	20,569	23,000	2,431
Professional services expense	46,815	25,000	(21,815)
Permits and licenses	8,427	15,000	6,573
Vehicle and truck expense	1,555	2,100	545
Employee alcohol and drug testing	274	500	226
Staff development	9,821	16,700	6,879
Engineering services	128,591	277,700	149,109

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2019	Actual	Final Budget	Variance
Expenditures - Continued:			
General Administration - Continued:			
Other - Continued:			
Website	\$ 169	\$ 900	\$ 731
Environmental services	1,445	2,250	805
Banking and credit card fees	373	1,016	643
Dues and subscriptions	9,172	10,310	1,138
Bad debt expense	-	30,000	30,000
Total Administration - Other	437,511	774,130	336,619
Capital Outlay:			
Office furniture	29,570	30,000	430
Office equipment	-	15,000	15,000
Software	8,833	12,000	3,167
Plant equipment	21,840	150,000	128,160
Building Improvements	650,000	650,000	-
Vehicle purchase/improvements	58,522	60,000	1,478
Capital contingency	112,330	500,000	387,670
Plant Expansion	1,200	200,000	198,800
Collection equipment	9,676	3,000	(6,676)
Collection system development	2,948,597	4,415,000	1,466,403
Total Capital Outlay	\$ 3,840,568	\$ 6,035,000	\$ 2,194,432
Total Expenditures	6,268,098	9,253,720	2,985,622
NET INCOME - BUDGET BASIS	(285,353)	(4,630,206)	(1,626,391)
Reconciliation of Net Income - Budget Basis			
to Net Income - GAAP Basis:			
Capital Outlay	3,762,351		
Depreciation Expense	(1,269,593)		
Net Income - GAAP Basis	\$ 2,207,405		