



UPPER THOMPSON SANITATION DISTRICT
FINANCIAL STATEMENTS

Year Ended December 31, 2021

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management Discussion and Analysis	4
STATEMENT OF NET POSITION.....	9
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION.....	10
STATEMENT OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS.....	12
REQUIRED SUPPLEMENTARY INFORMATION	31
SUPPLEMENTARY INFORMATION	33



Independent Auditors' Report

Board of Directors
Upper Thompson Sanitation District
Estes Park, Colorado

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Upper Thompson Sanitation District as of December 31, 2021, and the changes in its financial position, and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 34-38 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.

Anderson & Whitney, P.C.

July 28, 2022

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, 2021. This information should be read in conjunction with the financial statements and notes which follow:

FINANCIAL HIGHLIGHTS

- As of December 31, 2021, approximately \$35 million was held in net position for the provision of future services to citizens.
- For fiscal year 2021, the total net position increased by \$1.4 million or 4% from 2020. This was primarily from increased service charges.
- Operating revenue for 2021 totaled \$4.5 million, which is an increase of 14% from 2020.
- The District treated 316.6 million gallons of wastewater in 2021 – a decrease of 47 million gallons or 17% from 2020. The cost of treatment was \$0.0088 per gallon and is a \$0.0011 decrease from 2020.

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, 2021.

The *statement of cash flows* shows the net cash flows from activities for the year ended December 31, 2021.

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, 2021 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	2021	2020
Cash	\$ 971,547	\$ 565,566
Investments	13,077,974	11,160,459
Receivables	868,199	790,078
Inventories	73,431	62,166
Capital Assets, net	22,050,238	23,128,474
Deferred Outflows of resources	407,756	64,846
Total Assets and Deferred Outflows	37,449,145	35,771,589
Less Liabilities and Deferred Inflows	1,998,373	1,710,070
Net Position	\$ 35,450,772	\$ 34,061,519

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

Years Ended December 31	2021	2020
Revenues:		
Service charges	\$ 4,428,950	\$ 3,867,091
State and federal flood capital grants	(--)	(9,772)
Other income	152,667	116,314
Capital contributions	858,081	809,974
Total Revenues	5,439,698	4,783,607
Expenses:		
Operating expenses:		
Plant	1,549,451	1,455,573
Lines	1,417,550	1,389,848
Administration	1,083,444	1,135,636
Total Expenses	4,050,445	3,981,057
Net Income	\$ 1,389,253	\$ 802,550

Net position has changed due to the following:

- During 2021 operating revenue increased approximately 14%, primarily due to increased rates for services charges.
- During 2021, operating expenses increased by 2%. A portion of the increase is due to inflation.

CAPITAL ASSETS

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 projected future wastewater flows and unable to reduce nutrients, metals and temperature to anticipated water quality standard discharge levels without significant modifications and site expansion. To that end, the District's planning includes development of a new water reclamation facility, lift stations, and additional 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 development of the new water reclamation facility and lift stations, implementation of technology to address newly defined U.S. Environmental Protection Agency (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 rate (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 wastewater rate study to identify future budgetary needs in support of forecasted capital expenditures. The new rate study report was completed in 2020. The results of the 2020 Wastewater Rate Study recommended additional rate increases to maintain operational solvency and position the District to fund future debt service incurred to construct the new water reclamation facility, lift stations, and infrastructure improvements. In October 2021, the Board of Directors adopted a resolution to increase the System Development Fee (SDF) to \$10,500 an increase of \$300 over the \$10,200 SDF set in March 2020. In May 2020, the Board of Directors adopted a resolution to increase service fees 11% each year in 2021, 2022, and 2023. Future rate adjustments recommended in the 2020 Wastewater Rate Study will be considered by the Board of Directors as financial needs for capital improvements and operations are identified.

EXTERNAL DEBT FINANCING

Upper Thompson Sanitation District is unable to achieve proposed nitrogen, phosphorus, copper, and arsenic discharge limits with existing treatment processes, impacting water quality and public health concerns. The costs to implement the 20-year capital improvement plan will severely impact the District's financial position, threatening the ability to maintain emergency reserve funds, and meet Colorado Department of Public Health and Environment CDPHE/EPA discharge requirements. Consideration of external debt financing enables the District to strategically plan the funding of imminent infrastructure improvements while maintaining day-to-day operations. The District's 2020 Wastewater Rate Study recommends the District immediately begin investigating potential sources of debt financing to fund forecasted capital expenditures.

The District completed a Wastewater Treatment Facility (WWTF) Site Alternatives Evaluation in 2017 to provide support in the continued use of the existing WWTF facility versus construction of a new facility to treat current and future wastewater flows to the District and the Estes Valley. The results of the WWTF Site Alternatives Evaluation were finalized in 2017. The District completed a Wastewater Utility Master Plan (WUMP) in 2020. The District completed a preliminary engineering report (PER) and site location application in July 2021 and a site location application was submitted to CDPHE in August 2021. In December 2021 the District engaged Merrick & Co. as the engineering consulting firm for the new water reclamation facility and lift station improvements project. The design of the new water reclamation facility and lift station is scheduled for completion in spring 2023 with a construction start planned for mid-2023.

Nutrient standards, specifically nitrogen and phosphorus, will impact the District's water reclamation facility discharge permit limits based on adopted standards. The current nutrient regulations require District upgrades such as additional basins, filter media, aeration, and mixing equipment needed at the existing wastewater treatment facility to comply with proposed regulations. The major limitation of the current treatment plant is the inability to nitrify ammonia at low wastewater temperatures. Use of existing basin volume for anaerobic and anoxic zones for nutrient removal reduces the available basin volume for nitrification. Additional volume or treatment processes are required to implement nutrient removal. Colorado Department of Public Health and Environment Water Quality Control Commission Regulation No. 31 and/or Regulation No. 85 will likely require the District to implement nutrient removal processes after 2024. The District plans to construct a new water reclamation facility at a new site and two lift stations to enable the District to meet proposed nutrient limits year-round at the permitted capacity. Improvements to achieve metals removal will include chemical addition, sedimentation, filtration equipment, additional biosolids treatment and handling equipment. These necessary improvements will enable the District to comply with potential future discharge permit limits for total recoverable arsenic, potentially dissolved (PD) cadmium, PD copper, total mercury, and PD silver.

The majority of the District's wastewater collection system was constructed in the 1970's, and is approaching a service life of 50 years. The District's investment needs far outweigh revenue sources and the ability to maintain the aging infrastructure. Repair and/or replacement of manholes, lift stations, and force mains is needed via slip lining, pipe bursting, cured in place, and pipe replacement. A new Fish Creek lift station will also be constructed to replace the aging Fish Creek lift station and a new Wapiti Lift Station will replace the Thompson River Lift Station.

To fund construction of the new wastewater reclamation infrastructure, the District plans to secure debt financing as early as 2022 and has begun investigating options regarding external debt financing.

OTHER MATTERS

In the September 2013 flood, the District experienced the catastrophic failure of approximately 25,000 linear feet of the sanitary sewer collection system along the Fish Creek and Fall River corridors. 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. 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. Final reconciliation of expenses for FEMA’s Project Worksheet 861 (Fish Creek Permanent Repair) is subject to federal audit of project closeout documents. FEMA’s closeout of Project Worksheet 861 did not occur in 2021 and is not anticipated in the year 2022.

REQUESTS FOR INFORMATION

This discussion and analysis is designed to provide a general overview of UTSD’s activities for the year ended December 31, 2021. 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.

UPPER THOMPSON SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31	2021
<u>ASSETS AND DEFERRED OUTFLOWS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 971,547
Investments	13,077,974
Receivables:	
Trade accounts	329,160
Grant receivables, net of allowance	539,039
Inventories	73,431
<u>Total Current Assets</u>	<u>14,991,151</u>
Capital Assets:	
Land, other property rights, and construction in progress	1,728,451
Other capital assets, net of accumulated depreciation	20,321,787
<u>Total Capital Assets</u>	<u>22,050,238</u>
Deferred Outflows of Resources:	
Pension Plan	407,756
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS</u>	<u>\$ 37,449,145</u>
 <u>LIABILITIES AND DEFERRED INFLOWS</u>	
Current Liabilities:	
Accounts payable	\$ 8,603
Customer prepayments	26,878
Accrued wages and payroll liabilities	47,665
Compensated absences	109,073
Net pension liability	812,958
Net OPEB liability	114,027
Deferred Inflows of Resources:	
Pension Plan	879,169
<u>Total Liabilities and Deferred Inflows of Resources</u>	<u>1,998,373</u>
<u>NET POSITION</u>	
Investment in Capital Assets	22,050,238
Unrestricted	13,400,534
<u>TOTAL NET POSITION</u>	<u>\$ 35,450,772</u>

See Accompanying Notes to Financial Statements.

UPPER THOMPSON SANITATION DISTRICT

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31	2021
Operating Revenue:	
Sewer charges	\$ 4,428,950
Dump fees	84,729
Access and permit fees	33,031
Total Operating Revenue	4,546,710
Operating Expenses:	
Plant	1,549,451
Lines	1,417,550
Administration	1,083,444
Total Operating Expenses	4,050,445
Operating Income (Loss)	496,265
Non-operating Revenue (Expenses):	
Interest income	10,815
Other income	24,092
Net Non-operating Revenue	34,907
Income Before Contributions	531,172
Capital contributions	858,081
Net Income	1,389,253
Net Position, Beginning of Year	34,061,519
Net Position, End of Year	\$ 35,450,772

See Accompanying Notes to Financial Statements.

UPPER THOMPSON SANITATION DISTRICT

STATEMENT OF CASH FLOWS

Year Ended December 31	2021
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 4,418,798
Payments to suppliers and employees	(2,756,557)
Net Cash Provided by Operating Activities	1,662,241
Cash Flows from Capital and Related Financing Activities:	
Acquisition of property, plant and equipment	(231,733)
Federal and state capital grants	-
Capital contributions	858,081
Net Cash Provided by Capital and Related Financing Activities	626,348
Cash Flows from Noncapital Financing Activities:	
Other	24,092
Net Cash Provided by Noncapital Financing Activities	24,092
Cash Flows from Investing Activities:	
Interest and dividends received	10,815
Purchase of investments	(1,917,515)
Net Cash Flows from Investing Activities	(1,906,700)
Net Increase in Cash and Cash Equivalents	405,981
Cash and Cash Equivalents, Beginning of Year	565,566
Cash and Cash Equivalents, End of Year	\$ 971,547
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ 496,265
Depreciation	1,309,969
Change in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	(78,121)
Inventories	(11,265)
Increase (decrease) in:	
Accounts payable and accrued expenses	(2,225)
Net pension liability and deferrals	(52,382)
Net Cash Provided by Operating Activities	\$ 1,662,241

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 \$10,200 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 \$109,073 at December 31, 2021.

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, 2021 as follows:

December 31, 2021	Cost	Fair Value
ColoTrust	\$ 13,077,974	\$ 13,077,974
Cash	971,547	971,547
	\$ 14,049,521	\$ 14,049,521

At December 31, 2021, the District had invested \$6,882,982 in the Colorado Local Government Liquid Asset Trust (COLOTRUST) PLUS+, 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.

COLOTRUST PLUS+ portfolios may invest in U.S. Treasury securities, certain approved obligations of agencies of the U.S. government, commercial paper rated in the highest rating category, corporate securities rated at least AA-/Aa3, certain money market funds registered as an investment company under the Federal Investment Company Act of 1940 and written repurchase agreements collateralized by U.S. Treasury securities or certain approved obligations of U.S. government agencies. At December 31, 2021, COLOTRUST PLUS+ had a weighted average maturity of 44 days to reset and 71 days to final maturity. There are unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

At December 31, 2021, the District held investments of \$6,194,992 in the Colorado Local Government Liquid Asset Trust (COLOTRUST) EDGE. COLOTRUST EDGE is a variable NAV fund managed to approximate a \$10.00 per share price; shares are traded at the NAV calculated on transaction trade date. COLOTRUST EDGE is rated AAAf/S1 by FitchRatings.

COLOTRUST EDGE portfolios may invest in U.S Treasury securities, certain approved obligations of agencies of the U.S. government, commercial paper rated in the highest rating category, corporate securities rated at least AA-/Aa3, certain money market funds registered as an investment company under the Federal Investment Company Act of 1940 and written repurchase agreements collateralized by U.S. Treasury securities or certain approved obligations of U.S. government agencies. At December 31, 2021, COLOTRUST had a weighed average maturity of 202 days to reset and 221 days to final maturity.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Capital Assets:

	Balance 1/1/21	Additions	Deletions	Balance 12/31/21
Not depreciated:				
Land and easements	\$ 1,176,134	\$ --	\$ --	\$ 1,176,134
Construction-in-process	363,332	188,985	--	552,317
	1,539,466	188,985	--	1,728,451
Depreciable capital assets:				
Buildings	1,488,196	--	--	1,488,196
Collection system	24,423,703	--	--	24,423,703
Sewage treatment plant	11,286,780	8,837	--	11,295,617
Equipment and vehicles	3,273,902	33,911	--	3,307,813
	40,472,581	42,748	--	40,515,329
Less Accumulated				
Depreciation	(18,883,573)	(1,309,969)	--	(20,193,542)
Net Capital Assets	\$23,128,474	\$ (1,078,236)	\$ --	\$22,050,238

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:

	7/1/20- 12/31/21	1/1/20- 6/30/20
Employer contribution rate as a percentage of salary	10.50%	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	9.48	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	13.18%	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 \$171,990 for the year ended December 31, 2021.

At December 31, 2021, Upper Thompson Sanitation District reported a liability of \$812,958 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2021. 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 2020 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2021, the Upper Thompson Sanitation District proportion was .16 percent, which is an increase of .03 percent from December 31, 2020.

For the year ended December 31, 2021, Upper Thompson Sanitation District recognized pension expense of \$119,609. At December 31, 2021, Upper Thompson Sanitation District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 39,306	\$ --
Change in assumptions	196,460	--
Net difference between projected and actual earnings on pension plan investments	--	879,169
Subsequent year contributions	171,990	--
Total	\$ 407,755	\$ 879,169

Deferred outflows of resources related to pensions of \$171,990 resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

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
2022	\$ (72,088)
2023	106,727
2024	298,022
2025	138,753
	<u>\$ 471,414</u>

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

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, 2019, 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.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

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

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
Global Equity	54.0%	5.6%
Fixed Income	23.0%	1.30%
Private Equity	8.5%	7.1%
Real Estate	8.5%	4.4%
Alternatives	6.0%	4.7%
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, 2021	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 1,827,175	\$ 812,958	\$ (71,814)

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 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. 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 \$12,950 for the year ended December 31, 2021.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits – Continued:

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2021, UTSD reported a liability of \$114,027 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. UTSD proportion of the net OPEB liability was based on UTSD contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, UTSD proportion was .01 percent, which was approximately the same as its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, UTSD recognized OPEB expense of \$(1,627). At December 31, 2021, UTSD did not have deferred outflows of resources and deferred inflows of resources related to OPEB that were material to the financial statements.

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

Actuarial cost method	Entry age
Price inflation	2.40 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	3.50 percent for 2020, gradually rising to 4.50 percent in 2029

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

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits – Continued:

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.

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
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025+	5.30%	4.00%

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, 2019 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
Global Equity	54.0%	5.6%
Fixed Income	23.0%	1.3%
Private Equity	8.5%	7.1%
Real Estate	8.5%	4.4%
Alternatives	6.0%	4.7%
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	7.10%	8.10%	9.10%
Ultimate PERACare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 111,080	\$ 114,027	\$ 117,458

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, 2021			
Proportionate share of the net OPEB liability	\$ 130,620	\$ 114,027	\$99,864

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
2021	\$171,990	\$171,990	\$1,220,511	13.18%
2020	123,435	123,435	973,460	12.68%
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
2021	\$12,450	\$12,450	\$1,220,511	1.02%
2020	9,929	9,929	973,460	1.02%
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
2021	.16%	\$812,958	\$1,220,511	67%	90.9%
2020	.13%	994,692	1,126,143	88%	86.3%
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
2021	.01%	\$114,027	\$1,220,511	9%	32.8%
2020	.01%	112,400	1,126,143	10%	24.5%
2019	.01%	112,400	973,460	12%	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, 2021	Actual	Final Budget	Variance
Revenue:			
Sewer charges	\$ 4,428,950	\$ 4,180,149	\$ 248,801
Dump fees	84,729	64,000	20,729
Access fees	16,531	16,000	531
Miscellaneous	30,361	9,000	21,361
Non-operating revenues:			
Interest income	10,815	12,200	(1,385)
Capital contributions:			
System development fees	858,081	204,000	654,081
Permit fees	16,500	7,500	9,000
Unrealized gain	(6,269)	-	(6,269)
Total Revenue and Contributions	5,439,698	4,492,849	946,849
Expenditures:			
Plant Expenses:			
Payroll:			
Cell phone allowance	2,155	2,220	65
Employee benefits	90,244	112,161	21,917
Payroll expenses	6,889	7,455	566
Payroll taxes	15,427	40,916	25,489
Pension contributions	60,758	73,040	12,282
Salaries	432,261	511,446	79,185
Total Payroll - Plant	607,734	747,238	139,504
Operations:			
Chemicals	130,162	141,000	10,838
Clothing and uniforms	2,405	6,450	4,045
Consulting	20,648	35,500	14,852
Eagle Rock reimbursements	15,930	11,000	(4,930)
Garbage	7,965	10,800	2,835
Lab chemicals and supplies	16,294	26,000	9,706
Maintenance and repair	105,605	243,000	137,395
Plant tools	3,664	500	(3,164)
Sludge hauling	51,988	63,000	11,012
Total Operations - Plant	354,661	537,250	182,589

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2021	Actual	Final Budget	Variance
Expenditures - Continued:			
Plant Expenses - Continued			
Other:			
Cell phones	\$ 366	\$ 420	\$ 54
Dues and subscriptions	879	1,410	531
Janitorial	2,627	4,500	1,873
Meals	927	1,300	373
Office supplies	1,556	2,000	444
Postage	957	2,000	1,043
Safety	4,076	5,000	924
Security	372	750	378
Software maintenance	3,499	6,050	2,551
Staff development	1,560	8,500	6,940
Telephone	2,508	2,450	(58)
Utilities	183,400	170,640	(12,760)
Vehicle and truck	4,681	7,200	2,519
Total Other - Plant	207,408	212,220	4,812
Lines Operation:			
Payroll:			
Cell phone allowance	2,660	2,640	(20)
Employee benefits	65,616	64,506	(1,110)
Payroll expenses	5,215	4,853	(362)
Payroll taxes	6,563	26,841	20,278
Pension contributions	44,638	48,085	3,447
Salaries	318,115	335,510	17,395
Total Payroll - Lines	442,807	482,435	39,628
Operations:			
Clothing and uniforms	3,537	5,875	2,338
Collection pipe and fitting	2,834	-	(2,834)
Locate services	5,468	6,500	1,032
Maintenance and repair	38,229	65,000	26,771
Physicals	200	1,800	1,600
Safety	3,542	5,000	1,458
Supplies and tools	-	3,300	3,300
Vehicle and truck expense	10,934	22,700	11,766
Total Operations - Lines	64,744	110,175	45,431

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2021	Actual	Final Budget	Variance
Expenditures - Continued:			
Lines Operation - Continued:			
Other:			
Building maintenance/repair	\$ 135	\$ 5,000	\$ 4,865
Cell phones	2,783	4,500	1,717
Computer repair/maintenance	-	1,500	1,500
Janitorial	1,271	2,000	729
Meals	1,431	2,000	569
Office supplies	606	1,500	894
Postage and delivery	-	100	100
Security	372	750	378
Software maintenance	5,801	3,400	(2,401)
Staff development	1,822	3,800	1,978
Utilities	4,032	3,800	(232)
Total Other - Lines	18,253	28,350	10,097
General Administration:			
Payroll:			
Bonus	15,000	15,000	-
Employee benefits	77,725	90,054	12,329
Payroll expenses	8,644	8,734	90
Payroll taxes	37,567	39,859	2,292
Pension contributions	49,133	208,716	159,583
Salaries	470,136	483,236	13,100
Total Payroll - Administration	658,205	845,599	187,394

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2021	Actual	Final Budget	Variance
Expenditures - Continued:			
General Administration - Continued:			
Other:			
Accounting	\$ 1,485	\$ 2,000	\$ 515
Audit	26,500	28,000	1,500
Bad debt expense	-	30,000	30,000
Banking and credit card fees	1,610	1,270	(340)
Board of Directors	5,754	11,790	6,036
Building maintenance and repair	10,637	15,500	4,863
Cell phones	617	1,100	483
Computer Repair/Maintenance	10,742	30,500	19,758
Contingency	-	60,000	60,000
District functions	2,361	7,225	4,864
Dues and subscriptions	7,851	11,840	3,989
Employee alcohol and drug testing	307	1,000	693
Engineering services	17,191	150,000	132,809
Equipment maintenance and repair	4,908	16,300	11,392
GSI Mapping	7,868	11,000	3,132
Insurance - property and liability	38,946	55,000	16,054
Insurance - workers comp	19,406	33,500	14,094
Internet	2,284	2,000	(284)
Janitorial	4,974	5,400	426
Legal fees	29,135	110,000	80,865
Legal filings	-	315	315
Meals and food	1,447	3,000	1,553
Miscellaneous	(101)	400	501
New employee hiring	800	1,000	200
Office supplies	5,257	9,500	4,243
Permits and licenses	1,090	1,500	410
Permits - CDPHE	7,827	8,450	623
Postage and delivery	5,112	8,000	2,888
Printing	5,466	10,000	4,534
Professional services expense	65,472	120,000	54,528
Public outreach	2,212	9,500	7,288
Publications	1,333	3,000	1,667
Safety	1,137	1,000	(137)
Security	397	925	528
Software maintenance	13,546	22,230	8,684
Staff development	5,587	16,700	11,113

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2021	Actual	Final Budget	Variance
Expenditures - Continued:			
General Administration - Continued:			
Other - Continued:			
Tech support	\$ 38,876	\$ 42,000	\$ 3,124
Telephone	8,499	7,200	(1,299)
Travel	1,130	2,300	1,170
Utilities	5,717	6,500	783
Vehicle and truck expense	1,128	3,600	2,472
Website	1,624	6,500	4,876
Total Administration - Other	366,132	867,045	500,913
Capital Outlay:			
Building Improvements	-	-	-
Capital contingency	5,323	500,000	494,677
Collection equipment	13,722	4,500	(9,222)
Collection system development	-	315,000	315,000
Office equipment	10,191	15,000	4,809
Plant equipment	8,837	154,000	145,163
Plant expansion	188,985	2,020,000	1,831,015
Software/Hardware	25,207	26,000	793
Total Capital Outlay	252,265	3,034,500	2,782,235
Total Expenditures	\$ 2,972,209	\$ 6,864,812	\$ 3,892,603
NET INCOME - BUDGET BASIS	\$ 2,467,489	\$ (2,371,963)	\$ 4,839,452
Reconciliation of Net Income - Budget Basis			
to Net Income - GAAP Basis:			
Capital Outlay	231,733		
Depreciation Expense	(1,309,969)		
Net Income - GAAP Basis	\$ 1,389,253		