



UPPER THOMPSON SANITATION DISTRICT
FINANCIAL STATEMENTS

Year Ended December 31, 2023

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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, 2023, 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, 2023, 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 36-40 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 9, 2024

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, 2023. This information should be read in conjunction with the financial statements and notes which follow:

FINANCIAL HIGHLIGHTS

- As of December 31, 2023, approximately \$38.8 million was held in net position for the provision of future services to citizens.
- For fiscal year 2023, the total net position increased by \$1.7 million or 4.8% from 2022. This was primarily from increased service charges.
- Operating revenue for 2023 totaled \$5.7 million, which is an increase of 10.6% from 2022.
- The District treated 283 million gallons of wastewater in 2023 – an increase of 6.5 million gallons or 2.4% from 2022. The cost of treatment was \$.0128 per gallon and is a \$.001 increase from 2022.

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, 2023.

The *statement of cash flows* shows the net cash flows from activities for the year ended December 31, 2023.

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, 2023 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	2023	2022
Cash	\$ 249,766	\$ 75,777
Investments	14,857,432	13,331,815
Receivables	860,496	868,762
Inventories	83,648	80,021
Capital Assets, net	23,817,255	24,002,725
Deferred Outflows of resources	844,177	233,885
Total Assets and Deferred Outflows	40,712,774	38,592,985
Less Liabilities and Deferred Inflows	1,926,889	1,584,389
Net Position	\$ 38,785,885	\$ 37,008,596

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

Years Ended December 31	2023	2022
Revenues:		
Operating revenue	\$ 5,715,463	\$ 5,167,365
Other income	734,436	231,456
Capital contributions	352,428	415,956
Total Revenues	6,802,327	5,814,777
Expenses:		
Operating expenses:		
Plant	1,746,841	1,604,553
Collections	1,560,373	1,316,740
Administration	1,717,823	1,335,660
Total Expenses	5,025,038	4,256,953
Net Income	\$ 1,777,289	\$ 1,557,824

Net position has changed due to the following:

- During 2023 operating revenue increased approximately 10.6%, primarily due to increased rates for services charges.
- During 2023, operating expenses increased by 18.0%. The increase is caused by inflation and costs associated with securing the financing needed for the new wastewater treatment facility.

CAPITAL ASSETS

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

Upper Thompson Sanitation District is unable to achieve impending nitrogen, phosphorus, copper, and arsenic discharge limits with existing treatment processes, affecting water quality and public health concerns.

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 infrastructure 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. The 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 2027.

The District plans to construct a new water reclamation facility at a new site and two lift stations (Water Reclamation Facility and Lift Stations Improvement Project (Project)) to enable the District to meet forthcoming nutrient limits year-round at the permitted capacity. Improvements to achieve metals removal will include chemical addition, sedimentation, microfiber 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.

FUTURE INFRASTRUCTURE IMPROVEMENTS

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 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 is unable to reduce nutrients, metals and temperature to anticipated water quality standard discharge levels without significant modifications and site expansion. The majority of the District's wastewater collection system was constructed in the 1970's and is also approaching a service life of 50 years. Repair and/or replacement of manholes, lift stations, and force mains is needed via slip lining, pipe bursting, cured in place, and pipe replacement. The Fish Creek and Thompson River lift stations do not meet today's safety and building codes and operate obsolete equipment. The Project incorporates construction of two new lift stations to replace those lift

stations. The District's investment needs far outweigh revenue sources and the ability to maintain the aging infrastructure. To that end, the District's planning includes development of the Project, additional collection system improvements, and financial forecasting necessary to support future improvements.

The Board of Directors and District Manager, in consultation with the District Engineer, have considered the operational upgrades required 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 Project including implementation of technology to address upcoming U.S. Environmental Protection Agency (EPA) and Colorado Department of Public Health and Environment (CDPHE) discharge requirements, upgrade or replacement of the collection system and the increasing costs of fuel, chemicals and utilities.

The District completed a Wastewater Treatment Facility (WWTF) Site Alternatives Evaluation in 2017 to examine 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 evaluation showed that construction of a new reclamation facility would best enable the District to meet future treatment regulations. The District updated the Wastewater Utility Master Plan (WUMP) in 2020 which includes the District's plans to construct the Project. In December 2021, the District engaged Merrick & Company as the engineering consulting firm for the Project. Subsequently, the District completed necessary engineering reports for development of the Project and the District's site location application was approved by CDPHE in 2023. The design of the new Project is scheduled to be completed in 2024 with construction planned to begin in late Fall 2024.

EXTERNAL DEBT FINANCING

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 to meet EPA/CDPHE discharge requirements. Utilization of external debt financing will enable the District to strategically fund imminent infrastructure improvements while maintaining day-to-day operations.

To meet identified budgetary needs and accomplish capital improvement goals, the Board of Directors recognizes the necessity of increasing customer service rates. Utilizing comprehensive rate study outcomes and recommendations, over the past 10 years, annual service rate increases have been implemented to maintain operational solvency and position the District to fund future debt service incurred to construct the Project and other infrastructure improvements.

In 2023, the District engaged Willdan Financial Services to perform a new rate study. The District's 2023 Wastewater Rate Study recommends the District secure external debt financing to fund forecasted capital expenditures. As a result of the recommendations of the 2023 rate study, in December 2023, the Board of Directors unanimously voted to increase 2024 service rates 8.5%. Additionally, in 2024, the Board of Directors increased

based on the financial needs of the Project, identified additional capital improvements, operational costs, and secured external debt.

To fund construction of the new water reclamation infrastructure, the District will secure debt financing in 2024 from the Water Infrastructure and Finance and Innovation Act (WIFIA) and the Colorado Water Resources and Power Development Authority Water Pollution Control Revolving Fund.

OTHER MATTERS

In September 2013, due to catastrophic flooding, the District experienced the 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 were 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 reconstruction 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 2023 and is expected to be reviewed in 2024.

Request for Information

This Discussion and analysis is designed to provide a general overview of UTSD’s activities for the year ended December 31,2023. 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	2023
<u>ASSETS AND DEFERRED OUTFLOWS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 249,766
Investments	14,857,432
Receivables:	
Trade accounts	321,457
Grant receivables, net of allowance	539,039
Inventories	83,648
<u>Total Current Assets</u>	<u>16,051,342</u>
Capital Assets:	
Land, other property rights, and construction in progress	5,670,581
Other capital assets, net of accumulated depreciation	18,146,674
<u>Total Capital Assets</u>	<u>23,817,255</u>
Deferred Outflows of Resources:	
Pension Plan	844,177
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS</u>	<u>\$ 40,712,774</u>
 <u>LIABILITIES AND DEFERRED INFLOWS</u>	
Current Liabilities:	
Accounts payable	\$ 20,998
Customer prepayments	27,221
Accrued wages and payroll liabilities	47,769
Compensated absences	137,155
Net pension liability	1,604,101
Net OPEB liability	81,648
Deferred Inflows of Resources:	
Pension Plan	7,997
<u>Total Liabilities and Deferred Inflows of Resources</u>	<u>1,926,889</u>
<u>NET POSITION</u>	
Investment in Capital Assets	23,817,255
Unrestricted	14,968,630
<u>TOTAL NET POSITION</u>	<u>\$ 38,785,885</u>

See Accompanying Notes to Financial Statements.

UPPER THOMPSON SANITATION DISTRICT

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31	2023
Operating Revenue:	
Sewer charges	\$ 5,585,433
Eagle rock reimbursements	21,032
Waste hauling income	70,130
Access fees	20,826
Total Operating Revenue	5,697,421
Operating Expenses:	
Plant	1,746,841
Collections	1,560,373
Administration	1,717,823
Total Operating Expenses	5,025,038
Operating Income (Loss)	672,383
Non-operating Revenue (Expenses):	
Interest income	734,436
Other income	18,042
Net Non-operating Revenue	752,478
Income Before Contributions	1,424,861
Capital contributions	352,428
Net Income	1,777,289
Net Position, Beginning of Year	37,008,596
Net Position, End of Year	\$ 38,785,885

See Accompanying Notes to Financial Statements.

UPPER THOMPSON SANITATION DISTRICT

STATEMENT OF CASH FLOWS

Year Ended December 31	2023
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 5,682,621
Payments to suppliers and employees	(3,837,932)
Net Cash Provided by Operating Activities	1,844,689
Cash Flows from Capital and Related Financing Activities:	
Acquisition of property, plant and equipment	(1,231,947)
Capital contributions	352,428
Net Cash Used by Capital and Related Financing Activities	(879,519)
Cash Flows from Noncapital Financing Activities:	
Other	-
Net Cash Provided by Noncapital Financing Activities	-
Cash Flows from Investing Activities:	
Interest and dividends received	734,436
Purchase of investments	(1,525,617)
Net Cash Flows from Investing Activities	(791,181)
Net Increase in Cash and Cash Equivalents	173,989
Cash and Cash Equivalents, Beginning of Year	75,777
Cash and Cash Equivalents, End of Year	\$ 249,766

Reconciliation of Operating Income to Net Cash Provided by	
Operating Activities:	
Operating income (loss)	\$ 690,425
Depreciation	1,417,416
Change in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	8,266
Inventories	(3,627)
Increase (decrease) in:	
Accounts payable and accrued expenses	(222,324)
Net pension liability and deferrals	(45,467)
Net Cash Provided by Operating Activities	\$ 1,844,689

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 eligible electors 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 service fees. 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 fees 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.

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 \$11,400 per single-family equivalent unit (SFE). In addition to the SDF, a permit fee is charged. System development 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 \$137,156 at December 31, 2023.

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 of record and the proposed budget is held open for inspection by the rate payers 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.

NOTE 2 – Cash and Investments:

The District's bank accounts 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.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Cash and Investments: - Continued:

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 COLOTRUST accounts.

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.

Investments are reported at fair value and held as of December 31, 2023 as follows:

December 31, 2023	Cost	Fair Value
ColoTrust	\$ 14,857,432	\$ 14,857,432
Cash	249,766	249,766
	<u>\$ 15,107,198</u>	<u>\$ 15,107,198</u>

At December 31, 2023, the District had invested \$8,245,713 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 S&P Global Ratings. 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, 2023, COLOTRUST PLUS+ had a weighted average maturity of 48 days to reset and 27 days to final maturity. There are unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Cash and Investments: - Continued:

At December 31, 2023, the District held investments of \$6,611,719 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, 2023, COLOTRUST had a weighed average maturity of 176 days to reset and 203 days to final maturity.

NOTE 3 – Capital Assets:

	Balance 1/1/23	Additions	Deletions	Balance 12/31/23
Not depreciated:				
Land and easements	\$ 1,176,134	\$ --	\$ --	\$1,176,134
Construction-in-process	3,588,376	906,071	--	4,494,447
	4,764,510	906,071	--	5,670,581
Depreciable capital assets:				
Buildings	1,488,196	--	--	1,488,196
Collection system	24,446,496	60,960	--	24,507,456
Sewage treatment plant	11,350,597	214,271	--	11,564,868
Equipment and vehicles	3,464,997	50,645	--	3,515,642
	40,750,286	325,875	--	41,076,161
Less Accumulated				
Depreciation	21,512,071	1,417,416	--	22,929,487
Net Capital Assets	\$ 24,002,725	\$ (185,470)	\$ --	\$23,817,255

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA:

Pensions. UTSD participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan 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 (FNP) and additions to/deductions from the FNP 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 UTSD are provided with pensions through the LGDTF—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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2022. 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors,

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

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

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA - Continued:

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. For State Troopers whose disability is caused by an on-the-job injury, the five-year service requirement is waived and they are immediately eligible to apply for disability benefits. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of December 31, 2023: Eligible employees of UTSD and the State are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements for the LGDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the periods noted below are summarized in this table.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA - Continued:

	1/1/23-12/31/23
Employee contribution rate as a percentage of salary	9.00%

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

	1/1/23-12/31/23
Employer contribution rate as a percentage of salary	11.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)
Amount Apportioned to the LGDTF	9.98
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.06
Total Employer Contribution Rate to the LGDTF	13.74%

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and Upper Thompson Sanitation District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from UTSD were \$165,467 for the year ended December 31, 2023.

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

The net pension liability for the LGDTF was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. Upper Thompson Sanitation District's proportion of the net pension liability was based on their contributions to the LGDTF for the calendar year 2022 relative to the total contributions of participating employers.

At December 31, 2023, UTSD reported a liability of \$1,604,101 for its proportionate share of the net pension liability.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

At December 31, 2023, UTSD’s proportion was 0.16%, which was approximately the same as its proportion measured as of December 31, 2022.

For the year ended December 31, 2023, UTSD recognized pension expense of \$141,735. At December 31, 2023, UTSD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ 7,997
Change in assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	654,870	--
Subsequent year contributions	189,307	--
Total	\$ 844,177	\$ 7,997

\$189,307 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Amount
2024	\$ (72,744)
2025	96,194
2026	239,714
2027	383,709
	\$ 646,873

Actuarial assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

Price inflation	2.3 percent
Real wage growth	0.7 percent
Wage inflation	3.0 percent
Salary increases, including wage inflation	3.2 - 11.3 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)	1.0 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The TPL for the LGDTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, as allowable under C.R.S. § 24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

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

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

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

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

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

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

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class.

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019 meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocations and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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 TPL was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

Based on the above assumptions and methods, the LGDTF’s FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

December 31, 2023	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability/(asset)	\$ 2,692,882	\$ 1,604,101	\$ 692,611

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.

Voluntary Investment Program (PERAPlus 401(k) Plan)

Plan Description - Employees of UTSD that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program (PERAPlus 401(k) Plan), 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 ACFR which includes additional information on the PERAPlus 401(k) Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The PERAPlus 401(k) Plan 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.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Defined Benefit Other Post Employment Benefit (OPEB) Plan:

UTSD participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP 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.

General Information about the OPEB Plan:

Plan description. Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare health benefits program is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Defined Benefit Other Post Employment Benefit (OPEB) Plan - Continued:

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

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 \$35,882 for the year ended December 31, 2023.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2023, UTSD reported a liability of \$81,648 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The UTSD proportion of the net OPEB liability was based on UTSD's contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

Actuarial assumptions. The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Defined Benefit Other Post Employment Benefit (OPEB) Plan - Continued:

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.20 – 11.30 percent
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	5.60 percent
Medicare Part A premiums	3.75 percent in 2022, gradually rising to 4.50 percent in 2029

At December 31, 2023, the UTSD proportion was 0.01%, which was approximately the same as its proportion measured as of December 31, 2022.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the table below:

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Defined Benefit Other Post Employment Benefit (OPEB) Plan - Continued:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

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

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Defined Benefit Other Post Employment Benefit (OPEB) Plan - Continued:

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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%.

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:

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Defined Benefit Other Post Employment Benefit (OPEB) Plan - Continued:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	5.25%	6.25%	7.25%
Ultimate PERACare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 79,337	\$ 81,648	\$ 84,163

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 HCTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of 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, 2023			
Proportionate share of the net OPEB liability	\$ 94,654	\$ 81,648	\$ 70,523

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 2,000 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 \$250,000.

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. The District expects compliance with these provisions to have a material effect on capital expenditures, net income, and financial condition. 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. The District does not operate on a mill levy, nor collect taxes.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for risks of loss in excess of deductible amounts. There have been no claims that exceeded this coverage in any of the past three fiscal years.

NOTE 8 – Subsequent Event:

In June 2024 the District completed the financing for the water reclamation facility and lift stations improvement project. Loans of approximately \$114,000,000 were finalized at 4.46% interest, with final maturity in 2061.

UPPER THOMPSON SANITATION DISTRICT

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2023	\$ 189,307	\$ 189,307	\$1,377,780	13.18%
2022	182,010	182,010	1,384,870	13.18%
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
2023	\$ 14,053	\$ 14,053	\$1,377,780	1.02%
2022	14,641	14,641	1,384,870	1.02%
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/(ASSET)

Year Ended December 31	Cumulative Proportion of Net Pension Liability	Cumulative Proportionate Share (Asset)	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Total Pension Liability
2023	.16%	\$ 1,604,101	\$1,377,780	116%	83.0%
2022	.16%	(133,750)	1,384,870	10%	101.5%
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
2023	.01%	\$ 81,648	\$ 1,377,780	6%	38.6%
2022	.01%	103,477	1,384,870	8%	39.4%
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, 2023	Actual	Final Budget	Variance
Revenue:			
Sewer charges	\$ 5,585,433	\$ 5,498,692	\$ 86,741
Eagle Rock reimbursements	21,032	10,000	11,032
Waste hauling income	70,130	55,000	15,130
Access fees	20,826	19,743	1,083
Miscellaneous	18,042	10,000	8,042
Non-operating revenues:			
Interest income	714,860	50,300	664,560
Capital contributions:			
System development fees	342,753	228,000	114,753
Permit fees	9,675	7,500	2,175
Unrealized gain (loss)	19,576	(50,000)	69,576
Total Revenue and Contributions	6,802,327	5,829,235	973,092
Expenditures:			
Plant Expenses:			
Payroll:			
Cell phone & internet allowance	1,980	4,745	2,765
Employee benefits	67,209	154,610	87,401
Payroll expenses	5,820	11,222	5,402
Payroll taxes	30,629	62,870	32,241
Pension contributions	42,480	115,996	73,516
Salaries	405,209	785,879	380,670
Total Payroll - Plant	553,327	1,135,322	581,995
Operations:			
Chemicals	120,613	187,300	66,687
Clothing and uniforms	3,057	8,875	5,818
Consulting	25,555	60,000	34,445
Eagle Rock reimbursements	9,156	11,000	1,844
Garbage	11,153	13,500	2,347
Lab chemicals and supplies	37,936	33,500	(4,436)
Maintenance and repair	277,251	534,300	257,049
Plant tools	1,608	1,000	(608)
Biosolids hauling	76,839	110,000	33,161
Total Operations - Plant	563,168	959,475	396,307

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2023	Actual	Final Budget	Variance
Expenditures - Continued:			
Plant Expenses - Continued			
Other:			
Cell phones	\$ 618	\$ 700	\$ 82
Computer repair & maintenance	6,795	10,500	3,705
Conferences	1,800	5,000	3,200
Dues and subscriptions	288	1,000	712
Janitorial	3,422	4,000	578
Meals	1,018	1,500	482
Office supplies	781	2,000	1,219
Postage	1,833	2,300	467
Safety	4,123	5,000	877
Security	372	750	378
Software maintenance	2,345	3,050	705
Staff development	1,283	4,500	3,217
Telephone	2,670	3,000	330
Utilities	209,856	250,000	40,144
Vehicle and truck	5,641	10,000	4,359
Total Other - Plant	242,845	303,300	60,455
Collections:			
Payroll:			
Cell phone allowance	2,515	3,120	605
Employee benefits	57,248	99,431	42,183
Payroll expenses	5,018	7,515	2,497
Payroll taxes	24,293	35,110	10,817
Pension contributions	30,626	64,778	34,152
Salaries	315,495	438,876	123,381
Total Payroll - Lines	435,195	648,830	213,635
Operations:			
Clothing and uniforms	2,715	3,950	1,235
Collection supplies/repairs/maintenance	26,632	75,000	48,368
Locate services	5,529	7,500	1,971
Physicals	579	2,600	2,021
Safety	3,409	5,000	1,591
Supplies and tools	3,316	3,900	584
Vehicle and truck expense	18,510	42,000	23,490
Total Operations - Lines	60,690	139,950	79,260

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2023	Actual	Final Budget	Variance
Expenditures - Continued:			
Collections - Continued:			
Other:			
Building maintenance/repair	\$ 29,309	\$ 19,000	\$ (10,309)
Cell phones	1,809	3,000	1,191
Computer repair/maintenance	148	-	(148)
Janitorial	331	2,000	1,669
Meals	1,572	2,000	428
Office furniture & equipment	-	2,900	2,900
Office supplies	594	1,500	906
Postage and delivery	-	100	100
Security	372	750	378
Software maintenance	1,370	6,100	4,730
Staff development	4,282	5,500	1,218
Utilities	4,537	5,000	463
Total Other - Lines	44,324	47,850	3,526
General Administration:			
Payroll:			
Bonus	17,341	18,000	659
Cell phone allowance	1,640	1,000	(640)
Employee benefits	108,130	113,959	5,829
Payroll expenses	9,566	13,780	4,214
Payroll taxes	60,999	63,865	2,866
Pension contributions	84,784	241,226	156,442
Salaries	702,368	685,810	(16,558)
Total Payroll - Administration	984,828	1,137,640	152,812

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2023	Actual	Final Budget	Variance
Expenditures - Continued:			
General Administration - Continued:			
Other:			
Accounting	\$ -	\$ 2,000	\$ 2,000
Audit	25,978	28,500	2,522
Bad debt expense	-	30,000	30,000
Banking and credit card fees	357	2,150	1,793
Board of Directors	3,628	11,550	7,922
Building maintenance and repair	9,760	27,000	17,240
Cell phones	133	-	(133)
Computer repair/maintenance	14,781	24,100	9,319
Contingency	-	60,000	60,000
Cybersecurity audit	-	15,000	15,000
District functions	4,858	8,650	3,792
Dues and subscriptions	9,702	11,790	2,088
Election expense	59,127	60,000	873
Employee alcohol and drug testing	1,317	1,750	433
Engineering services	51,658	150,000	98,342
Equipment maintenance and repair	3,653	13,000	9,347
GIS Mapping	2,295	3,500	1,205
Insurance - property and liability	44,185	62,000	17,815
Insurance - workers comp	30,046	40,000	9,954
Internet	5,209	7,000	1,791
IT special projects	-	30,000	30,000
Janitorial	5,643	5,500	(143)
Legal fees	16,913	165,000	148,087
Legal filings	-	315	315
Meals	1,772	3,000	1,228
Miscellaneous	848	500	(348)
New employee hiring	-	750	750
Office supplies	3,834	9,500	5,666
Permits and licenses	1,060	2,000	940
Permits - CDPHE	7,529	8,475	946
Postage and delivery	8,128	8,000	(128)
Printing	9,570	15,000	5,430
Professional services expense	265,479	645,500	380,021
Public outreach	7,681	9,500	1,819
Publications	1,958	3,000	1,042
Safety	2,046	1,500	(546)
Security	397	1,175	778
Software maintenance	17,898	33,650	15,752
Staff development	5,802	19,000	13,198

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2023	Actual	Final Budget	Variance
Expenditures - Continued:			
General Administration - Continued:			
Other - Continued:			
Tech support	\$ 63,675	\$ 58,000	\$ (5,675)
Telephone	8,367	9,300	933
Travel	2,509	10,500	7,991
Utilities	6,356	8,000	1,644
Vehicle and truck expense	902	6,100	5,198
Website	3,932	10,650	6,718
Total Administration - Other	708,986	1,621,905	912,919
Capital Outlay:			
Building improvements	-	25,000	25,000
Capital contingency	-	500,000	500,000
Collection equipment	8,478	73,000	64,522
Collection Improvement	60,961	325,000	264,039
Office equipment	7,111	7,200	89
Plant equipment	114,241	269,200	154,959
Plant expansion	906,071	2,754,000	1,847,929
Software/hardware	56,215	87,000	30,785
Vehicle purchase & improvements	93,128	510,000	416,872
Total Capital Outlay	1,246,205	4,550,400	3,304,195
Total Expenditures	4,839,569	\$ 10,544,672	\$ 5,705,103
NET INCOME - BUDGET BASIS	\$ 1,962,758	\$ (4,715,437)	\$ 6,678,195
Reconciliation of Net Income - Budget Basis			
to Net Income - GAAP Basis:			
Capital Outlay	1,231,947		
Depreciation Expense	(1,417,416)		
Net Income - GAAP Basis	\$ 1,777,289		