



UPPER THOMPSON SANITATION DISTRICT FINANCIAL STATEMENTS

Year Ended December 31, 2025

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management Discussion and Analysis	4
STATEMENT OF NET POSITION.....	10
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION.....	11
STATEMENT OF CASH FLOWS	12
NOTES TO FINANCIAL STATEMENTS.....	13
REQUIRED SUPPLEMENTARY INFORMATION	39
SUPPLEMENTARY INFORMATION	41



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, 2025, 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, 2025, 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 42-46 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's Whitney, P.C.

June 11, 2026

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, 2025. This information should be read in conjunction with the financial statements and notes which follow:

FINANCIAL HIGHLIGHTS

- As of December 31, 2025, approximately \$43.1 million was held in net position for the provision of future services to citizens.
- For fiscal year 2025, the total net position increased by \$2.4 million or 6% from 2024. This was primarily from increased service charges.
- Operating revenue for 2025 totaled \$7.2 million, which is an increase of 14% from 2024.
- The District treated 254.15 million gallons of wastewater in 2025 – a decrease of 22 million gallons or 7.9% from 2024. The cost of treatment was \$0.0165 per gallon and is a \$0.008 increase from 2024.

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, 2025.

The *statement of cash flows* shows the net cash flows from activities for the year ended December 31, 2025.

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, 2025 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	2025	2024
Cash	\$ 464,471	\$ 175,760
Investments	23,814,868	17,512,827
Receivables	366,627	379,404
Inventories	102,104	97,509
Capital assets, net	24,612,472	25,065,174
Unrequisitioned project funds	11,642,827	15,874,664
Deferred outflows of resources - pension	404,505	620,978
Total Assets and Deferred Outflows	61,407,874	59,726,316
Less Current Liabilities and Deferred Inflows	1,532,882	1,778,073
Less Non-Current Liabilities	16,779,663	17,165,123
Net Position	\$ 43,095,329	\$ 40,783,120

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

Years Ended December 31	2025	2024
Revenues:		
Operating revenue	\$ 6,961,889	\$ 6,301,347
Other income	1,165,949	1,169,600
Capital contributions	511,719	296,194
Total Revenues	8,639,557	7,767,141
Expenses:		
Operating expenses:		
Plant	1,821,012	2,068,587
Collections	2,066,091	1,545,444
Administration	2,440,245	2,155,875
Total Expenses	6,327,348	5,769,906
Net Income	\$ 2,312,209	\$ 1,997,235

Net position has changed due to the following:

- During 2025 operating revenue increased approximately 14%, primarily due to increased rates for service charges.
- During 2025, operating expenses increased by 10%. The increase is caused by inflation and engineering costs 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:

The Upper Thompson Sanitation District is currently unable to meet forthcoming discharge permit requirements related to nutrient and metal limits which will affect water quality and public health concerns. Additionally, the existing wastewater treatment facility (WWTF) has reached its intended 50-year operational lifespan and needs significant upgrades.

Nutrient standards, specifically nitrogen and phosphorus, will impact the District's discharge permit limits based on adopted standards. Improved nutrient removal requires 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. Currently, Colorado Department of Public Health and Environment (CDPHE) Water Quality Control Commission (WQCC) Regulations No. 31 and Regulation No. 85 will require the District to implement nutrient removal processes after 2027. However, a longer term statewide nutrient control approach is expected to be considered by the WQCC in 2027.

The District plans to construct a new Water Reclamation Facility (WRF) at a new site to enable the District to meet forthcoming nutrient limits year-round at the permitted capacity. Improvements to achieve metals removal will include chemical addition, biological nutrient removal, membrane filtration equipment, additional biosolids treatment and handling equipment. These necessary improvements will enable the District to comply with potential future discharge permit limits for nutrients, 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 concluded in 2025. The existing WWTF 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. Replacement or upgrades to the collection system—including interceptors, main lines, manholes, lift stations, and force mains—are required. Existing process components at the wastewater treatment facility that will be utilized with the new water reclamation facility will be evaluated and considered for rehabilitation in the future. The Fish Creek and Thompson River lift stations do not meet today's safety and building codes and operate obsolete equipment.

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 Water Reclamation Facility and Lift Station Improvements Project (Project), additional collection system improvements, and financial forecasting necessary to support future improvements and operations.

The Board of Directors, District Manager, and staff, in collaboration with the District Engineer, have evaluated the operational enhancements necessary to fulfill both current and anticipated needs of the District. Guided by the Capital Improvement Plan, future funding allocations are directed toward the development of the Project, including the integration of advanced technology to comply with forthcoming U.S. Environmental Protection Agency (EPA) and Colorado Department of Public Health and Environment (CDPHE) discharge permit requirements. The plan also encompasses upgrades or replacements within the collection system, as well as considerations for rising costs associated with fuel, chemicals, utilities, and overall operations.

The District completed a Wastewater Treatment Facility 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 water reclamation facility would best enable the District to meet future treatment regulations. The District updated the Wastewater Utility Master Plan (WUMP) in 2020 (Amended July 2021) 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 was completed in late 2024 with the intent of construction to begin in the summer of 2025.

The District received bids on March 5, 2025, for Bid Package A — WRF (Bid Package A – WRF did not include the Fish Creek Lift Station, Wapiti Lift Station, and a portion of the Wapiti Lift Station Force Main). Unfortunately, bids were higher than anticipated for Bid Package A — WRF and the District did not award the bid to the apparent low bidder — RN Civil Construction, LLC (RN). In March 2025, the District anticipated that the construction cost of the Fish Creek Lift Station, Wapiti Lift Station, and a portion of the Wapiti Lift Station Force Main would also exceed the budgeted amounts, and the overall project would exceed the available budget. The District initiated a value engineering (VE) assessment to determine the scope of work that would be feasible to construct.

Through the remainder of 2025, the District worked with RN and the design engineer (Advanced Engineering and Environmental Services, LLC (AE2S) (formerly led by Merrick & Company)) to evaluate VE options presented by RN for various project elements to reduce construction costs to an acceptable amount. The proposed VE concepts were evaluated for operation and maintenance (O&M) impacts to the overall project goals including the implementation of agreed upon design updates (reduced building footprint and elimination of the Fish Creek and Wapiti Lift Stations and associated pipelines); reorganizing the WRF site including reductions in equipment and basins; use of the existing Fish Creek and Thompson River Lift Stations and influent coarse screening; and use of the existing WWTF components (e.g., grit removal, and flow equalization basin). The results of the VE evaluation require that additional time be provided to complete design updates, obtain regulatory approval from the Colorado Department of Public Health and Environment (CDPHE) Water Quality Control Division (WQCD), and coordinate with RN to complete the construction.

In December 2025, following the preliminary bid estimate from RN based on the 20% design that included proposed value engineering concepts, the Board of Directors resolved to proceed with the Project modifications to integrate advantageous value engineering features. The revised project schedule reflects the completion of the design modification in August 2026, with construction anticipated to commence in Fall 2026.

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 enables 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 debt service incurred to construct the Project and implement other infrastructure improvements.

In 2023, the District engaged Willdan Financial Services to perform a rate study. The District's 2023 Wastewater Rate Study recommended the District secure external debt financing to fund forecasted capital expenditures.

In 2024, the District secured external debt financing to fund the design and construction of the new water reclamation facility. In May 2024, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA), utilizing the Water Pollution Control Revolving Fund (WPCRF). The loan was for an approximate aggregate principal amount of \$18 million, to be repaid over a period of 30 years. Further financial support was obtained in June 2024 from the EPA through the Water Infrastructure Finance Innovation Act (WIFIA) Program. This additional loan, amounting to up to \$96.38 million, is to be repaid over a period of 40 years.

Utilizing information from the 2023 Wastewater Rate Study, recommendations from the District's financial advisor, and in compliance with the rate covenants of the loans for the Project, in September 2024, the Board of Directors voted to increase 2025 service rates 10.5%. Considering the current Project status and maintaining the same approach, the Board decided in September 2025 to raise service rates for 2026 by 10.5% compared to those in 2025. In accordance with the loan agreements, future service rate increases will be required to conform with the dedicated source of repayment, which is net pledged revenue.

Request for Information

This Discussion and analysis are designed to provide a general overview of UTSD's activities for the year ended December 31, 2025. 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	2025
<u>ASSETS AND DEFERRED OUTFLOWS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 464,471
Investments	23,814,868
Trade accounts receivable	366,627
Inventories	102,104
Total Current Assets	24,748,070
Capital Assets:	
Land, other property rights, and construction in progress	8,632,677
Other capital assets, net of accumulated depreciation	15,979,795
Total Capital Assets	24,612,472
Other Assets:	
Unrequisitioned project funds	11,642,827
Deferred Outflows of Resources:	
Pension plan	404,505
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 61,407,874
<u>LIABILITIES AND DEFERRED INFLOWS</u>	
Current Liabilities:	
Accounts payable	\$ 14,239
Customer prepayments	1,208
Accrued wages and payroll liabilities	66,240
Compensated absences - due within one year	44,838
Current portion of long-term debt	376,783
Net pension liability	981,757
Net OPEB liability	47,817
Total Current Liabilities and Deferred Inflows of Resources	1,532,882
Non-current Liabilities:	
Long-term debt	16,675,042
Compensated absences - due after one year	104,621
Total Non-Current Liabilities	16,779,663
TOTAL LIABILITIES AND DEFERRED INFLOWS	18,312,545
<u>NET POSITION</u>	
Net Investment in Capital Assets	19,203,474
Unrestricted	23,891,855
TOTAL NET POSITION	\$ 43,095,329

See Accompanying Notes to Financial Statements.

UPPER THOMPSON SANITATION DISTRICT

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31	2025
Operating Revenue:	
Sewer charges	\$ 6,833,779
Eagle rock reimbursements	15,777
Waste hauling income	87,971
Data collection fees	24,362
Total Operating Revenue	6,961,889
Operating Expenses:	
Plant	1,821,012
Collections	2,066,091
Administration	2,440,245
Total Operating Expenses	6,327,348
Operating Income	634,541
Non-operating Revenue:	
Interest income	950,048
Sale of asset	195,500
Other income	20,401
Net Non-operating Revenue	1,165,949
Income Before Contributions	1,800,490
Capital contributions	511,719
Net Income	2,312,209
Net Position, Beginning of Year	40,783,120
Net Position, End of Year	\$ 43,095,329

See Accompanying Notes to Financial Statements.

UPPER THOMPSON SANITATION DISTRICT

STATEMENT OF CASH FLOWS

Year Ended December 31	2025
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 6,954,385
Payments to suppliers and employees	(4,233,606)
Net Cash Provided by Operating Activities	2,720,779
Cash Flows from Investing Activities:	
Interest received	950,048
Purchase of investments	(6,302,041)
Net Cash Used by Investing Activities	(5,351,993)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of property, plant, and equipment	(1,090,739)
Gain on sale of asset	195,500
Capital contributions	511,719
Proceeds from long-term debt	4,231,837
Payment on long-term debt	(366,766)
Interest paid	(561,626)
Net Cash Provided by Financing Activities	2,919,925
Net Increase in Cash and Cash Equivalents	288,711
Cash and Cash Equivalents, Beginning of Year	175,760
Cash and Cash Equivalents, End of Year	\$ 464,471

Reconciliation of Operating Income to Net Cash Provided by

Operating Activities:	
Operating income before capital contributions	\$ 850,442
Interest paid	561,626
Depreciation	1,543,441
Gain on sale of asset	(195,500)
Change in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	12,777
Inventory	(4,595)
Deferred outflows pension related	216,473
Increase (decrease) in:	
Accounts payable	3,422
Customer deposits	(39,684)
Accrued payroll and payroll taxes	2,244
Accrued compensated absences	(12,396)
Deferred inflows pension related	(1,205)
Pension liability	(192,710)
OPEB liability	(23,556)
Net Cash Provided by Operating Activities	\$ 2,720,779

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 \$18,100 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.

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.

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.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Vacation and Sick Leave:

Employees of the District are entitled to paid vacation time depending on length of service. Accrued compensated absences totaled \$149,459 at December 31, 2025. Vacation and sick leave accumulated by an employee are recorded as a liability and current operating expense of the District at the employee's current rate of pay.

Sick leave is earned when vested and recorded as expenditure when paid. A full-time employee may accumulate a maximum of 520 hours of sick leave. Unused sick leave can be cashed out by a full-time employee once per year, in the last pay period in June, at an exchange rate of one hour's pay for every two hours of unused sick leave. Employees cashing in sick leave must maintain a balance of no less than 200 hours of accumulated sick leave. If a full-time employee has been employed by the District for five or more continuous years, upon termination, except for termination for disciplinary reasons, the District will pay the full-time employee between 20% and 50%, depending on the length of tenure with the District. Part-time employees are not eligible for sick leave payout at termination.

Upon termination or retirement, employees are paid for their accrued vacation. Accrued vacation is recorded as expenditure when paid. Employees earn between 48 and 240 hours annually, depending on their length of employment. Employees may carry unused vacation leave into the following year; however, vacation leave carried forward into the new calendar year may not exceed 240 hours. Any unused vacation leave in excess of 240 hours shall be paid out hour-for-hour at the employee's current pay rate during the last pay period of the fiscal year.

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.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

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 of \$250,000 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 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.

At December 31, 2025, the District had invested \$15,631,946 in the Colorado Local Government Liquid Asset Trust (COLOTRUST) PLUS+. The investment pool is routinely monitored by the Colorado Division of Securities with regard to operations and investments. Investments are valued at the net asset value (NAV) with each share valued at \$1.00. COLOTRUST PLUS+ is rated AAAM by S&P Global Ratings. The District's interest is valued at NAV.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Cash and Investments - Continued:

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. The dollar weighted average days to maturity (WAM) of COLOTRUST PLUS+ at December 31, 2025 was 41 days and the weighted average life (WAL) was 81 days.

At December 31, 2025, the District held investments of \$8,182,922 in the Colorado Local Government Liquid Asset Trust (COLOTRUST) EDGE. COLOTRUST EDGE is an enhanced cash, variable NAV pool that offers next-day liquidity. It is managed to approximate a \$10.00 per share price with shares 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. The dollar weighted average days to maturity (WAM) of COLOTRUST EDGE at December 31, 2025 was 122 days and the weighted average life (WAL) was 212 days.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Capital Assets:

	Balance 1/1/25	Additions	Deletions	Balance 12/31/25
Not depreciated:				
Land and easements	\$1,176,135	\$ --	\$ --	\$1,176,135
Construction-in-process	6,584,712	871,830	--	7,456,542
	7,760,847	871,830	--	8,632,677
Depreciable capital assets:				
Buildings	1,488,196	--	--	1,488,196
Collection system	24,507,456	--	--	24,507,456
Sewage treatment plant	11,564,868	--	--	11,564,868
Equipment and vehicles	4,166,690	218,909	161,127	4,224,472
	41,727,210	1,090,739	161,127	41,784,992
Less Accumulated Depreciation:	24,422,883	1,543,441	161,127	25,805,197
Net Capital Assets	\$25,065,174	\$ (452,702)	\$ --	\$24,612,472

NOTE 4 - PERA:

Upper Thompson Sanitation District 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 the 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/forms-resources/financial-reports-and-studies.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

Benefits provided as of December 31, 2024. 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.

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.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

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. 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: 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:

	01/01/25 - 12/31/25
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
Defined contribution supplement as specified in C.R.S. § 24-51-415	0.11
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50
Total Employer Contribution Rate to the LGDTF	13.79%

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 Upper Thompson Sanitation District were \$209,061 for the year ended December 31, 2025.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

At December 31, 2025, Upper Thompson Sanitation District reported a liability of \$981,757 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023.

Standard update procedures were used to roll forward the total pension liability to December 31, 2024. Upper Thompson Sanitation District proportion of the net pension liability was based on Upper Thompson Sanitation District's contributions to the LGDTF for the calendar year 2023 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2025 Upper Thompson Sanitation District proportion was 0.16 percent, which was approximately the same as the prior year.

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, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TPL to December 31, 2024.

For the year ended December 31, 2025, Upper Thompson Sanitation District recognized pension expense of \$231,620. At December 31, 2025, Upper Thompson Sanitation District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 74,082	\$ --
Changes in assumption	28,974	--
Net difference between projected and actual earnings on pension plan investments	92,387	--
Subsequent year contributions	209,062	--
Total	\$ 404,505	\$ --

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

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

Plan Year Ending December 31	Amount
2025	\$ 179,650
2026	234,078
2027	(156,376)
2029	(61,909)
	<u>\$ 195,443</u>

Actuarial assumptions: The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 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
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07 (automatic)	1.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The actuarial assumptions used in the December 31, 2023, valuation were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total pension liability from December 31, 2023, to December 31, 2024.

Salary increases, including wage inflation:	3.40%-13.00%
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Salary scale assumptions were altered to better reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. All mortality assumptions are developed on a benefit-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 projection scale.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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 November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. 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	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	100.00%	

Note: 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 nominal rate of return assumption of 7.25%.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

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:

- 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 and 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. 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 the 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.
- As of December 31, 2024, measurement date, the FNP and related disclosure components for the Local Government Division reflect additional payments related to the disaffiliation of Tri-County Health as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the Local Government Division Trust Fund and HCTF were \$486 and \$20 respectively.
- 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 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%, 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%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
December 31, 2025			
Proportionate share of the net pension liability	\$ 2,148,869	\$ 981,757	\$ 1,250

Pension plan fiduciary net position. Detailed information about the LGDTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Subsequent Event: SB 25-310, enacted June 2, 2025, and effective immediately, allows PERA to accept a series of warrants from the State Treasurer totaling \$500 million (actual dollars) on or after July 1, 2025, and before October 1, 2025. These dollars are to be proportioned over time to replace reductions to future direct distributions intended to fund the Peace Officer Training and Support Fund and, at that time, will be allocated to the appropriate Division Trust Fund(s) within PERA. SB 25-310 also allows for an alternative actuarial method to allocate the direct distribution if the allocation, based on the reported payroll of each participating division, results in an AAP assessment ratio below the 98% benchmark.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Upper Thompson Sanitation District 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 Upper Thompson Sanitation District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$15,464 for the year ended December 31, 2025.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2025, Upper Thompson Sanitation District reported a liability of \$47,817 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2024, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TOL to December 31, 2024. The District's proportion of the net OPEB liability was based on their contributions to the HCTF for the calendar year 2024 relative to the total contributions of participating employers to the HCTF.

At December 31, 2025, the District's proportion was 0.01 percent which was approximately the same as its proportion measured as of December 31, 2024.

For the year ended December 31, 2025, the District recognized OPEB expense of \$(8,092).

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Actuarial assumptions. The TOL in the December 31, 2023 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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	3.50 percent in 2023, gradually rising to 4.50 percent in 2035

The 2023 Medicare Part A premium is \$506 per month.

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, 2022, 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
2023	7.00%	3.50%
2024	6.75%	3.50%
2025	6.50%	3.75%
2026	6.25%	3.75%
2027	6.00%	4.00%
2028	5.75%	4.00%
2029	5.50%	4.00%
2030	5.25%	4.25%
2031	5.00%	3.25%
2032	4.75%	4.25%
2033	4.50%	4.25%
2034	4.50%	4.25%
2035+	4.50%	4.50%

Mortality assumptions used in the December 31, 2022, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed on a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions (members other than Safety Officers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

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

Pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than Safety Officers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

- **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.

Post-retirement non-disabled mortality assumptions for Safety Officers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

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

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

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

- Per capita health care costs in effect as of the December 31, 2022, 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 2023 plan year.
- The morbidity rates used to estimate individual retiree and spouse costs by age and by gender were updated effective for the December 31, 2022, actuarial valuation. The revised morbidity rate factors are based on a review of historical claims experience by age, gender, and status (active versus retired) from actuary's claims data warehouse.
- 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, 2023, valuations were based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

The actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed annually and updated, as appropriate, by the PERA Board's actuary.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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 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	51.0%	5.0%
Fixed Income	23.0%	2.6%
Private Equity	10.0%	7.6%
Real Estate	10.0%	4.1%
Alternatives	6.0%	5.2%
Total	100.00%	

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

Sensitivity of the District's 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
Initial PERACare Medicare trend rate	5.75%	6.75%	7.75%
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	\$ 46,528	\$ 47,817	\$ 49,275

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Discount rate. The discount rate used to measure the TOL was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2023, and the financial status of the HCTF as of the current measurement date (December 31, 2024). In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2024, measurement date.
- 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%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.
- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

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.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Sensitivity of the District's 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, 2025			
Proportionate share of the net OPEB liability	\$ 58,600	\$ 47,817	\$ 38,520

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.

Significant Changes in Plan Provisions Affecting Trends in Actuarial Information: 2023 Changes in Plan Provisions Since 2022

As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Local Government Division reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023 and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the Local Government Division Trust Fund and Health Care Trust Fund (HCTF) were \$24.967 million and \$1.033 million, respectively.

As of the December 31, 2023, measurement date, the total pension liability (TPL) recognizes the change in the default method applied for granting service accruals for certain members, from a "12-pay" method to a "non-12-pay" method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months (including, but not limited to positions in the School and DPS Divisions) receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.

Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information: 2023 Changes in Assumptions or Other Inputs Since 2022

There were no changes made to the actuarial methods or assumptions.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Long-term Debt:

A summary of changes in debt for the year ended December 31, 2025 is as follows:

	Balance 1/1/2025	Additions	Reduction	Balance 12/31/2025	Due Within One year
CWRPDA Loan	\$17,418,591	\$ --	\$ 366,766	\$17,051,825	\$376,783
Compensated Absences, net	\$161,855	\$ --	\$12,396	\$149,459	\$44,838
Total	\$17,580,446	\$ --	\$379,162	\$17,201,284	\$421,621

On May 1, 2024, the District entered into a loan agreement with the Colorado Water Resources & Power Development Authority (CWRPDA). The original amount of the loan was \$17,457,968 payable at 3.7% interest with payments of approximately \$470,000 each February 1st and August 1st. The loan is secured by the net revenues of the District. Net revenues are gross revenues after deducting the operations and maintenance expenses. The District is required to spend 85% of the loan within three years from the date of closing, May 23, 2024. The funds were obtained to assist with financing for the new wastewater treatment facility center. If the District determines not to build the new facility, the District will be able to fully expend the loan balance to rehabilitate and upgrade various existing process components.

The principal, interest, and fees due on the loan are as follows:

Years Ending December 31	Principal	Interest	Fees	Total
2026	\$ 376,783	\$ 421,150	\$ 139,664	\$ 937,597
2027	390,244	408,650	139,664	938,558
2028	404,819	395,900	139,664	940,383
2029	418,430	382,650	139,664	940,744
2030	431,172	382,650	139,664	1,462,608
2031-2035	2,373,901	1,627,000	698,319	4,699,220
2036-2040	2,755,744	1,246,500	698,319	4,700,563
2041-2045	3,131,411	869,800	698,319	4,699,530
2046-2050	3,472,057	530,000	698,319	4,700,376
2051-2054	3,297,264	167,600	288,054	3,752,918
	\$ 17,051,825	\$ 6,417,050	\$ 3,779,650	\$27,248,525

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Long-term Debt – Continued:

The District pledged future gross revenues, net of operating expenses, to repay the loan above and is payable through 2054. Proceeds from the loan provided financing for a portion of the new water reclamation facility and lift stations improvement project. Annual principal, interest, and fee payments on the loan are expected to require approximately 15% of sewer revenues. The total principal and interest remaining to be paid on the loan is shown above. Principal, interest, and fees paid for the current year and total user fee revenues were \$928,392 and \$6,833,779, respectively.

As of December 31, 2025, \$5,815,141 had been requisitioned from this loan. There is an additional \$11,642,827 remaining with CWRPDA that will be requisitioned over the next three years.

On June 26, 2024, the District completed the financing for the remainder of the water reclamation facility and lift stations improvement project with the Water Infrastructure Finance and Innovation Act (WIFIA). The sum of disbursements and excluding capitalized interest is not to exceed \$96,386,500 with an interest rate of 4.46% and a final maturity of 2061. Principal of this loan shall be paid in annual installments on July 1 of each year, beginning on July 1, 2036. Interest shall be paid in arrears on January 1 and July 1 of each year, beginning on January 1, 2031. The dedicated source of repayment for the WIFIA loan shall be the net pledged revenues in accordance with the WIFIA loan agreement. As of December 31, 2025, no funds had been drawn on this loan.

NOTE 7 – 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.

UPPER THOMPSON SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – 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.

UPPER THOMPSON SANITATION DISTRICT

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2025	\$ 209,061	\$ 209,061	\$1,516,030	13.79%
2024	214,471	214,471	1,558,814	13.76%
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%

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2025	\$ 15,464	\$ 15,464	\$1,516,030	1.02%
2024	15,921	15,921	1,558,814	1.02%
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%

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
2025	.16%	\$ 981,757	\$1,516,030	65%	90.5%
2024	.16%	1,174,466	1,558,814	75%	88.0%
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%

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
2025	.01%	\$ 47,817	\$ 1,516,030	3%	59.8%
2024	.01%	71,373	1,558,814	5%	46.2%
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%

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, 2025	Actual	Original and Final Budget	Variance
Revenue:			
Sewer charges	\$ 6,833,779	\$ 6,713,585	\$ 120,194
Eagle Rock reimbursements	15,777	10,000	5,777
Waste hauling income	87,971	65,000	22,971
Access fees	24,362	23,868	494
Miscellaneous	20,401	16,000	4,401
Non-operating revenues:			
Interest income	950,048	350,750	599,298
Capital contributions:			
System development fees	504,019	217,200	286,819
Permit fees	7,700	6,000	1,700
WRF Funding Resources	-	46,457,584	(46,457,584)
Sale of Asset	195,500	-	195,500
Total Revenue and Contributions	8,639,557	53,859,987	(45,220,430)
Expenditures:			
Plant Expenses:			
Payroll:			
Cell phone & internet allowance	2,150	3,095	945
Employee benefits	89,600	104,520	14,920
Payroll expenses	7,423	8,500	1,077
Payroll taxes	37,703	47,785	10,082
Pension contributions	72,351	88,462	16,111
Salaries	497,449	597,310	99,861
Total Payroll - Plant	706,676	849,672	142,996
Operations:			
Chemicals	175,264	192,800	17,536
Clothing and uniforms	4,102	6,000	1,898
Consulting	32,915	45,000	12,085
Eagle Rock reimbursements	7,739	10,000	2,261
Garbage	14,623	16,000	1,377
Lab chemicals and supplies	22,899	50,000	27,101
Maintenance and repair	321,002	540,000	218,998
Plant tools	574	1,000	426
Biosolids hauling	102,010	130,000	27,990
Total Operations - Plant	681,128	990,800	309,672

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2025	Actual	Original and Final Budget	Variance
Expenditures - Continued:			
Plant Expenses - Continued			
Other:			
Cell phones	\$ 535	\$ 1,200	\$ 665
Computer repair & maintenance	16	2,500	2,484
Conferences	2,309	10,000	7,691
Dues and subscriptions	888	964	76
Janitorial	4,722	4,000	(722)
Meals	646	1,500	854
Office supplies	988	1,600	612
Postage	1,268	3,000	1,732
Safety	5,468	5,000	(468)
Security	827	4,334	3,507
Software maintenance	3,963	4,450	487
Staff development	644	4,000	3,356
Telephone	3,302	4,500	1,198
Utilities	212,872	250,000	37,128
Vehicle and truck	4,650	11,000	6,350
Total Other - Plant	243,098	308,048	64,950
Collections:			
Payroll:			
Cell phone allowance	2,600	2,580	(20)
Employee benefits	88,460	93,336	4,876
Payroll expenses	6,269	7,000	731
Payroll taxes	29,218	33,965	4,747
Pension contributions	56,107	62,878	6,771
Salaries	396,434	424,560	28,126
Total Payroll - Lines	579,088	624,319	45,231
Operations:			
Clothing and uniforms	4,584	6,000	1,416
Collection supplies/repairs/maintenance	104,550	94,500	(10,050)
Locate services	5,372	7,500	2,128
Physicals	465	2,000	1,535
Safety	6,023	5,000	(1,023)
Supplies and tools	9,829	10,000	171
Vehicle and truck expense	21,674	32,500	10,826
Total Operations - Lines	152,497	157,500	5,003

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2025	Actual	Original and Final Budget	Variance
Expenditures - Continued:			
Collections - Continued:			
Other:			
Building maintenance/repair	\$ 10,337	\$ 10,000	\$ (337)
Cell phones	1,808	2,500	692
Janitorial	1,649	2,000	351
Meals	2,066	2,000	(66)
Office furniture & equipment	-	1,000	1,000
Office supplies	1,213	1,600	387
Security	468	4,102	3,634
Software maintenance	10,690	11,500	810
Staff development	5,653	10,000	4,347
Utilities	4,286	6,000	1,714
Total Other - Lines	38,170	50,702	12,532
General Administration:			
Payroll:			
Bonus	22,995	23,000	5
Employee benefits	144,797	209,694	64,897
Payroll expenses	11,857	14,900	3,043
Payroll taxes	51,646	69,503	17,857
Pension contributions	95,069	279,168	184,099
Salaries	647,478	845,790	198,312
Total Payroll - Administration	973,842	1,442,055	468,213

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2025	Actual	Original and Final Budget	Variance
Expenditures - Continued:			
General Administration - Continued:			
Other:			
Accounting	\$ -	\$ 2,000	\$ 2,000
Admin Clothing Expense	98	1,000	902
Audit	45,936	60,000	14,064
Banking fees	514	1,950	1,436
Board of Directors	6,076	19,650	13,574
Building maintenance and repair	31,226	43,200	11,974
Computer repair/maintenance	13,836	22,700	8,864
Contingency	-	60,000	60,000
District functions	6,599	10,200	3,601
Dues and subscriptions	16,410	16,368	(42)
Election Expense	-	50,000	50,000
Employee alcohol and drug testing	1,843	2,000	157
Engineering services	77,229	215,000	137,771
Equipment maintenance and repair	1,299	7,500	6,201
GIS Mapping	6,374	3,500	(2,874)
Insurance - property and liability	55,528	65,000	9,472
Insurance - workers comp	32,108	35,000	2,892
Internet	4,886	7,000	2,114
IT special projects	-	10,000	10,000
Janitorial	5,584	7,000	1,416
Legal fees	45,333	150,000	104,667
Loan Fees	13,000	40,000	27,000
Meals	2,104	3,500	1,396
Miscellaneous	33	650	617
New employee hiring	530	1,000	470
Office supplies	5,379	7,000	1,621
Permits and licenses	1,972	2,000	28
Permits - CDPHE	7,529	8,525	996
Postage and delivery	6,491	16,000	9,509
Printing	2,301	15,000	12,699
Professional services expense	322,316	452,500	130,184
Public outreach	4,491	10,000	5,509
Publications	2,506	6,000	3,494
Safety	826	2,000	1,174
Security	468	4,284	3,816
Software maintenance	37,119	53,130	16,011
Staff development	6,333	14,000	7,667

Continued on next page.

UPPER THOMPSON SANITATION DISTRICT

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

Year Ended December 31, 2025	Actual	Original and Final Budget	Variance
Expenditures - Continued:			
General Administration - Continued:			
Other - Continued:			
Tech support	\$ 58,519	\$ 75,000	\$ 16,481
Telephone	7,516	7,700	184
Travel	1,404	8,500	7,096
Utilities	6,642	7,500	858
Vehicle and truck expense	2,919	6,100	3,181
Website	706	5,500	4,794
Total Administration - Other	841,983	1,534,957	692,974
Capital Outlay:			
Building improvements	-	215,000	215,000
Capital contingency	-	250,000	250,000
Collection Improvement	-	450,000	450,000
Office equipment	37,280	60,000	22,720
Plant equipment	101,217	45,000	(56,217)
Plant expansion	871,829	48,115,000	47,243,171
Software/hardware	5,800	6,000	200
Vehicle purchase & improvements	80,412	85,000	4,588
Total Capital Outlay	1,096,538	49,226,000	48,129,462
Interest payment on debt	561,626	1,091,200	529,574
Principal repayment on debt	366,766	500,000	133,234
Total Expenditures	6,241,412	56,775,253	50,533,841
NET INCOME - BUDGET BASIS	\$ 2,398,145	\$ (2,915,266)	\$ 5,313,411

Reconciliation of Net Income - Budget Basis

to Net Income - GAAP Basis:	
Capital Outlay	1,090,739
Debt repayment	366,766
Depreciation Expense	(1,543,441)
Net Income - GAAP Basis	\$ 2,312,209