PARK CENTER WATER DISTRICT

Financial Statements
With
Independent Auditors' Report

For the Year Ended
December 31, 2025

Park Center Water District

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FINANCIAL SECTION

Park Center Water District

Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) is designed to provide an easy-to-read discussion of the District's financial condition and operating results and to disclose to the reader important financial activities and issues related to the District's basic operations and mission. The District operates one business type activity and no governmental activities and is funded through water sales, tap fees, developer contributions and other miscellaneous receipts.

DESCRIPTION OF FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements (including the footnotes)*, *and Supplementary Schedules*.

STATEMENTS OF NET POSITION AND ACTIVITIES
HIGHLIGHTS

- **In 2025, total assets were $2,629,764, an increase of $253,824 from 2024.**
- **In 2025, revenues from water sales decreased by $27,252 over 2024.**

Condensed Financial Information

CONDENSED STATEMENT OF NET POSITION

	2025	2024
ASSETS		
Current and Other Assets	$ 1,612,718	$ 1,354,263
Capital Assets	1,017,046	1,021,677
Total Assets	2,629,764	2,375,940
DEFERRED OUTFLOWS	98,902	148,321
LIABILITIES		
Current Liabilities	17,771	27,038
Noncurrent Liabilities	634,021	737,311
Total Liabilities	651,792	764,349
DEFERRED INFOWS	47,538	46,798
NET POSITION		
Net Investment in Capital Assets	653,661	625,047
Restricted	104,309	99,899
Unrestricted	1,271,366	988,168
Total Net Position	**$ 2,029,336**	**$ 1,713,114**

CONDENSED STATEMENT OF ACTIVITIES

	2025	2024
OPERATING REVENUES		
Utility Charges	$ 1,114,325	$ 1,141,577
Other Charges for Services	25,125	25,250
Total Program Revenues	1,139,450	1,166,827
OPERATING EXPENSES		
Personnel Services	505,972	419,891
Commodity Charges	52,681	25,938
Administrative/ Office Expense	22,101	28,528
Insurance	30,312	28,278
Operating Supplies	305,894	267,809
Professional Fees	80,607	88,248
Repairs and Maintenance	107,182	207,616
Travel and Training	26,574	21,324
Telephone and Utilities	43,804	44,649
Other Operating Expenses	15,371	20,932
Depreciation Expense	40,700	77,750
Other Capital Outlay	420	420
Total Program Expenses	1,231,618	1,231,383
OTHER INCOME(EXPENSE)		
Tax Revenue	32,977	37,255
Investment Earnings	40,112	38,651
Interest Expense	(19,718)	(21,393)
Intergovernmental Revenue	-	17,323
Gain (Loss) on Sale of Assets	339,019	-
Total Other Income (Expense)	392,390	71,836
Contributed Capital	16,000	28,000
CHANGE IN NET POSITION	316,222	35,280
Net Position, Beginning	1,713,114	1,677,834
NET POSITION, ENDING	**$ 2,029,336**	**$ 1,713,114**

BUDGETARY HIGHLIGHTS

Changes between the original adopted budget, which was completed in December 2024, and the final budget in 2025, were primarily due to an increase in expenses due to the District purchasing a new vehicle, purchasing 72 Canon Heights Irrigation shares from Tom Hausman, also increases in Repairs and Maintenance. Projected income increased due to the sale of Pisqah Reservoir water shares. Park Center has historically relied on surface waters originating from Pisgah Reservoir near Cripple Creek. Surface water was available during most of the summer, reducing Park Centers dependency on the Park Center well. Park Center leases well water from the Park Center Well owned by the Bureau of Land Management. The District has a long-term lease with the Bureau of Land Management for the Park Center Well, BLM had an appraisal done on the well in 2024. BLM implemented the new rates of $500 an acre foot as of January 2025. Treatment of the well water, due to its heavy mineralization, costs more than twice as much as treating surface water.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Changes in capital assets for the year ended on December 31, 2025, was as follows:

	12/31/24 Balance	Additions	Deletions/ Transfers	12/31/25 Balance
Capital assets not being depreciated				
Land	$ 63,771	$ -	$ 8,492	$ 55,279
Water rights	631,044	50,400	107,697	573,747
Total capital assets not being depreciated	694,815	50,400	116,189	629,026
Capital assets being depreciated				
Building	98,429	-	-	98,429
Treatment plant	2,162,885	68,488	-	2,231,373
Distribution system	1,777,922	-	-	1,777,922
Equipment	27,611	-	-	27,611
Vehicles	127,050	32,069	64,127	94,992
Leased Equipment	6,750	4,000	6,750	4,000
SBITA	3,586	-	-	3,586
Total capital assets being depreciated	4,204,233	104,557	70,877	4,237,913
Accumulated depreciation	(3,877,370)	(40,700)	(68,177)	(3,849,893)
Net capital assets being depreciated	326,863	63,857	2,700	388,020
Net capital assets	$ 1,021,678	$ 114,257	$ 118,889	$ 1,017,046

DEBT OUTSTANDING

The District's long-term debt consists of 2 loans with Rural Development (an agency of the U.S. Government). As of December 31, 2025, the balance due on these loans was approximately $359,400. In 2022 the District entered into a lease arrangement for the purchase of a copier. The lease was for $6,750 and requires 48 monthly payments of $155 through 2026 at 4.85% interest. The District has capitalized assets with the remaining value of $3,375 related to this lease. In 2025 the District entered into a lease arrangement for the purchase of a copier. The lease was for $4,000 and requires 63 monthly payments of $208 through February 2031 at 6% interest. The District has capitalized assets with the remaining value of $3,758 related to this lease.

	Balance 1/1/25	Advances Net Change	Payments Net Change	Balance 12/31/25	Due Within One Year
2022 Lease Obligation	$ 2,829	$ -	$ 2,829	$ -	$ -
2025 Lease Obligation	-	4,000	15	3,985	678
USDA Revenue Bonds	393,800	-	34,400	359,400	36,200
Accrued Compensated Absences	42,979	-	4,048	38,931	-
Total Long-Term Obligations	**$ 439,608**	**$ 4,000**	**$ 41,292**	**$ 402,316**	**$ 36,878**

ECONOMIC AND OTHER FACTORS

Water sales were below 100 million gallons. Continued economic growth in the area resulted in 2 water taps being sold and 1 Tap Certificate being redeemed. The District has not increased water rates since 2024.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the general public with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

District Manager
Park Center Water District
1660 Reservoir Road
P.O. Box 1406
Cañon City, CO 81215
Tel: (719) 275-2055
Fax: (719) 275-0268

Mayberry & Company, LLC
Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Directors
Park Center Water District
Cañon City, Colorado

Independent Auditors' Report

Opinion
We have audited the accompanying financial statements of Park Center Water District, as of and for the year ended December 31, 2025, and the related notes to the financial statements which collectively comprise Park Center Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Park Center Water District as of December 31, 2025, and the respective changes in financial position and cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Park Center Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related 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 these 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 the 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 Park Center Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility 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 opinions. 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 generally accepted auditing standards 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.

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In performing an audit in accordance with generally accepted auditing standards, 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 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 Park Center Water District 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 Park Center Water 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.

Report on Summarized Comparative Information

We have previously audited the Park Center Water District's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 9, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Park Center Water District's basic financial statements. The individual fund financial statement is presented for purposes of additional analysis and is 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mayberry + Company, LLC

Englewood, Colorado
February 20, 2026

Basic Financial Statements

PARK CENTER WATER DISTRICT

STATEMENT OF NET POSITION
DECEMBER 31, 2025
With Comparative Totals for December 31, 2024

	Total	
	2025	**2024**
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets		
Cash and Investments		
Cash	$ 114,587	$ 272,862
Investments	1,117,039	650,798
Restricted Cash and Investments	104,309	99,899
Receivables		
Property Tax Receivable	32,561	30,380
Accounts Receivable	124,470	136,530
Inventory	99,398	129,053
Prepaid Expenses	20,354	34,741
Total Current Assets	1,612,718	1,354,263
Noncurrent Assets		
Capital Assets not being depreciated	629,026	694,815
Capital Assets being depreciated	4,237,913	4,204,232
Accumulated Depreciation	(3,849,893)	(3,877,370)
Total Noncurrent Assets	1,017,046	1,021,677
TOTAL ASSETS	2,629,764	2,375,940
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES		
Net Deferred Outflows Pensions	94,895	142,580
Net Deferred Outflows OPEB	4,007	5,741
TOTAL DEFERRED OUTFLOWS	98,902	148,321
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 2,728,666	$ 2,524,261
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 6,061	$ 18,389
Accrued Liabilities	5,234	5,831
Accrued Salaries and Benefits	4,953	1,200
Accrued Interest Payable	1,523	1,618
Total Current Liabilities	17,771	27,038
Noncurrent Liabilities		
Due within one year	36,878	43,483
Due in more than one year	597,143	693,828
Total Noncurrent Liabilities	634,021	737,311
TOTAL LIABILITIES	651,792	764,349
DEFERRED INFLOWS OF FINANCIAL RESOURCES		
Net Deferred Inflows Pensions	5,189	5,690
Net Deferred Inflows OPEB	9,788	10,728
Other Deferred Inflows	32,561	30,380
TOTAL DEFERRED INFLOWS	47,538	46,798
NET POSITION		
Net Investment in Capital Assets	653,661	625,047
Restricted Net Position	104,309	99,899
Unrestricted Net Position	1,271,366	988,168
TOTAL NET POSITION	2,029,336	1,713,114
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 2,728,666	$ 2,524,261

The accompanying notes are an integral part of these financial statements.

PARK CENTER WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	Total	
	2025	**2024**
Operating Revenues		
Utility Charges	$ 1,114,325	$ 1,141,577
Other Charges for Services	25,125	25,250
Total Revenues	1,139,450	1,166,827
Operating Expenses		
Personnel Services	505,972	419,891
Commodity Charges	52,681	25,938
Administrative/Office Expenses	22,101	28,528
Insurance	30,312	28,278
Operating Supplies	305,894	267,809
Professional Fees	80,607	88,248
Repairs and Maintenance	107,182	207,616
Travel and Training	26,574	21,324
Telephone and Utilities	43,804	44,649
Other Operating Expenses	15,371	20,932
Depreciation Expense	40,700	77,750
Other Capital Outlay	420	420
Total Expenditures	1,231,618	1,231,383
Operating Income (Loss)	(92,168)	(64,556)
Other Income (Expense)		
Tax Revenue	32,977	37,255
Intergovernmental Revenue	-	17,323
Investment Earnings	40,112	38,651
Interest Expense	(19,718)	(21,393)
Gain (Loss) on Sale of Assets	339,019	-
Total Other Income (Expense)	392,390	71,836
Net Income (Loss)	300,222	7,280
Contributed Capital		
Plant Investment Fees	10,000	20,000
Cash in Lieu of Fees	6,000	8,000
Total Contributed Capital	16,000	28,000
Change in Net Position	316,222	35,280
Net Position, Beginning	1,713,114	1,677,834
Net Position, Ending	$ 2,029,336	$ 1,713,114

The accompanying notes are an integral part of these financial statements.

PARK CENTER WATER DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	Total 2025	Total 2024
Cash Flows From Operating Activities:		
Cash Received from Customers	$ 1,153,691	$ 1,147,912
Cash Paid to Suppliers	(653,832)	(736,023)
Cash Paid to or on behalf of Employees	(524,284)	(482,997)
Net Cash Provided by Operating Activities	(24,425)	(71,108)
Cash Flows From Capital and Related Financing Activities:		
Tap Fees Received	16,000	28,000
Loan Proceeds	4,000	-
Debt Principal Payments	(37,244)	(34,278)
Grant Proceeds	-	17,323
Interest Payments	(19,813)	(21,530)
Proceeds of Capital Asset Sales	457,907	-
Acquisition of Capital Assets	(154,957)	(3,586)
Cash Flows Used by Capital and Related Financing Activities	265,893	(14,071)
Cash Flows (Uses) From Noncapital Financing Activities:		
Tax Revenue	30,796	35,355
Cash Flows (Uses) From Investing Activities:		
Interest Received	40,112	38,651
Net Increase (Decrease) in Cash	312,376	(11,173)
Cash - Beginning	1,023,559	1,034,732
Cash - Ending	$ 1,335,935	$ 1,023,559
Cash	$ 114,587	$ 272,862
Investments	1,117,039	650,798
Restricted Cash and Investments	104,309	99,899
Total	$ 1,335,935	$ 1,023,559
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:		
Operating Income (Loss)	$ (92,168)	$ (64,556)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation Expense	40,700	77,750
Changes in Assets and Liabilities Related to Operations:		
(Increase) Decrease in:		
Accounts Receivable	12,060	(20,815)
Inventory	29,655	(3,420)
Prepaid Expenses	14,387	7,338
Pension and OPEB Deferred Outflows	49,419	282,228
(Increase) Decrease in:		
Accounts Payable	(12,329)	(5,520)
Accrued Liabilities	(596)	(679)
Accrued Salaries and Benefits	3,753	(1,140)
Accrued Compensated Absences	(4,049)	8,229
Pension and OPEB Deferred Inflows	(1,441)	(229,905)
Pension and OPEB Liability	(65,997)	(122,518)
Other Deferred Inflows	2,181	1,900
Total Adjustments	67,743	(6,552)
Net Cash Used for Operating Activities	$ (24,425)	$ (71,108)

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Because the District has been established for the sole purpose of providing water service for financial reporting purposes, the District shows its basic financial statements as a single proprietary fund.

The Park Center Water District operates under the regulations pursuant to the Colorado Revised Statutes that designate a Board of Directors to act as the governing authority. The District provides potable water to the people within the boundaries of the District, which is located near Cañon City, Colorado.

Reporting Entity

Park Center Water District is a political subdivision of the State of Colorado governed by a five member board of directors. The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements of the District include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit or burden on the District
- there is fiscal dependency by the organization on the District

Based on the above criteria, the District has no component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using *the economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Fund Accounting

The District uses one fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District uses only an enterprise (proprietary) fund.

NOTE 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

Budgets

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- In September the proposed budget is submitted to the District Board and a "Notice of Budget" is published stating that the proposed budget is on file for inspection.

- In December the budget is approved and adopted fixing the rate of levy of taxation upon taxable property within the District and levies are certified to the county. A certified copy of the adopted budget is sent to the Division of Local Government within 30 days of adoption.

- Prior to December 31, the District enacts an appropriation resolution for the ensuing fiscal year.

The District's adopted annual budget is all prepared on the modified accrual basis of accounting, ie the District budgets for capital outlay and debt principal repayments but does not budget for depreciation. The District may authorize supplemental appropriations during the budget year. All budgetary appropriations lapse at year-end.

Encumbrances

The District does not utilize encumbrance accounting.

Cash and Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District considers its investment in Colotrust as a cash equivalent.

Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which is equal to fair value.

Receivables

Under the accrual basis of accounting, receivables consist of all revenues earned at year-end and not yet received. Based upon a review of the existing accounts receivable, no allowance for doubtful accounts is required.

NOTE 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

Capital Assets

Capital assets, which include land, buildings, vehicles and equipment, are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and a useful life of more of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an expense for the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

Office and Shop Buildings	40 years
Treatment Plant	5-30 years
Distribution System (infrastructure)	30-40 years
Other	3-5 years

Accumulated Unpaid Leave (Compensated Absences)

The District permits an employee to carry over unused vacation pay to the next calendar year, up to 240 hours without board approval. The District also allows the accumulation of up to 60 days of sick leave. The accumulated unpaid leave balance as of December 31, 2025 was $38,931.

Long-Term Obligations

Long-term debt is reported at face value, including all applicable premiums and discounts and deferred amounts from refunding. Costs related to the issuance of debt are expensed when incurred. Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government’s deferred outflows consist of pension and OPEB related items as further described in Note 5 and Note 7.

NOTE 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows related to pension and OPEB liabilities as further described in Note 5 and Note 7 as well as for taxes levied in 2025 to be collected in 2026.

Net Position

In the financial statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

Amounts are reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The District's has restricted net position for debt retirement.

Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted or unrestricted in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider available restricted net position to have been depleted before using unrestricted net position.

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented for all of the statements and footnotes since their inclusion would make the report unduly complex and difficult to read.

NOTE 2: CASH AND INVESTMENTS

The District's cash and investment balances as of the year ended December 31, 2025 are as follows:

Cash	$ 114,587
Investments	1,221,348
Total Cash and Investments	**$ 1,335,935**

This balance is comprised of:

Cash and Investments	$ 1,231,626
Restricted Cash and Investments	104,309
Total Cash and Investments	**$ 1,335,935**

DEPOSITS

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels ($250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and December 31, 2025, all of the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

NOTE 2: <u>CASH AND INVESTMENTS</u> (Continued)

At December 31, 2025 the District's deposits are categorized as follows:

	Bank Balance	Book Balance
FDIC Insured	**$ 193,459**	**$ 114,587**

INVESTMENTS

The following is a summary of District policies related to investments.

Credit Risk
Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of the U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2025, the District did not have any investments requiring safekeeping.

NOTE 2: <u>CASH AND INVESTMENTS</u> (Continued)

INVESTMENTS(Continued)

<u>Investments Held</u>
During the year ended December 31, 2025, the District invested funds in the Colotrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. It invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pool operates similar to a 2a-7-like money market fund with a share value equal to $1.00 and a maximum weighted average maturity of 60 days. This fund is rated AAAm by Standard and Poor's.

The Colotrust investment consists of the following:

	Fair Value	Weighted Maturity	Rating
Local Government Pool (Colotrust)	$ 1,117,039	-	AAAm
Local Government Pool (Colotrust) - Restricted	104,309	-	AAAm
Total Investments	**$ 1,221,348**		

RESTRICTED CASH AND INVESTMENTS

Rural Development has required the District to restrict cash to pay the annual installments on the water notes payable. The District has established a separate Colotrust account and restricted the entire balance for debt repayment. The amount in the account exceeds one year's debt service.

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2025 was as follows:

	12/31/24 Balance	Additions	Deletions/ Transfers	12/31/25 Balance
Capital assets not being depreciated				
Land	$ 63,771	$ -	$ 8,492	$ 55,279
Water rights	631,044	50,400	107,697	573,747
Total capital assets not being depreciated	694,815	50,400	116,189	629,026
Capital assets being depreciated				
Building	98,429	-	-	98,429
Treatment plant	2,162,885	68,488	-	2,231,373
Distribution system	1,777,922	-	-	1,777,922
Equipment	27,611	-	-	27,611
Vehicles	127,050	32,069	64,127	94,992
Leased Equipment	6,750	4,000	6,750	4,000
SBITA	3,586	-	-	3,586
Total capital assets being depreciated	4,204,233	104,557	70,877	4,237,913
Accumulated depreciation	(3,877,370)	(40,700)	(68,177)	(3,849,893)
Net capital assets being depreciated	326,863	63,857	2,700	388,020
Net capital assets	$ 1,021,678	$ 114,257	$ 118,889	$ 1,017,046

During the year, the District sold all of its Pisgah water shares and acquired additional Cañon Heights water shares. The District also returned a copier and entered into a new copier lease as discussed in Note 4.

NOTE 4: LONG-TERM OBLIGATIONS

The following is a schedule of changes in debt for the year ended December 31, 2025:

	Balance 1/1/25	Advances Net Change	Payments Net Change	Balance 12/31/25	Due Within One Year
2022 Lease Obligation	$ 2,829	$ -	$ 2,829	$ -	$ -
2025 Lease Obligation	-	4,000	15	3,985	678
USDA Revenue Bonds	393,800	-	34,400	359,400	36,200
Accrued Compensated Absences	42,979	-	4,048	38,931	-
Total Long-Term Obligations	**$ 439,608**	**$ 4,000**	**$ 41,292**	**$ 402,316**	**$ 36,878**

NOTE 4: LONG-TERM OBLIGATIONS (Continued)

Lease Obligations

In 2022 the District entered into a lease arrangement for the purchase of a copier. The lease was for $6,750 and requires 48 monthly payments of $155 through 2026 at an estimated 4.85% interest rate. The District has capitalized assets with the remaining value of $3,375 related to this lease. In the event of a default the lessor may require the return of leased equipment, all past due amounts and, all remaining payments for the unexpired term, plus lessors booked residual discounted at 3% per annum. Lessor may repossess the leased equipment and use all other legal remedies available with the lessee liable to pay all costs and expenses incurred in any dispute related to this agreement. This copier was returned during the current fiscal year.

In 2025 the District entered into a lease arrangement for the purchase of a copier. The lease was for $4,000 and requires 63 monthly payments of $208 (including maintenance and supplies) through February 2031 at an estimated 6% interest rate. The District has capitalized assets with the remaining value of $3,758 related to this lease. In the event of a default the lessor may require the return of leased equipment, all past due amounts and, all remaining payments for the unexpired term, plus lessors booked residual discounted at 6% per annum. Lessor may repossess the leased equipment and use all other legal remedies available with the lessee liable to pay all costs and expenses incurred in any dispute related to this agreement.

Future minimum lease payments are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 678	$ 221	$ 899
2027	720	179	899
2028	765	134	899
2029	812	87	899
2030	862	37	899
2031	148	2	150
Total	**$ 3,985**	**$ 660**	**$ 4,645**

Bonds Payable

The District has issued Water Revenue Bonds, Series 1993 in the principal amount of $735,000 to pay for construction of a new treatment plant. The annual interest rate of this issue is 5.125%. Principal and interest are payable on June 1 and December 1 of each year through 2033. At December 31, 2025, the balance on these bonds is $296,300.

NOTE 4: LONG-TERM OBLIGATIONS (Continued)

Bonds Payable (Continued)

The District has issued Water Revenue Bonds, Series 1994 in the principal amount of $160,000 to pay for construction of a new treatment plant. The annual interest rate of this issue is 5.00%. Principal and interest are payable on June 1 and December 1 of each year through 2034. At December 31, 2025, the balance on these bonds is $63,100.

Debt payments to maturity on these bonds are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 36,200	$ 18,036	$ 54,236
2027	38,200	16,163	54,363
2028	40,400	14,186	54,586
2029	42,600	12,095	54,695
2030	45,000	9,890	54,890
2031-2034	157,000	15,481	172,481
Total	**$ 359,400**	**$ 85,851**	**$ 445,251**

NOTE 5: PENSION PLANS

DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The 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 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. As of December 31, 2024, 6 employees were members of the PERA Plan.

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund (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 CCR 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 ACFR that can be obtained at https://www.copera.org/investments/pera-financial-reports.

NOTE 5: PENSION PLANS (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)
Benefits provided as of December 31, 2024. The State, School, and Local Government Divisions serve as a defined benefit retirement plan where retirees receive a monthly benefit for their lifetime, and generally, an annual increase each year, as eligible. Members of affiliated employers are eligible to receive a lifetime monthly retirement benefit when certain age and service credit requirements are met. These eligibilities vary by the membership date and consider credited service at key dates. The benefits are based upon a defined or fixed multiplier, age, years of credited service, and highest average salary (HAS). For most employees, HAS, as of December 31, 2024, is one-twelfth of the average of the highest annual salaries that are associated with three periods (five periods, under certain circumstances) of 12 consecutive months under PERA-covered employment. The basic retirement benefit equals *2.5% x HAS x Years of Service.* If a member reaches early retirement eligibility and wishes to begin benefit payments prior to achieving the full retirement requirements, then the monthly amount is reduced to consider the early receipt of monthly payments. Alternatively, if greater, a lifetime benefit is available that is calculated by annuitizing the member’s account. At benefit commencement, the member can choose from different payment options, some of which can continue after the retiree’s death to a named beneficiary, and for which the benefit amount is appropriately adjusted.

In addition to retirement benefits, the State, School, and Local Government Divisions provide refund opportunities with matching employer dollars, if eligible, when leaving covered employment, and disability retirement and survivor benefits for those meeting certain criteria.

Contributions provisions as of December 31, 2024: Employers are required to contribute to the Division Trust Funds at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Employer contribution requirements, as a percentage of salary, are summarized on the following tables. In the normal course of business, administrative errors can occur resulting in corrections to prior employer and member contribution remissions.

	1/1/24 through 12/31/24
Employer contribution rate	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 SCHDTF	9.98%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%
Defined contribution supplement as specified in C.R.S. § 24-51-415	0.08%
Total employer contribution rate to the SCHDTF	**13.76%**

[1] Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-101(42).

NOTE 5: PENSION PLANS (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were $46,952 for the year ended December 31, 2024.

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires participating employers in the Division Trust Funds to recognize their proportionate share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense in their financial statements. The allocation schedules provided by PERA are prepared to provide employers and nonemployer contributing entities with their calculated proportion.

At December 31, 2024, the District reported a liability of $218,146 for its proportionate share of the net pension liability. The proportions presented in this schedule are based on employer contributions as a percentage of total employer contributions during the measurement period or reporting months January 1, 2024, through December 31, 2024. This schedule reports contributions and allocations for each PERA-affiliated employer or reporting agency in the Division Trust Fund. Employer contributions are recognized in the period in which the compensation becomes payable to the member and the employer is statutorily committed to pay the contributions to the Division Trust Fund. Contributions are reduced by the allocation to the Health Care Trust Fund (HCTF) or DPS HCTF for all PERA-affiliated employers; and if applicable, for refunds of contributions or transfers resulting from a member’s PERAChoice election. Also, contributions have been annualized for PERA-affiliated employers or reporting agencies who did not participate in the Division Trust Fund for the twelve-month period.

At December 31, 2024, the District proportion was 0.035558 percent, which was a decrease of 0.0021 from its proportion measured as of December 31, 2023.

NOTE 5: <u>PENSION PLANS</u> (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2024, the District recognized pension income of $40,489. At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 16,464	$ -
Changes of assumptions or other inputs	$ 6,439	$ -
Net difference between projected and actual earnings on pension plan investments	$ 20,532	$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	$ -	$ (5,189)
Contributions subsequent to the measurement date	$ 51,460	$ -
Total	**$ 94,895**	**$ (5,189)**

$51,460 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended Dec. 31:	Fiscal Year Totals
2026	$ 35,076
2027	$ 51,681
2028	$ (34,753)
2029	$ (13,758)
Total	**$ 38,246**

NOTE 5: PENSION PLANS (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions. The collective total pension liability is based upon the December 31, 2023, actuarial valuation, and generally accepted actuarial techniques were applied to roll forward the collective total pension liability to December 31, 2024. The roll forward calculation includes actual benefits, refunds and disability premiums paid for the plan year, interest on the total pension liability, the annual normal cost (also called service cost), changes of benefit terms, differences between expected and actual experience at the end of year, and changes of assumptions or other inputs.

The December 31, 2023, actuarial valuations used the following actuarial cost method and key actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increase, including wage inflation	3.20-11.30%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	1.00% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Post retirement benefit increases as provided by the Annual Increase Reserve (AIR), accounted separately with each PERA Division Trust Fund, and subject to moneys being available, therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

As of the 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 Department (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 $486,000 and $20,000 respectively.

NOTE 5: PENSION PLANS (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

All Divisions

All mortality assumptions are developed on a benefit-weighted basis and apply generational mortality. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019.

Pre-Retirement	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A
Safety Officers	PubS-2010 Employee	N/A
School and DPS Divisions	PubT-2010 Employee	N/A
Judicial Division	PubG-2010(A) Above-Median Employee	N/A
Post-Retirement (Retiree), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Healthy Retiree	**Males:** 94% of the rates prior to age 80/ 90% of the rates age 80 and older **Females:** 87% of the rates prior to age 80/ 107% of the rates age 80 and older
Safety Officers	PubS-2010 Healthy Retiree	N/A
School and DPS Divisions	PubT-2010 Healthy Retiree	**Males:** 112% of the rates prior to age 80/ 94% of the rates age 80 and older **Females:** 83% of the rates prior to age 80/ 106% of the rates age 80 and older
Judicial Division	PubG-2010(A) Above-Median Healthy Retiree	N/A
Post-Retirement (Beneficiary), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
All Beneficiaries	Pub-2010 Contingent Survivor	**Males:** 97% of the rates for all ages **Females:** 105% of the rates for all ages
Disabled	**Mortality Table**	**Adjustments, as Applicable**
Members other than Safety Officers	PubNS-2010 Disabled Retiree	99% of the rates for all ages
Safety Officers	PubS-2010 Disabled Retiree	N/A

The actuarial assumptions used in the December 31, 2023, valuations 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 PERA's 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.

NOTE 5: <u>PENSION PLANS</u> (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Salary increases, including wage inflation for the Local Government Division were assumed to be 3.40%-13.00% for all members other than Safety Officers.

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.

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 were updated based on the experience. All mortality assumptions are developed on a benefit-weighted basis and apply generational mortality. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 scale MP-2021.

Pre-Retirement	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A
Safety Officers	PubS-2010 Employee	N/A
School and DPS Divisions	PubT-2010 Employee	N/A
Judicial Division	PubG-2010(A) Above-Median Employee	N/A

Post-Retirement (Retiree), Non-Disabled	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Healthy Retiree	**Males:** 90% of the rates for all ages **Females:** 85% of the rates prior to age 85/ 105% of the rates age 85 and older
Safety Officers	PubS-2010 Healthy Retiree	N/A
School and DPS Divisions	PubT-2010 Healthy Retiree	**Males:** 106% of the rates for all ages **Females:** 86% of the rates prior to age 85/ 115% of the rates age 85 and older
Judicial Division	PubG-2010(A) Above-Median Healthy Retiree	N/A

Post-Retirement (Beneficiary), Non-Disabled	Mortality Table	Adjustments, as Applicable
All Beneficiaries	Pub-2010 Contingent Survivor	**Males:** 92% of the rates for all ages **Females:** 100% of the rates for all ages

Disabled	Mortality Table	Adjustments, as Applicable
Members other than Safety Officers	PubNS-2010 Disabled Retiree	95% of the rates for all ages
Safety Officers	PubS-2010 Disabled Retiree	N/A

NOTE 5: <u>PENSION PLANS</u> (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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%.

NOTE 5: <u>PENSION PLANS</u> (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The discount rate used to measure the total pension liability 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 each of the Division Trust Funds as of the current measurement date (December 31, 2024). 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%.

- 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 position 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.

- 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 the 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

NOTE 5: <u>PENSION PLANS</u> (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- As of the 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 $486,000 and $20,000 respectively.

Based on the above assumptions and methods, the FNP for each of the Division Trust Funds 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 total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.25%. There was no change in the discount rate from the prior measurement date for any of the Division Trust Funds.

Sensitivity of the District proportionate share of the net pension liability to changes in the discount rate. The following presents the collective net pension liability for each of the Division Trust Funds calculated using the discount rate of 7.25% as of the measurement date, as well as if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionare share of the net pension asset (liability)	$ (477,565)	$ (218,186)	$ (278)

Subsequent Events

Governmental accounting standards require the net pension liabilities for financial reporting purposes be measured using the plan provisions in effect as of the pension plan’s year end. The passage of Senate Bill (SB) 25-310 into law is considered a nonrecognized subsequent event as these statutory changes to plan provisions did not exist as of the December 31, 2024, measurement date.

SB 25-310: Proposition 130 Implementation, 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.

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

OPEB. 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. The Health Care Trust Fund (HCTF) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 74 and is administered by the Public Employees' Retirement Association of Colorado (PERA).

PERA issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at https://www.copera.org/investments/pera-financial-reports.

Brief Description of Benefits. The HCTF and DPS HCTF, referred to as Health Care Trust Funds, are established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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.

The Health Care Trust Funds provide 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. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four divisions (State Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the DPS HCTF. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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.

NOTE 6: <u>OTHER POST-EMPLOYMENT BENEFITS</u> (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. 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.

PERA Benefit Structure
The maximum service-based premium subsidy is $230 (actual dollars) 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 (actual dollars) 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.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the Health Care Trust Funds. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF. For 2024, reporting agencies of the DPS Division are required to contribute at a rate of 1.02% of PERA-includable salary into the DPS HCTF.

Employer Allocation Percentages. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires participating employers and reporting agencies in the Health Care Trust Funds to recognize their proportionate share of collective net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense in their financial statements. The Schedule of Employer Allocations is prepared to provide employers and reporting agencies in the Health Care Trust Funds with their calculated proportion.

NOTE 6: <u>OTHER POST-EMPLOYMENT BENEFITS</u> (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The proportions presented in this schedule are based on employer contributions as a percentage of total employer contributions during the measurement period or reporting months January 1, 2024, through December 31, 2024. This schedule reports contributions and allocations for each PERA-affiliated employer or reporting agency in the HCTF or DPS HCTF. Contributions are recognized in the period in which the compensation becomes payable to the member and the employer or reporting agency is statutorily committed to pay the contributions to either the HCTF or the DPS HCTF. Contributions are reduced, if applicable, for refunds of contributions. In the normal course of business, administrative errors can occur resulting in corrections to prior employer contribution remissions. Also, contributions have been annualized for employers or reporting agencies who did not participate in the HCTF or DPS HCTF for the twelve-month period.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were $3,480 for the year ended December 31, 2024.

At December 31, 2024, the District reported a liability of $13,519 for its proportionate share of the net OPEB liability. The collective total OPEB liability is based upon the December 31, 2023, actuarial valuation, and generally accepted actuarial techniques were applied to roll forward the collective total OPEB liability to December 31, 2024. The roll forward calculation includes actual benefits, interest on the total OPEB liability, the annual normal cost (also called service cost), changes of benefit terms, differences between expected and actual experience at the end of year, and changes of assumptions or other inputs. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2024 relative to the total contributions of participating employers to the HCTF.

At December 31, 2024, the District proportion was 0.0028%, which was a decrease of 0.00016% from its proportion measured as of December 31, 2023.

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended December 31, 2024, the District recognized OPEB income of $3,242. At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ (2,982)
Changes of assumptions or other inputs	$ 155	$ (4,321)
Net difference between projected and actual earnings on pension plan investments	$ 46	$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	$ -	$ (2,485)
Contributions subsequent to the measurement date	$ 3,806	$ -
Total	**$ 4,007**	**$ (9,788)**

$3,806 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Fiscal Year Totals
2026	$ (2,692)
2027	(1,887)
2028	(2,121)
2029	(1,516)
2030	(1,082)
2031	(289)
Total	**$ (9,587)**

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial assumptions. The collective total OPEB liability is based upon the December 31, 2023, actuarial valuation, and generally accepted actuarial techniques were applied to roll forward the collective total OPEB liability to December 31, 2024. The roll forward calculation includes actual benefits, interest on the total OPEB liability, the annual normal cost (also called service cost), changes of benefit terms, differences between expected and actual experience at the end of year, and changes of assumptions or other inputs.

The December 31, 2023, actuarial valuations used the following actuarial cost method and key actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increase, including wage inflation	3.20%-11.30%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
Service-based premium subsidy	0.00%
PERACare Medicare Plans	16% in 2024, then 6.75% in 2025, gradually decreasing to 4.50% in
MAPD PPO #2	105% in 2024, then 8.55% in 2025, gradually decreasing to 4.50% in 2034
Medicare Part A premiums	increasing to 4.50% in 2033

As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) 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 $20,000 and $486,000 respectively.

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Each year the per capita health care costs are developed by plan option; currently based on 2024 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-68	2.2%	2.3%
69	2.8%	2.2%
70	2.7%	1.6%
71	3.1%	0.5%
72	2.3%	0.7%
73	1.2%	0.8%
74	0.9%	1.5%
75-85	0.9%	1.3%
86 and older	0.0%	0.0%

	MAPD PPO #1 with Medicare Part A		MAPD PPO #1 without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse	
Sample Age	Male	Female	Male	Female
65	$1,710	$1,420	$6,536	$5,429
70	1,921	1,589	7,341	6,073
75	2,122	1,670	8,110	6,385

	MAPD PPO #2 with Medicare Part A		MAPD PPO #2 without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse	
Sample Age	Male	Female	Male	Female
65	$585	$486	$4,241	$3,523
70	657	544	4,764	3,941
75	726	571	5,262	4,143

	MAPD HMO (Kaiser) with Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse	
Sample Age	Male	Female	Male	Female
65	$1,897	$1,575	$7,063	$5,866
70	2,130	1,763	7,933	6,563
75	2,353	1,853	8,763	6,900

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The 2024 Medicare Part A premium is $505 (actual dollars) 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. PERACare Medicare plan rates are applied where members have no premium-free Part A and where those premiums are already exceeding the maximum subsidy. MAPD PPO #2 has a separate trend because the first year rates are still below the maximum subsidy and to reflect the estimated impact of the Inflation Reduction Act for that plan option.

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

Year	PERACare Medicare Plans[1]	MAPD PPO #2[1]	Medicare Part A Premiums
2024	16.00%	105.00%	3.50%
2025	6.75%	8.55%	3.75%
2026	6.50%	8.10%	3.75%
2027	6.25%	7.65%	4.00%
2028	6.00%	7.20%	4.00%
2029	5.75%	6.75%	4.25%
2030	5.50%	6.30%	4.25%
2031	5.25%	5.85%	4.25%
2032	5.00%	5.40%	4.25%
2033	4.75%	4.95%	4.50%
2034+	4.50%	4.50%	4.50%

[1] Increase in 2024 trend rates due to the effect of the Inflation Reduction Act.

Mortality assumptions used in the December 31, 2023, valuations for the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the December 31, 2023, valuations for the HCTF and DPS HCTF, but developed on a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

NOTE 6: <u>OTHER POST-EMPLOYMENT BENEFITS</u> (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Pre-Retirement	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A
Safety Officers	PubS-2010 Employee	N/A
School and DPS Divisions	PubT-2010 Employee	N/A
Judicial Division	PubG-2010(A) Above-Median Employee	N/A
Post-Retirement (Retiree), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Healthy Retiree	**Males:** 94% of the rates prior to age 80/ 90% of the rates age 80 and older **Females:** 87% of the rates prior to age 80/ 107% of the rates age 80 and older
Safety Officers	PubS-2010 Healthy Retiree	N/A
School and DPS Divisions	PubT-2010 Healthy Retiree	**Males:** 112% of the rates prior to age 80/ 94% of the rates age 80 and older **Females:** 83% of the rates prior to age 80/ 106% of the rates age 80 and older
Judicial Division	PubG-2010(A) Above-Median Healthy Retiree	N/A
Post-Retirement (Beneficiary), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
All Beneficiaries	Pub-2010 Contingent Survivor	**Males:** 97% of the rates for all ages **Females:** 105% of the rates for all ages
Disabled	**Mortality Table**	**Adjustments, as Applicable**
Members other than Safety Officers	PubNS-2010 Disabled Retiree	99% of the rates for all ages
Safety Officers	PubS-2010 Disabled Retiree	N/A

NOTE 6: <u>OTHER POST-EMPLOYMENT BENEFITS</u> (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The following health care costs assumptions were updated and used in the roll-forward calculation for the Health Care Trust Funds:

- Per capita health care costs in effect as of the December 31, 2023, 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 were updated to reflect costs for the 2024 plan year.

- The health care cost trend rates applicable to health care premiums were revised to reflect the current expectation of future increases in those premiums. A separate trend rate assumption set was added for MAPD PPO #2 as the first-year rate is still below the maximum subsidy and also the assumption set reflects the estimated impact of the Inflation Reduction Act for that plan option.

- The Medicare health care plan election rate assumptions were updated effective as of the December 31, 2023, valuation date based on an experience analysis of recent data.

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.

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 OPEB liability from December 31, 2023, to December 31, 2024.

	HCTF				DPS HCTF
	State Division	School Division	Local Government Division	Judicial Division	DPS Division
Salary increase, including wage inflation:					
Members other than Safety Officers	2.70%-13.30%	4.00%-13.40%	3.40%-13.00%	.30%-4.70%	3.90%-16.80%
Safety Officers	3.20%-16.30%	N/A	3.20%-16.30%	N/A	N/A

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

- 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.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded:

(in Actual Dollars)	With	Without
Plan	**Medicare Part A**	**Medicare Part A**
MAPD PPO #1	$1,824	$6,972
MAPD PPO #2	624	4,524
MAPD HMO (Kaiser)	2,040	7,596

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. Note that in all categories, the mortality tables are generationally projected using the 2024 adjusted MP-2021 project scale. These assumptions updated for the Division Trust Funds, were also applied in the roll forward calculations for the HCTF and DPS HCTF using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF. Affiliated employers of the DPS Division participate in the DPS HCTF.

NOTE 6: <u>OTHER POST-EMPLOYMENT BENEFITS</u> (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Pre-Retirement	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A
Safety Officers	PubS-2010 Employee	N/A
School and DPS Divisions	PubT-2010 Employee	N/A
Judicial Division	PubG-2010(A) Above-Median Employee	N/A
Post-Retirement (Retiree), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Healthy Retiree	**Males:** 90% of the rates for all ages **Females:** 85% of the rates prior to age 85/ 105% of the rates age 85 and older
Safety Officers	PubS-2010 Healthy Retiree	N/A
School and DPS Divisions	PubT-2010 Healthy Retiree	**Males:** 106% of the rates for all ages **Females:** 86% of the rates prior to age 85/ 115% of the rates age 85 and older
Judicial Division	PubG-2010(A) Above-Median Healthy Retiree	N/A
Post-Retirement (Beneficiary), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
All Beneficiaries	Pub-2010 Contingent Survivor	**Males:** 92% of the rates for all ages **Females:** 100% of the rates for all ages
Disabled	**Mortality Table**	**Adjustments, as Applicable**
Members other than Safety Officers	PubNS-2010 Disabled Retiree	95% of the rates for all ages
Safety Officers	PubS-2010 Disabled Retiree	N/A

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.

NOTE 6: <u>OTHER POST-EMPLOYMENT BENEFITS</u> (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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 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%

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 or net OPEB asset 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[1]	5.75%	6.75%	7.75%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
InitialMAPD PPO #2 trend rate[1]	7.55%	8.55%	9.55%
Ultimate MAPD PPO #2 trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate[1]	3.50%	4.50%	5.50%
Proportionare share of the net OPEB asset (liability)	$ (13,154)	$ (13,519)	$ (13,931)

[1] For the January 1, 2025 plan year

NOTE 6: <u>OTHER POST-EMPLOYMENT BENEFITS</u> (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The discount rate used to measure the total OPEB liability 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 each of the Health Care Trust Funds 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 Health Care Trust Funds representing a portion of purchased 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 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 HCTF and Local Government Division Trust Fund were $20,000 and $486,000 respectively.

Based on the above assumptions and methods, the FNP for each of the Health Care Trust Funds 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 total OPEB liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.25%. There was no change in the discount rate from the prior measurement date for either HCTF or DPS HCTF.

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the collective net OPEB liability or net OPEB asset for each of the Health Care Trust Funds calculated using the discount rate of 7.25% as of the measurement date, as well as if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionare share of the net OPEB asset (liability)	$ (16,567)	$ (13,519)	$ (10,890)

NOTE 7: FUND BALANCE RESERVATIONS/APPROPRIATIONS

Emergency Reserve

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado, all local governments, and special districts.

The District's financial activity for the year ended December 31, 2025 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 2025, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retention of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

The District operates and qualifies as a TABOR Enterprise and therefore an Emergency Reserve is not required. The District believes it is in compliance with the provisions of the TABOR Amendment.

NOTE 8: RISK MANAGEMENT

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 firemen; and natural disasters. The District purchases commercial insurance for all risks of loss. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Water Sources - One of the District's sources of water is a well owned by the U.S. Department of Interior, Bureau of Land Management (BLM). The District's lease of this well is for a period of 20 years and is due to expire in March 2041. The District has a preferential right for renewal of the lease at the end of this period. Terms of the lease allow the BLM to adjust the rates charged to the District every five years. For 2025, the District paid a rate of $1.53 per one thousand gallons.

The District's other source of water is through the Cañon Heights Irrigation and Reservoir Company. The District owns approximately 20% of the outstanding shares in that Company and leases another 2%.

Required Supplementary Information
(Pension Schedules Unaudited)

PARK CENTER WATER DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)
PERA Pension Plan
Last 10 Fiscal Years(1)

Fiscal Year	District's proportion of the net pension asset (liability)	District's proportionate share of the net pension asset (liability)	District's covered payroll	District's proportionate share of the net pension asset (liability) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
12/31/2025	0.035558%	$ (218,186)	$ 341,218	63.94%	90.45%
12/31/2024	0.037647%	$ (276,341)	$ 330,735	83.55%	88.03%
12/31/2023	0.039332%	$ (394,331)	$ 321,797	122.54%	82.99%
12/31/2022	0.040003%	$ 34,298	$ 297,659	11.52%	101.49%
12/31/2021	0.042458%	$ (221,258)	$ 299,969	73.76%	90.88%
12/31/2020	0.041678%	$ (307,331)	$ 287,019	107.08%	86.26%
12/31/2019	0.046815%	$ (588,567)	$ 307,058	191.68%	75.96%
12/31/2018	0.045471%	$ (506,283)	$ 286,845	176.50%	79.37%
12/31/2017	0.045580%	$ (615,488)	$ 276,270	222.78%	73.65%
12/31/2016	0.045878%	$ (505,380)	$ 260,552	193.97%	76.87%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

See the accompanying Independent Auditors' Report.

PARK CENTER WATER DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA Pension Plan
Last 10 Fiscal Years[(1)]

Fiscal Year	Contractually required contributions	Actual contributions	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
12/31/2025	$ 46,952	$ 46,952	$ -	$ 341,218	13.74%
12/31/2024	$ 45,443	$ 45,443	$ -	$ 330,735	13.74%
12/31/2023	$ 43,346	$ 43,346	$ -	$ 321,797	13.47%
12/31/2022	$ 39,291	$ 39,291	$ -	$ 297,659	13.20%
12/31/2021	$ 38,756	$ 38,756	$ -	$ 299,969	12.92%
12/31/2020	$ 36,394	$ 36,394	$ -	$ 287,019	12.68%
12/31/2019	$ 38,935	$ 38,935	$ -	$ 307,058	12.68%
12/31/2018	$ 36,372	$ 36,372	$ -	$ 286,845	12.68%
12/31/2017	$ 35,031	$ 35,031	$ -	$ 276,270	12.68%
12/31/2016	$ 33,038	$ 33,038	$ -	$ 260,552	12.68%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

See the accompanying Independent Auditors' Report.

PARK CENTER WATER DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PERA PENSION FUND
Year Ended December 31, 2025

NOTE 1: SIGNIFICANT CHANGES IN PLAN PROVISIONS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2024 Changes in Plan Provisions Since 2023

- There were no changes made to the plan provisions.

NOTE 2: SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2024 Changes in Assumptions or Other Inputs Since 2023

- 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.

- The Pub-2010 Public Retirement Plans Mortality base tables were retained for purposes of active, retired, disabled, and beneficiary lives, with revised adjustments for credibility and gender, where applicable. In addition, the applied generational projection scale was updated to the 2024 adjusted scale MP-2021.

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

PARK CENTER WATER DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB ASSET (LIABILITY)
PERA Health Care Trust Fund
Last 10 Fiscal Years[1]

Fiscal Year	District's proportion of the net OPEB asset (liability)	District's proportionate share of the net OPEB asset (liability)	District's covered payroll	District's proportionate share of the net OPEB asset (liability) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
12/31/2025	0.0028272%	$ (13,519)	$ 341,218	3.96%	59.83%
12/31/2024	0.0029929%	$ (21,361)	$ 330,735	6.46%	46.16%
12/31/2023	0.0031708%	$ (25,889)	$ 321,797	8.05%	38.57%
12/31/2022	0.0031097%	$ (26,815)	$ 297,659	9.01%	39.40%
12/31/2021	0.0032426%	$ (30,812)	$ 299,969	10.27%	32.78%
12/31/2020	0.0031921%	$ (35,879)	$ 287,019	12.50%	24.49%
12/31/2019	0.0036305%	$ (48,660)	$ 307,058	15.85%	17.03%
12/31/2018	0.0035333%	$ (45,918)	$ 286,845	16.01%	17.53%
12/31/2017	0.0034993%	$ (45,370)	$ 276,270	16.42%	16.70%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

[1] - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

PARK CENTER WATER DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA Health Care Trust Fund
Last 10 Fiscal Years[(1)]

Fiscal Year	Contractually required contributions	Actual contributions	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
12/31/2025	$ 3,480	$ 3,480	$ -	$ 341,218	1.02%
12/31/2024	$ 3,373	$ 3,373	$ -	$ 330,735	1.02%
12/31/2023	$ 3,282	$ 3,282	$ -	$ 321,797	1.02%
12/31/2022	$ 3,036	$ 3,036	$ -	$ 297,659	1.02%
12/31/2021	$ 3,059	$ 3,059	$ -	$ 299,969	1.02%
12/31/2020	$ 2,928	$ 2,928	$ -	$ 287,019	1.02%
12/31/2019	$ 3,132	$ 3,132	$ -	$ 307,058	1.02%
12/31/2018	$ 2,926	$ 2,926	$ -	$ 286,845	1.02%
12/31/2017	$ 2,818	$ 2,818	$ -	$ 276,270	1.02%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

[(1)] - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
HEALTH CARE TRUST FUND
Year Ended December 31, 2025

NOTE 1: SIGNIFICANT CHANGES IN PLAN PROVISIONS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2024 Changes in Plan Provisions Since 2023

- As of the December 31, 2024, measurement date, the FNP and related disclosure components for HCTF reflect additional 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.

NOTE 2: SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2024 Changes in Assumptions or Other Inputs Since 2023

- 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.
- The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on experience. In addition, the mortality projection scale was updated to the 2024 adjusted scale MP-2021 to reflect future improvements in mortality for all groups.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded.

Other Supplementary Information

PARK CENTER WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Water Fund
FOR THE YEAR ENDED DECEMBER 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	2025			2024
	Final Budget	**Actual**	**Variance with Final Budget**	**Actual**
Operating Revenues				
Utility Charges	$ 1,175,000	$ 1,114,325	$ (60,675)	$ 1,141,577
Other Charges for Services	5,500	25,125	19,625	25,250
Total Revenues	1,180,500	1,139,450	(41,050)	1,166,827
Operating Expenses				
Personnel Services	532,000	505,972	26,028	419,891
Commodity Charges	78,000	52,681	25,319	25,938
Administrative/Office Expenses	19,250	22,101	(2,851)	28,528
Insurance	30,000	30,312	(312)	28,278
Operating Supplies	285,000	305,894	(20,894)	267,809
Professional Fees	177,500	80,607	96,893	88,248
Repairs and Maintenance	156,000	107,182	48,818	207,616
Travel and Training	21,000	26,574	(5,574)	21,324
Telephone and Utilities	44,000	43,804	196	44,649
Other Operating Expenses	28,750	15,371	13,379	20,932
Other Capital Outlay	500	155,377	(154,877)	4,006
Total Expenditures	1,372,000	1,345,875	26,125	1,157,219
Operating Income (Loss)	(191,500)	(206,425)	(14,925)	9,608
Other Income (Expense)				
Tax Revenue	38,500	32,977	(5,523)	37,255
Intergovernmental Revenue	27,000	-	(27,000)	17,323
Investment Earnings	40,000	40,112	112	38,651
Debt Service	(55,000)	(52,962)	2,038	(55,671)
Gain (Loss) on Sale of Assets	-	339,019	339,019	-
Total Other Income (Expense)	50,500	359,146	308,646	37,558
Net Income (Loss), Budget Basis	(141,000)	152,721	293,721	47,166
Contributed Capital				
Plant Investment Fees	10,000	10,000	-	20,000
Cash in Lieu of Fees	4,000	6,000	2,000	8,000
Total Contributed Capital	14,000	16,000	2,000	28,000
Change in Net Position (Budget Basis)	$ (127,000)	168,721	$ 295,721	75,166
Budget to GAAP Reconciliation				
Principal Paid		33,244		34,278
Depreciation Expense		(40,700)		(77,750)
Capital Outlay		154,957		3,586
Change in Net Position - GAAP Basis		316,222		35,280
Net Position, Beginning		1,713,114		1,677,834
Net Position, Ending		$ 2,029,336		$ 1,713,114

See accompanying Independent Auditors' Report.