

CUCHARAS SANITATION AND WATER DISTRICT
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2025



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Independent Auditors' Report

Members of the Board of Directors
Cucharas Sanitation and Water District

Opinion

We have audited the accompanying financial statements of the business-type activity of Cucharas Sanitation and Water District (the "District") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of Cucharas Sanitation and Water District, as of December 31, 2025, and the respective changes in financial position and cash flows thereof 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, 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. Such 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 the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado
September 23, 2026

Management's Discussion and Analysis

MANAGEMENT’S DISCUSSION AND ANALYSIS

Cucharas Sanitation and Water District

For the Year Ended December 31, 2025

The management of the Cucharas Sanitation and Water District (CSWD) offers readers the District’s narrative overview and analysis of the financial activities of the District for the year ended December 31, 2025. In order to enhance understanding of the District's financial performance, this discussion and analysis should be read in conjunction with the Independent Auditors’ Report, the financial statements, and the accompanying notes, which follow this section.

The District is required to report its proportionate share of the net pension liability of the Colorado State Retirement System, the Public Employees Retirement Association (PERA), which is recorded as a liability of the District. The net pension liability as of December 31, 2025 was \$198,743.

Cucharas Sanitation and Water District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit fund, known as Other Post-Employment Benefits (OPEB), administered by PERA. Title 24 Article 51 Part 12 of the Colorado Revised Statutes 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. The District’s net OPEB liability as of December 31, 2025 was \$12,314.

FINANCIAL HIGHLIGHTS

- Cucharas Sanitation and Water District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,809,920 (net position) at the end of 2025. Of this amount, \$1,620,973 may be used to meet the District’s ongoing obligations to citizens and creditors, including construction purposes. The remaining \$6,188,947 is invested in capital assets or is restricted by law.
- Total liabilities, including long-term debt, increased by \$506,180 at 2025 year-end from total 2024 liabilities to \$2,236,922. This increase includes a decrease in net pension liability of \$11,584. Without this decrease, CSWD liabilities would have increased by \$517,764.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements contain three components:

- 1) Basic Financial Statements, 2) Notes to the Financial Statements, and 3) Budgetary Comparisons.

Basic Financial Statements: The *Basic Financial Statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position, some portions of which are restricted in accordance with debt covenants and other restrictions as required by the

Colorado Revised Statutes. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating. It should be noted that other nonfinancial factors must be considered when assessing the overall health of the District. These include measures of the quality of service that the District provides to the Cuchara community, general condition of the sewer and water infrastructure systems and the local economic climate.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The *Statement of Cash Flows* reports receipts, cash payments and net changes in cash and cash equivalents resulting from operations, investing and capital and related financing activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during 2025.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Budgetary Comparisons: Cucharas Sanitation and Water District adopts an annual appropriated budget for its operations. A budgetary comparison statement has been provided to demonstrate the quality of the adopted budget.

FINANCIAL ANALYSIS

The following condensed financial information derived from the basic financial statements includes comparisons with the 2024 fiscal year.

Net position: As noted earlier, the net position may serve over time as a useful indicator of a District's financial position. As of December 31, 2025, assets and deferred outflows exceeded liabilities and deferred inflows by \$7,809,920. The District's net position increased by \$916,773 between years 2024 and 2025 primarily because of the increase in water and sewer service fees and a capital grant loan forgiveness provided for the Baker Creek Water Treatment Plant project.

The following table provides a summary of the District's net position at December 31, 2024 and December 31, 2025.

	<u>2025</u>	<u>2024</u>
Assets:		
Current and other assets	\$2,412,932	\$1,158,952
Capital Assets	<u>7,675,812</u>	<u>7,470,974</u>
Total Assets	10,088,744	8,629,926
Deferred Outflows of Resources:		
Pension and OPEB	99,530	119,431
Liabilities:		
Current and other liabilities	379,487	222,043
Long-term liabilities	<u>1,857,435</u>	<u>1,508,699</u>
Total Liabilities	2,236,922	1,730,742
Deferred Inflows of Resources:		
Property Tax	134,007	98,168
Pension and OPEB	<u>7,425</u>	<u>27,300</u>
Total Deferred Inflow of Resources	141,432	125,468
Net Position:		
Invested in capital assets, net of related debt	5,939,676	6,670,516
Restricted for TABOR Reserve	36,182	35,717
Restricted - Debt	213,089	203,834
Unrestricted	<u>1,620,973</u>	<u>(16,920)</u>
Total Net Position	<u>\$7,809,920</u>	<u>\$6,893,147</u>

The most significant portion of the District's Net Position (76%) reflects its investment in capital assets. These capital assets are used to provide services to citizens; consequently, they are not available for future spending.

Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The District's debt is comprised primarily of three Colorado Water Resources and Power Development Authority loans (i.e., the "2012" loan, the "2019" loan, and the "2025" loan). There is a surplus reported in the unrestricted net position category in the current year of \$1,620,973. The District has restricted \$249,271 of Cucharas Sanitation and Water District's net position which is required to meet the District's maintenance reserve required by creditors and the emergency reserve required by TABOR. Unrestricted net position improved by approximately \$1.6 million, primarily due to loan forgiveness revenue and operating results during the year.

The following table summarizes the changes in net position in 2025 and in 2024:

	<u>2025</u>	<u>2024</u>
Operating and Non-Operating Revenues:		
Service Fees	\$894,249	\$737,033
Property and specific ownership taxes	109,054	134,972
Pond augmentation fees	3,060	2,040
Investment Earnings	36,472	43,794
Grants and Loan Forgiveness	981,437	43,358
Late Fees and Other	<u>17,525</u>	<u>12,995</u>
Total Revenues	2,041,797	974,192
Operating and Non-Operating Expenses:		
Personnel and directors' fees	474,441	440,176
Operations and maintenance	331,924	210,431
Bad debts	-	4,895
Depreciation	399,716	422,682
Other non-operating expense	<u>43,943</u>	<u>38,298</u>
Total Expenses	1,250,024	1,116,482
Capital Contributions - Tap Fees	<u>125,000</u>	<u>67,500</u>
Increase (Decrease) in Net Position	<u>\$916,773</u>	<u>\$ (74,790)</u>

From 2024 to 2025, revenues increased by \$1,067,605 due to \$981,437 in loan forgiveness, and expenses increased by \$133,542. Also, the increase in tap fees was notably more by \$57,500.

In general, operational income and expenses are the typical costs for discharging and maintaining CSWD services. Thus, the operational revenues include monthly service fees, submittals of property and specific ownership taxes collected by Huerfano County, plus a variety of miscellaneous recurring and non-recurring income submissions.

Operational expenses include all of the day-to-day expenses associated with running the business: ensuring the quality, quantity and delivery of drinking water, conversion of raw sewage collected throughout the district into treated water suitable for return to the Cucharas River, and all the business necessities required to bill, collect, and process accounts payable and receivables in a manner that is comprehensive and compliant with state requirements.

Including revenues and expenses but not including depreciation, a net income of \$1,316,489 for the fiscal year 2025 was recorded.

BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes. In December of 2024, the Board of Directors appropriated \$1,920,435 for 2025 expenditures and reserves. The budget was amended in December 2025 during the calendar year, approving \$1,532,631 for appropriations and reserves. The following table explains how actual net income before reconciliation compares to that in the final budget for 2025. Service fees collected during 2025 were higher than budgeted by \$37,459, a difference of 4%. This was mainly due to the increase in service fees that took effect January 1, 2025. Actual other non-operating revenue and expenses were over budget by \$376,188 or by more than 44%, mainly because of the loan forgiveness for the Baker Creek Water Treatment Plant.

Costs for office, professional services, repairs, maintenance and supplies that were budgeted to be \$179,023 were over budget by \$2,148 due mainly to underbudgeting for repairs, supplies and maintenance.

Actual expenditures fell short of planned expenditures by \$38,783 in 2025. Most of this is due to actual capital expenses which were \$35,729 short of the amount budgeted. The net income before the reconciliation to GAAP basis is \$452,430 more than budgeted mainly due to amounts budgeted for capital grants – loan forgiveness that were not expected to be realized in 2025. The following table compares the budgeted and actual results.

Operational and non-operational budgets (non-GAAP) to actual costs for 2025 and 2024:

	<u>2025</u>		<u>2024</u>	
	Budget	Actual	Budget	Actual
Service Fees	\$ 856,790	\$ 894,249	\$ 726,319	\$ 737,033
Other Non-operating Revenue	895,533	1,272,548	372,677	304,659
Expenditures	(1,406,060)	(1,366,513)	(1,129,171)	(1,094,120)
Net debt service	<u>(126,571)</u>	<u>(128,162)</u>	<u>(110,450)</u>	<u>(110,061)</u>
Net Income before Reconciliation (Loss)	<u>\$ 219,692</u>	<u>\$ 672,122</u>	<u>\$ (140,625)</u>	<u>\$ (162,489)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Cucharas Sanitation and Water District's investment in capital assets at December 31, 2025, totals \$7,675,812. This investment includes the following:

	<u>2025</u>	<u>2024</u>
Land and Easements	\$158,475	\$158,475
Water Rights	652,010	652,010
Utility Plant - Systems	16,129,303	16,094,465
Equipment	621,983	591,214
Office Building	183,339	183,339
Construction in Progress	837,967	330,901
Right-to-Use Subscription Asset	<u>31,881</u>	<u>—</u>
Total Capital Assets	\$18,614,958	\$18,010,404
Accumulated Depreciation	<u>(10,939,146)</u>	<u>(10,539,430)</u>
Net Capital Assets	\$7,675,812	\$7,470,974

Capital Expenditures: On the water production side, capital reserves were expended in an amount of approximately \$34,000 for the purchase of new water meters, with a goal to continue to have all meters on the same meter reading program. The new Baker Creek Water Treatment Plant had capital expenses for items funded by the District to keep the project within the overall financing provided through loan proceeds and principal forgiveness by CWRPDA. Those items include insulation removal of old and dirty insulation, Design & Engineering prep, filters for the plant, a pond bypass, heating for the building and ventilation. During 2025, the District entered into a subscription-based information technology arrangement (SBITA) for its utility billing and customer information system. The District expects to continue the arrangement for at least five years. At December 31, 2025, the District reported a net subscription asset of \$28,161 and recognized \$3,720 in amortization expense.

Debt Administration: As of December 31, 2025, Cucharas Sanitation and Water District owed \$1,710,375 in long-term loans, not including subscription liabilities and compensated absences. The following is a listing of the long-term loans as of December 31, 2025 and December 31, 2024:

	Maturity <u>Date</u>	<u>2025</u>	<u>2024</u>
CWR&PDA Loan - Cuchara water tank project 2012	May 2033	\$ 36,739	\$ 41,234
CWR& PDA Loan –SP Water System Imp. Project 2019	Nov 2039	1,235,655	1,308,545
CWR&PDA Loan – Baker Creek WTP Project 2025	May 2045	<u>437,981</u>	<u>—</u>
Total Long-Term Debt		<u>\$1,710,375</u>	<u>\$1,349,779</u>

All debts continue to be serviced in a timely manner, using money set aside from operating income and property tax revenues for this purpose.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Cucharas Sanitation and Water District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or for additional financial information should be addressed to the Board of Directors, 16925 State Highway 12, La Veta, Colorado 81055.

Basic Financial Statements

Cucharas Sanitation and Water District

Statement of Net Position

December 31, 2025

ASSETS

Current Assets

Cash and cash equivalents	\$	102,820
Investments		125,014
Cash with county treasurer		1,136
Property tax receivable		134,007
Accounts receivable		90,687
Grant receivable		945,110
Inventory		131,365
Total Current Assets		1,530,139

Restricted assets - investments

Restricted for Debt Service		213,089
Restricted for Capital Projects		669,704
Total Restricted Assets		882,793

Capital Assets

Non-depreciable assets		1,648,452
Depreciable assets, net		6,027,360
Total Capital Assets		7,675,812

TOTAL ASSETS

\$ 10,088,744

DEFERRED OUTFLOWS OF RESOURCES

Pension related deferred outflow	\$	95,869
OPEB related deferred outflow		3,661
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$	99,530

LIABILITIES

Current Liabilities:

Accounts payable	\$	224,800
Accrued expenses		21,122
Accrued interest payable		7,116
Prepaid service fees		9,794
Current portion - long-term debt		102,669
Current portion - compensated absences		13,986
Total Current Liabilities		379,487

Non-current Liabilities:

Compensated absences		12,911
Net pension liability		198,743
Net OPEB liability		12,314
Long-term debt		1,633,467
Total Non-Current Liabilities		1,857,435

TOTAL LIABILITIES

2,236,922

DEFERRED INFLOWS OF RESOURCES

Property tax	\$	134,007
OPEB related deferred inflow		7,425
TOTAL DEFERRED INFLOWS OF RESOURCES	\$	141,432

NET POSITION

Net investment in capital assets		5,939,676
Restricted:		
Emergencies - TABOR reserve (Note 7)		36,182
Maintenance reserve (Note 5)		213,089
Unrestricted		1,620,973
TOTAL NET POSITION	\$	7,809,920

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

Cucharas Sanitation and Water District

Statement of Revenues, Expenses, and Change in Net Position For the Year Ended December 31, 2025

OPERATING REVENUES

Service fees	\$ 894,249
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TOTAL OPERATING REVENUES	<u>894,249</u>
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OPERATING EXPENSES

Personnel and related expenses	394,710
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Directors' fees	7,500
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Legal and audit	45,333
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Professional service	63,453
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Repairs, supplies and maintenance	70,383
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Travel and training	3,574
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Utilities	58,312
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Office and telephone	47,335
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Insurance	106,083
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Other general and administrative expenses	9,682
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Depreciation and amortization expense	<u>399,716</u>
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TOTAL OPERATING EXPENSES	<u>1,206,081</u>
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OPERATING LOSS	<u>(311,832)</u>
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NON-OPERATING REVENUES (EXPENSES)

Property tax	109,054
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Augmentation fee	3,060
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Treasurer's fees	(2,976)
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Late fee and other	17,525
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Loan forgiveness	981,437
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Interest earned	36,472
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Interest expense	<u>(40,967)</u>
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TOTAL NON-OPERATING REVENUES	<u>1,103,605</u>
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INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>791,773</u>
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CAPITAL CONTRIBUTIONS AND TRANSFERS

Tap fees	<u>125,000</u>
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TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>125,000</u>
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CHANGES IN NET POSITION	916,773
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NET POSITION, BEGINNING OF YEAR	<u>6,893,147</u>
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NET POSITION, END OF YEAR	<u><u>\$ 7,809,920</u></u>
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The accompanying notes are an integral part of these financial statements.

Cucharas Sanitation and Water District
Statement of Cash Flows
For the Year Ended December 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 826,341
Payments to suppliers for goods and services	(187,016)
Payments to and on behalf of employees	<u>(377,534)</u>

NET CASH FROM OPERATING ACTIVITIES	<u>261,791</u>
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CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES

Property and specific ownership taxes received	129,639
Treasurer's fees paid	<u>(190)</u>

NET CASH FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>129,449</u>
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Principal paid on long-term debt	(93,314)
Interest paid on long-term debt	(33,851)
Proceeds from Long-Term Debt	479,670
Purchases and construction of property and equipment	(604,554)
Grants, tap fees and other	<u>68,527</u>

NET CASH FROM CAPITAL FINANCING ACTIVITIES	<u>(183,522)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(254,651)
Interest received	<u>36,472</u>

NET CASH FROM INVESTING ACTIVITIES	<u>(218,179)</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,461)
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CASH AND CASH EQUIVALENTS

Beginning of Year	<u>113,281</u>
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End of Year	<u><u>\$ 102,820</u></u>
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RECONCILIATION OF OPERATING INCOME TO NET

CASH FROM OPERATING ACTIVITIES

Operating income (loss)	\$ (311,832)
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Adjustments to reconcile operating income (loss) to net cash flows from operating activities

Depreciation	399,716
(Increase) decrease in operating assets:	
Accounts receivable	(67,908)
Inventory	442
Deferred outflows of resources	19,901
(Increase) decrease in operating liabilities:	
Accounts payable and other liabilities used for operations	203,860
Accrued compensated absences	17,176
Net pension and OPEB balances	(15,528)
Deferred inflows of resources	<u>15,964</u>

NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 261,791</u></u>
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NONCASH TRANSACTIONS

Loan forgiveness	<u><u>\$ 981,437</u></u>
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The accompanying notes are an integral part of these financial statements.

Cucharas Sanitation and Water District

Notes to Financial Statements

December 31, 2025

1. Organization

Cucharas Sanitation and Water District (the “District”) is a local government unit created for the purpose of providing water and sanitation services to rate paying customers within a service area allowed by law.

Reporting Entity – The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The financial statements include only the District, as there are no component units required to be included in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61.

2. Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The District's fund is classified as an enterprise fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

2. Summary of Significant Accounting Policies (continued)

The District reports all activity in one enterprise fund which is a proprietary fund type.

Deposits and Investments

The District'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.

State statutes authorize the District to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments. These deposits are subject to the Colorado Public Deposit Protection Act (PDPA) as described in Note 3.

Accounts Receivable

Accounts receivable consist primarily of amounts due from customers for water sales, tap fees, and acquisition fees. Receivables also include amounts due from the Colorado Water Resources and Power Development Authority (CWRPDA) under a reimbursement grant program for eligible project expenditures. Receivables are stated net of an allowance for doubtful accounts. Management evaluates the collectability of outstanding receivables and records an allowance for estimated credit losses, as necessary. As of December 31, 2025, management determined that all receivables were fully collectible; therefore, no allowance for doubtful accounts was recorded.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed monthly on 30- day cycles. Unbilled water charges are accrued for the period of time from the last meter reading through year end and are included in receivables.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the District as assets with an initial estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

2. Summary of Significant Accounting Policies (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment, Building, Water System and Sewer System	5-40

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. All encumbrances lapse at the end of the year.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. The costs of inventories are recorded as expenditures when they are used.

Property Taxes

Property taxes represent ad valorem taxes levied by the District, which are payable to the County Treasurer, and are recognized as revenue by the District in the year for which they are levied. Property taxes are levied in December for collection in the subsequent year.

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as charges in the year incurred.

Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

2. Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The District's Net Position is classified as follows:

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation of these assets and related debt balances reduce this category.

Restricted Net Position – Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted Net Position – Unrestricted net position represents resources derived from general District revenues. The resources are used to conduct the District's operations.

Use of Restricted/Unrestricted Net Position – When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

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 (FNP) and additions to/deductions from the FNP of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

2. Summary of Significant Accounting Policies (continued)

Defined Benefit Other Post Employment Benefit (OPEB) Plan

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Budgets

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, a proposed operating budget for the fiscal year commencing the following January 1 is developed. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance or resolution.
4. The budget is adopted on a budgetary basis not consistent with generally accepted accounting principles (GAAP).

The Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Budgetary Basis) presented as supplemental information is presented on the budgetary basis to provide meaningful comparison of actual results with the budget.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits with no predetermined accumulation limits. Employees may be paid for certain accumulated leave balances upon termination or retirement, subject to the provisions and limits established in District personnel policies.

A liability for compensated absences is recognized for leave that has been earned and accumulated and is more than likely not to be used or otherwise paid or settled. Vacation leave is generally recognized as earned. For sick leave, the District estimates the portion of accumulated leave expected to result in future paid absences or settlement payments. In making this estimate, the District assumes that current-year sick leave earned is utilized before previously accumulated sick leave balances (a last-in, first-out methodology).

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

2. Summary of Significant Accounting Policies (continued)

Subscription-Based Information Technology Arrangements (SBITAs)

The District accounts for subscription-based information technology arrangements in accordance with GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The District recognizes a subscription liability and a corresponding right-to-use subscription asset at the commencement of a subscription term. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. If the interest rate implicit in the subscription arrangement is not readily determinable, the District uses its estimated incremental borrowing rate to measure the subscription liability. The subscription asset is amortized on a straight-line basis over the subscription term. Subscription arrangements with a maximum possible term of 12 months or less are recognized as outflows of resources as payments are made.

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Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

3. Cash and Investments

Cash, cash equivalents, and investments as of December 31, 2025, consist of the following:

Cash & cash equivalents	\$	102,820
Cash with county treasurer		1,136
Investments		1,007,807
Total	\$	<u>1,111,763</u>

Cash equivalents are made up of money market accounts which are not subject to credit risk.

Cash, cash equivalents, and investments as of December 31, 2025, are classified in the accompanying Statement of Net Position as follows:

<u>Unrestricted</u>		
Cash & cash equivalents	\$	102,820
Cash with county treasurer		1,136
Investments		<u>125,014</u>
Total unrestricted		228,970
<u>Restricted</u>		
Debt covenant		213,089
Construction funds		<u>669,704</u>
Total restricted		882,793
Total	\$	<u>1,111,763</u>

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

3. Cash and Investments (continued)

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2025, the District's bank balance was not exposed to custodial credit risk. Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through PDPA.

As of December 31, 2025, the District's carrying balance and bank balance of cash deposits were \$102,820, all of which was covered by federal depository insurance.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

Investments represent the District's holdings in Colotrust. Colotrust is a liquid asset trust holding pooled investments meeting the legal requirements for Colorado local governments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk.

Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

Colorado Revised Statutes limit investment maturities to five years or less (depending on the type of investment) unless formally approved by the Board of Directors, such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria that local governments may invest in, which include:

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools(*).

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

3. Cash and Investments (continued)

As of December 31, 2025, the District had the following investments:

Investment	Maturity	Carrying Value
Colorado Local Government Liquid Asset Trust:		
COLOTRUST PLUS+	Weighted average maturity under 60 days	\$ 155,527
COLOTRUST EDGE	Weighted average maturity under one year	852,280
		<u>\$ 1,007,807</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The District invested in COLOTRUST PLUS+ (PLUS) and COLOTRUST EDGE (EDGE), two of the three portfolios offered by COLOTRUST.

PLUS+ operates similarly to a money market fund and each share is equal in value to \$1.00. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption period. Allowable investments in the PLUS+ portfolio include U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. EDGE investments consist of money market instruments and medium-term notes designed for the short to intermediate reserve and surplus funds of Colorado governments.

A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. PLUS+ is rated AAAM by S&P Global Ratings and EDGE is rated AAAs/S1 by Fitch Ratings.

Certain investments measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

3. Cash and Investments (continued)

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is estimated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7- like external investment pools and money market investments. The District held investments in COLOTRUST at year end for which the investment evaluations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with FASB guidance. It is the goal of PLUS+ to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share. EDGE does not seek to maintain a stable NAV. Edge investment may fluctuate and could be greater or less than the share price at price of purchase, prior to redemption and at the time of redemption.

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Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

4. Capital Assets

Capital assets activity for the year ended December 31, 2025, was as follows:

	Balance 12/31/2024	Additions	Retirements	Balance 12/31/2025
Capital assets, not being depreciated:				
Water rights	\$ 652,010	\$ -	\$ -	\$ 652,010
Land and Easements	158,475	-	-	158,475
Construction in progress	330,901	507,066	-	837,967
Total capital assets, not being depreciated	<u>1,141,386</u>	<u>507,066</u>	<u>-</u>	<u>1,648,452</u>
Capital assets, being depreciated:				
Utility plant and systems	16,094,465	34,838	-	16,129,303
Furniture and equipment	591,214	30,769	-	621,983
Office building	183,339	-	-	183,339
Right-to-Use Subscription Asset	-	31,881	-	31,881
Total capital assets, being depreciated	<u>16,869,018</u>	<u>97,488</u>	<u>-</u>	<u>16,966,506</u>
Accumulated depreciation and amortization	<u>(10,539,430)</u>	<u>(399,716)</u>	<u>-</u>	<u>(10,939,146)</u>
Total capital assets, net	<u><u>\$ 7,470,974</u></u>	<u><u>\$ 204,838</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,675,812</u></u>

Depreciation and amortization expense for the year ended December 31, 2025 was \$399,716.

5. Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2025, were as follows:

	Balance 12/31/2024	Additions	Reductions	Balance 12/31/2025	Due Within One Year
<i>Loans</i>					
Loan 2012 - CWRPDA	\$ 41,235	\$ -	\$ (4,496)	\$ 36,739	\$ 4,587
Loan 2019 - CWRPDA	1,308,545	-	(72,890)	1,235,655	74,724
Loan 2025 - CWRPDA	-	447,789	(9,808)	437,981	17,676
Subtotal loans	<u>1,349,780</u>	<u>447,789</u>	<u>(87,194)</u>	<u>1,710,375</u>	<u>96,987</u>
<i>Subscription liabilities</i>					
SBITA - Software subscription	-	31,881	(6,120)	25,761	5,682
Subtotal subscription liabilities	<u>-</u>	<u>31,881</u>	<u>(6,120)</u>	<u>25,761</u>	<u>5,682</u>
<i>Compensated absences</i>	<u>19,871</u>	<u>7,026</u>	<u>-</u>	<u>26,897</u>	<u>13,986</u>
Total	<u><u>\$ 1,369,651</u></u>	<u><u>\$ 486,696</u></u>	<u><u>\$ (93,314)</u></u>	<u><u>\$ 1,763,033</u></u>	<u><u>\$ 116,655</u></u>

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

5. Long-Term Obligations (continued)

2012 Colorado Water Resources and Power Development Authority Loan

The District obtained a loan in 2013 from the Colorado Water Resources and Power Development Authority (CWRPDA) for construction of a water tank. The loan was made in the amount of \$87,000 for a term of 20 years with interest at a rate of 2%. Payments begin on November 1, 2013 and will be made every six months through May 1, 2033. A schedule of debt service to maturity follows.

Year Ended December 31,	Principal	Interest	Total
2026	\$ 4,587	\$ 712	\$ 5,299
2027	4,680	620	5,300
2028	4,774	526	5,300
2029	4,870	430	5,300
2030	4,967	332	5,299
2031-2033	12,861	388	13,249
Total	\$ 36,739	\$ 3,008	\$ 39,747

2019 Colorado Water Resources and Power Development Authority Loan

The District obtained a loan in 2019 from the Colorado Water Resources and Power Development Authority (CWRPDA) for improvements to water treatment and distribution facilities. The loan was made in the amount of \$1,696,000 for a term of 20 years with interest at a rate of 2.5% annually. Payments begin on May 1, 2020 and will be made every six months through November 1, 2039. A schedule of debt service to maturity follows:

Year Ended December 31,	Principal	Interest	Total
2026	\$ 74,724	\$ 30,428	\$ 105,152
2027	76,603	28,548	105,151
2028	78,530	26,620	105,150
2029	80,506	24,644	105,150
2030	82,531	22,620	105,151
2031-2035	444,863	80,889	525,752
2036-2039	397,898	22,706	420,604
Total	\$ 1,235,655	\$ 236,455	\$ 1,472,110

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

5. Long-Term Obligations (continued)

2023 Colorado Water Resources and Power Development Authority Forgivable Loan

In November 2023, the District entered into a Drinking Water Revolving Fund Design and Engineering Loan Agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) to fund design and engineering costs associated with water system improvements. The agreement provided funding of up to \$211,700 and includes 100% principal forgiveness upon satisfaction of the program requirements. Under the terms of the agreement, no repayment of principal is required by the District.

The District recognized revenue related to the forgivable loan as eligible project costs were incurred and reimbursement became realizable. During the year ended December 31, 2024, the District recognized \$41,774 of revenue. During the year ended December 31, 2025, the District recognized the remaining \$169,926 of revenue, for cumulative recognized revenue of \$211,700 under the agreement.

2025 Colorado Water Resources and Power Development Authority Loan

The District obtained a loan in 2025 from the Colorado Water Resources and Power Development Authority (CWRPDA) for improvements to the Baker Creek Resort water system. The loan commitment was \$1,259,300, of which \$811,511 was awarded as upfront principal forgiveness. Accordingly, the District's repayable loan balance was \$447,789. The loan bears interest at 2.5% annually and has a term of 20 years. Payments began on November 1, 2025, and are due semiannually through May 1, 2045. A schedule of debt service to maturity follows:

Year Ended December 31,	Principal	Interest	Total
2026	\$ 17,676	\$ 10,840	\$ 28,516
2027	18,121	10,395	28,516
2028	18,577	9,939	28,516
2029	19,044	9,472	28,516
2030	19,523	8,993	28,516
2031-2035	105,233	37,346	142,579
2036-2040	119,153	23,426	142,579
2041-2045	120,655	7,666	128,321
Total	\$ 437,981	\$ 118,076	\$ 556,057

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

5. Long-Term Obligations (continued)

As a condition of the CWRPDA debts, the District must certify to the Authority the following information:

1. Compliance with rate covenant - the rate covenant requires that fees charged and collected be at least sufficient each year to pay the sum of amounts required to pay operating and maintenance expenses (as defined) of \$823,884 in 2025, 110% of the debt service on these loans of \$152,864 in 2025, debt reserve payment of \$0 in 2025, subordinate lien debt service of \$0 in 2025, and other debt service payable from the above fees of \$0 in 2025. The total covenant requirement of \$976,748 was met by fees, charges for service, and investment income (as defined) of \$1,073,331 for the year ended December 31, 2025.
2. Compliance with operations and maintenance reserve covenant - the reserve requirement is estimated to be approximately \$206,000 at December 31, 2025 based on Exhibit F of the loan agreement. The District maintained a reserve account of \$213,089 at December 31, 2025.
3. Lien representation - the property pledged for this debt, except as disclosed to the Authority in writing, is free and clear of any pledge, lien, charge or encumbrance.

Subscription-Based Information Technology Arrangement (SBITA)

During 2025, the District entered into a subscription-based information technology arrangement (SBITA) for utility billing and customer information system software. The arrangement provides the District with the right to use a cloud-based software platform for customer account management, utility billing, collections, reporting, and related utility operations. The agreement requires annual software payments of \$6,120, subject to future contractual adjustments. Although the agreement renews annually, management expects to exercise renewal options for at least the next five years and has incorporated that expected renewal period into the measurement of the subscription liability and subscription asset.

The subscription liability was measured using a discount rate of 2.852%. During the year ended December 31, 2025, the District recognized amortization expense of \$3,720 related to the SBITA subscription asset.

As of December 31, 2025, the SBITA had a subscription asset of \$31,881 and accumulated amortization of \$3,720, resulting in a net carrying value of \$28,161.

The following is a schedule of future payments due under the terms of the SBITA agreement:

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

5. Long-Term Obligations (continued)

Year Ended December 31,	Principal
2026	\$ 5,682
2027	6,167
2028	6,683
2029	7,229
Total	\$ 25,761

6. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damages to and destruction of assets; error or omissions; injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2025. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members.

The District pays annual premiums to the Pool for liability, property and public official's coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

The District continues to carry commercial insurance coverage for other risks of loss including workers compensation. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

7. Contingencies – Tax, Spending and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), 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 and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

7. Contingencies – Tax, Spending and Debt Limitations (continued)

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1996 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voters approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

In November 2000, the registered voters of the District approved a measure to allow the District to collect, retain and expend all revenues from any source without limitation including the District's existing property tax rate of 8.094 mills. The rate cannot be increased without voter approval.

The District's management believes it is in compliance with the provisions of TABOR. However TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits (and qualification as an Enterprise) will require judicial interpretation.

8. Subsequent Events

Management evaluates subsequent events through the date the financial statements are available to be issued, which is the date of the Independent Auditors' Report.

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

9. Defined Benefit Pension Plan

Defined Benefit Pension Plan

Plan Description. Eligible employees of the District are provided with pensions through the LGDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Benefits provided as of December 31, 2024. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP.

Cucharas Sanitation and Water District

Notes to Financial Statements (continued)

December 31, 2025

9. Defined Benefit Pension Plan (continued)

Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions provisions as of December 31, 2025: Eligible employees of the District and the State are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements for the LGDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of January 1, 2024, through December 31, 2025, are summarized in the table below:

	January 1, 2024 Through December 31, 2024	January 1, 2025 Through December 31, 2025
Employee contribution (all employees)	9.00%	9.00%

*Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements for all employees other than Safety Officers are summarized in the following table:

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Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

9. Defined Benefit Pension Plan (continued)

	January 1, 2024 Through December 31, 2024	January 1, 2025 Through December 31, 2025
Employer contribution rate	11.00%	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%)	(1.02%)
Amount apportioned to the LGDTF	9.98%	9.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%	1.50%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.08%	0.11%
Total employer contribution rate to the LGDTF	13.76%	13.79%

*Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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 \$47,018 for the year ended December 31, 2025.

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

The net pension liability for the LGDTF was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TPL to December 31, 2024. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2024 relative to the total contributions of participating employers.

At December 31, 2025 the District reported a liability of \$198,743 for its proportionate share of the net pension liability.

At December 31, 2024, the District's proportion was 0.0324 percent, which was an increase of 0.0037 percent from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the District recognized pension expense of \$36,315. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

9. Defined Benefit Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,997	\$ -
Changes of assumptions or other inputs	5,865	
Net difference between projected and actual earnings on pension plan investments	18,704	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	9,285	-
District contributions subsequent to the measurement date	47,018	-
	<u>\$ 95,869</u>	<u>\$ -</u>

\$47,018 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, 2026. 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 December 31,	Amortization
2026	\$ 45,045
2027	47,993
2028	(31,656)
2029	(12,531)
	<u>\$ 48,851</u>

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Cucharas Sanitation and Water District

Notes to Financial Statements (continued)

December 31, 2025

9. Defined Benefit Pension Plan (continued)

Actuarial assumptions. The December 31, 2023, actuarial valuation 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 increases, 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	1.00%
and DPS benefit structure (compounded annually)	
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each 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.

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
Members other than Safety Officers	PubG-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	Mortality Table	Adjustments, as Applicable
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
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

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

9. Defined Benefit Pension Plan (continued)

The long-term expected return on plan assets is reviewed as part of regularly scheduled experience studies performed at least 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%.

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

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

9. Defined Benefit Pension Plan (continued)

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year 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.
- 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.
- 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.
- 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 as a PERA-affiliated employer, effective December 31, 2022. The additional disaffiliation payment allocations to the Local Government Division Trust Fund and HCTF were \$0.486 million and \$0.020 million, respectively. The District's proportionate share of the increase in FNP as a result of this transaction was \$157.

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

9. Defined Benefit Pension Plan (continued)

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$435,008	\$198,743	\$253

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

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan

Plan Description

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

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s).

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan

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, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (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.

Enrollment in the PERACare health benefits program is voluntary and includes, among others, benefit recipients and their eligible dependents, certain surviving spouses, and 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 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent 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.

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan (continued)

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$3,478 for the year ended December 31, 2025.

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

At December 31, 2025, the District reported a liability of \$12,314 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2024, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2024. The District's proportion of the net OPEB liability was based on the District's 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's proportion was 0.0026 percent, which was an increase of 0.0003 percent from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the District recognized an OPEB benefit of \$1,321. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,716
Changes of assumptions or other inputs	141	3,936
Net difference between projected and actual earnings on pension plan investments	42	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions		773
District contributions subsequent to the measurement date	3,478	-
	<u>\$ 3,661</u>	<u>\$ 7,425</u>

\$3,478 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2026. 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 December 31,	Amortization
2026	\$ (1,671)
2027	(1,161)
2028	(2,294)
2029	(1,403)
2030	(603)
Thereafter	(110)
	<u>\$ (7,242)</u>

Actuarial assumptions

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

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan (continued)

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20% - 11.30%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans ¹	16.00% in 2024, then 6.75% in 2025, gradually decreasing to 4.50% in 2034
Medicare Part A premiums	3.50% in 2024, gradually increasing to 4.50% in 2033

¹ UnitedHealthcare MAPD PPO plans are 0% for 2023.

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		
	Annual Increase	Annual Increase
Participant Age	(Male)	(Female)
5-68	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%

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan (continued)

Sample Age	MAPD PPO #1 with Medicare Part A Retiree/Spouse		MAPD PPO #2 with Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) with Medicare Part A Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 1,710	\$ 1,420	\$ 585	\$ 486	\$ 1,897	\$ 1,575
70	\$ 1,921	\$ 1,589	\$ 657	\$ 544	\$ 2,130	\$ 1,763
75	\$ 2,122	\$ 1,670	\$ 726	\$ 571	\$ 2,353	\$ 1,853

Sample Age	MAPD PPO #1 without Medicare Part A Retiree/Spouse		MAPD PPO #2 without Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) without Medicare Part A Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 6,536	\$ 5,429	\$ 4,241	\$ 3,523	\$ 7,063	\$ 5,866
70	\$ 7,341	\$ 6,073	\$ 4,764	\$ 3,941	\$ 7,933	\$ 6,563
75	\$ 8,110	\$ 6,385	\$ 5,262	\$ 4,143	\$ 8,763	\$ 6,900

The 2024 Medicare Part A premium is \$505 (actual dollars) per month.

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

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 that were used to measure the total OPEB liability are summarized in the table below:

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan (continued)

Year	PERACare Medicare Plans ¹	MAPD PPO #21	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, valuation for the determination of the total pension liability as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed on a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

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

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

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

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

Cucharas Sanitation and Water District

Notes to Financial Statements (continued)

December 31, 2025

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan (continued)

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

- Per capita health care costs in effect as of the December 31, 2023, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits have been 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
Salary increases, including wage inflation	3.40%-13.00%

The following health care costs assumptions were used in the roll forward calculation for the 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.

Plan	With Medicare Part A	Without Medicare Part A
MAPD PPO #1	\$1,824	\$6,972
MAPD PPO #2	624	4,524
MAPD HMO	2,040	7,596

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan (continued)

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 using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Pre-Retirement	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions	PubG-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions	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
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
State and Local Government Divisions	PubNS-2010 Disabled Retiree	95% of the rates for all ages

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.

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan (continued)

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the 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 using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare Trend Rate	5.75%	6.75%	7.75%
Ultimate PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Initial MAPD 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	3.50%	4.50%	5.50%
Proportionate Share of the Net OPEB Liability	\$11,982	\$12,314	\$12,689

¹For the January 1, 2025, plan year.

Discount Rate

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

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan (continued)

- 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 percent.
- 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 used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.
- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2024, year-end, the additional employer disaffiliation payment allocations recognized by PERA to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively. The District's proportionate share of the increase in FNP as a result of this transaction was \$1.

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return 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 does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following table presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Cucharas Sanitation and Water District
Notes to Financial Statements (continued)
December 31, 2025

10. Defined Benefit Other Post Employment Benefit (OPEB) Plan (continued)

	1.00 % Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Proportionate Share of Net OPEB Liability	\$15,091	\$12,314	\$9,920

OPEB plan fiduciary net position

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

Required Supplementary Information

Cucharas Sanitation and Water District
Required Supplementary Information - PERA
For the Year Ended December 31, 2025

Schedule of Proportionate Share of the Net Pension Liability (Asset)

Colorado PERA - Pension

<u>Plan Measurement Date *</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Net Pension Liability as a Percentage of Member Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
12/31/2016	0.0338%	\$ 372,348	\$ 191,965	193.97%	76.87%
12/31/2017	0.0350%	473,517	212,546	222.78%	73.64%
12/31/2018	0.0345%	383,920	216,330	177.47%	79.36%
12/31/2019	0.0332%	417,882	218,013	191.68%	75.96%
12/31/2020	0.0326%	238,622	224,667	106.21%	86.26%
12/31/2021	0.0346%	180,054	243,747	73.87%	90.88%
12/31/2022	0.0394%	(33,774)	293,111	-11.52%	101.49%
12/31/2023	0.0339%	339,593	277,102	122.55%	82.99%
12/31/2024	0.0287%	210,327	250,324	84.02%	88.03%
12/31/2025	0.0324%	198,743	310,812	63.94%	90.45%

* The data provided in this schedule is based as of the measurement date of the District's net pension liability, which is as of the beginning of the year.

Schedule of Employer Contributions

<u>Year Ending</u>	<u>Statutorily Required Contributions</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/(Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/2016	\$ 26,951	\$ 26,951	\$ -	\$ 212,546	12.68%
12/31/2017	27,430	27,430	-	216,330	12.68%
12/31/2018	27,644	27,644	-	218,013	12.68%
12/31/2019	28,529	28,529	-	224,667	12.70%
12/31/2020	31,539	31,539	-	243,747	12.94%
12/31/2021	38,691	38,691	-	293,111	13.20%
12/31/2022	37,330	37,330	-	277,102	13.47%
12/31/2023	34,339	34,339	-	250,324	13.72%
12/31/2024	42,768	42,768	-	310,812	13.76%
12/31/2025	47,018	47,018	-	340,960	13.79%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Cucharas Sanitation and Water District
Required Supplementary Information - OPEB
For the Year Ended December 31, 2025

Schedule of Proportionate Share of the OPEB Liability and Related Ratios

Colorado PERA - OPEB

Plan Measurement Date *	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	OPEB Liability as a Percentage of Member Payroll	Fiduciary Net Position as a Percentage of Total OPEB Liability
12/31/2017	0.0027%	\$ 34,900	\$ 212,546	16.42%	16.72%
12/31/2018	0.0027%	34,820	216,330	16.10%	17.53%
12/31/2019	0.0028%	35,061	218,013	16.08%	17.03%
12/31/2020	0.0025%	28,086	225,677	12.45%	24.49%
12/31/2021	0.0026%	25,046	243,747	10.28%	32.78%
12/31/2022	0.0030%	26,406	293,111	9.01%	39.40%
12/31/2023	0.0027%	22,296	277,102	8.05%	38.57%
12/31/2024	0.0023%	16,258	250,324	6.49%	46.16%
12/31/2025	0.0026%	12,314	310,812	3.96%	59.83%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

* The data provided in this schedule is based as of the measurement date of the District's net OPEB liability, which is as of the beginning of the year.

Schedule of Employer Contributions

Year Ending	Statutorily Required Contributions	Actual Employer Contributions	Contribution Excess/(Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
12/31/2017	\$ 2,207	\$ 2,207	\$ -	\$ 216,330	1.02%
12/31/2018	2,223	2,223	-	218,013	1.02%
12/31/2019	2,292	2,292	-	225,677	1.02%
12/31/2020	2,486	2,486	-	243,747	1.02%
12/31/2021	2,990	2,990	-	293,111	1.02%
12/31/2022	2,826	2,826	-	277,102	1.02%
12/31/2023	2,565	2,565	-	250,324	1.02%
12/31/2024	3,170	3,170	-	310,812	1.02%
12/31/2025	3,478	3,478	-	340,960	1.02%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Notes to the Required Supplementary Information

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 fiduciary net position (FNP) and related disclosure components for the Local Government Division reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2024, year-end, the additional employer disaffiliation payment allocations to the Health Care Trust Fund (HCTF) and the Local Government Division Trust Fund recognized by PERA were \$20,000 and \$486,000, respectively. The District's proportionate share of the increase in FNP as a result of this transaction was \$157 for pension, and \$1 for OPEB.

As of the December 31, 2024, measurement date, the total pension liability (TPL) recognizes the change in the default method applied for granting service accruals for certain members, from a "12-pay" method to a "non-12-pay" method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months (including, but not limited to positions in the School and DPS Divisions) receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.

Note 2 - Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information*2024 Changes in Assumptions or Other Inputs Since 2023*

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

Note 3 – Retirement Plan Supplementary Information

The schedules presented in the Retirement Plan Supplementary Information for the year ended December 31, 2025, are intended to show information for ten years. Additional years will be displayed as they become available.

Other Supplementary Information

Cucharas Sanitation and Water District
Schedule of Revenues, Expenses, and
Changes in Fund Balance—Budget and Actual (Non-GAAP Basis)
For the Year Ended December 31, 2025

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
OPERATING REVENUES				
Service fees	\$ 866,718	\$ 856,790	\$ 894,249	\$ 37,459
TOTAL OPERATING REVENUES	<u>866,718</u>	<u>856,790</u>	<u>894,249</u>	<u>37,459</u>
OPERATING EXPENSES AND CAPITAL OUTLAY				
Personnel and related expenses	398,125	386,632	379,208	7,424
Directors' fees	7,700	7,500	7,500	-
Legal and audit	45,586	43,000	45,333	(2,333)
Professional service	36,000	58,600	63,453	(4,853)
Repairs, supplies and maintenance	77,000	74,952	70,383	4,569
Travel and training	4,500	3,525	3,574	(49)
Utilities	50,680	58,182	58,312	(130)
Office and telephone	32,222	45,471	47,335	(1,864)
Insurance	104,153	106,371	106,083	288
Other general and administrative expenses	11,662	9,684	9,682	2
Debt service principal	77,387	87,195	87,195	-
Capital Outlay	1,039,386	608,403	572,674	35,729
TOTAL OPERATING EXPENSES	<u>1,884,400</u>	<u>1,489,515</u>	<u>1,450,732</u>	<u>38,783</u>
OPERATING INCOME (LOSS)	<u>(1,017,682)</u>	<u>(632,725)</u>	<u>(556,483)</u>	<u>(1,324)</u>
NON-OPERATING REVENUES (EXPENSES)				
Property tax and other	109,513	110,371	109,054	(1,317)
Augmentation fee	3,060	2,960	3,060	100
County treasurer's office	(2,972)	(3,740)	(2,976)	764
Late fee and other	19,869	21,045	17,525	(3,520)
Interest earned	340	35,760	36,472	712
Interest expense	(33,063)	(39,376)	(40,967)	(1,591)
Capital grants - loan forgiveness	733,610	600,397	981,437	381,040
Tap and capital fees	40,000	125,000	125,000	-
TOTAL NON-OPERATING REVENUES	<u>870,357</u>	<u>852,417</u>	<u>1,228,605</u>	<u>376,188</u>
NET INCOME (LOSS) (NON-GAAP)	<u>\$ (147,325)</u>	<u>\$ 219,692</u>	<u>\$ 672,122</u>	<u>\$ 452,430</u>
Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP)				
Excess of revenues over expenditures, budgetary basis				
Adjustments				
Expenses which are not expenditures for budgetary purposes				
Depreciation			(399,716)	
Debt principal			87,195	
Capital outlay			572,674	
Pension and OPEB changes			<u>(15,502)</u>	
Change in Net Position (GAAP basis)			<u>\$ 916,773</u>	