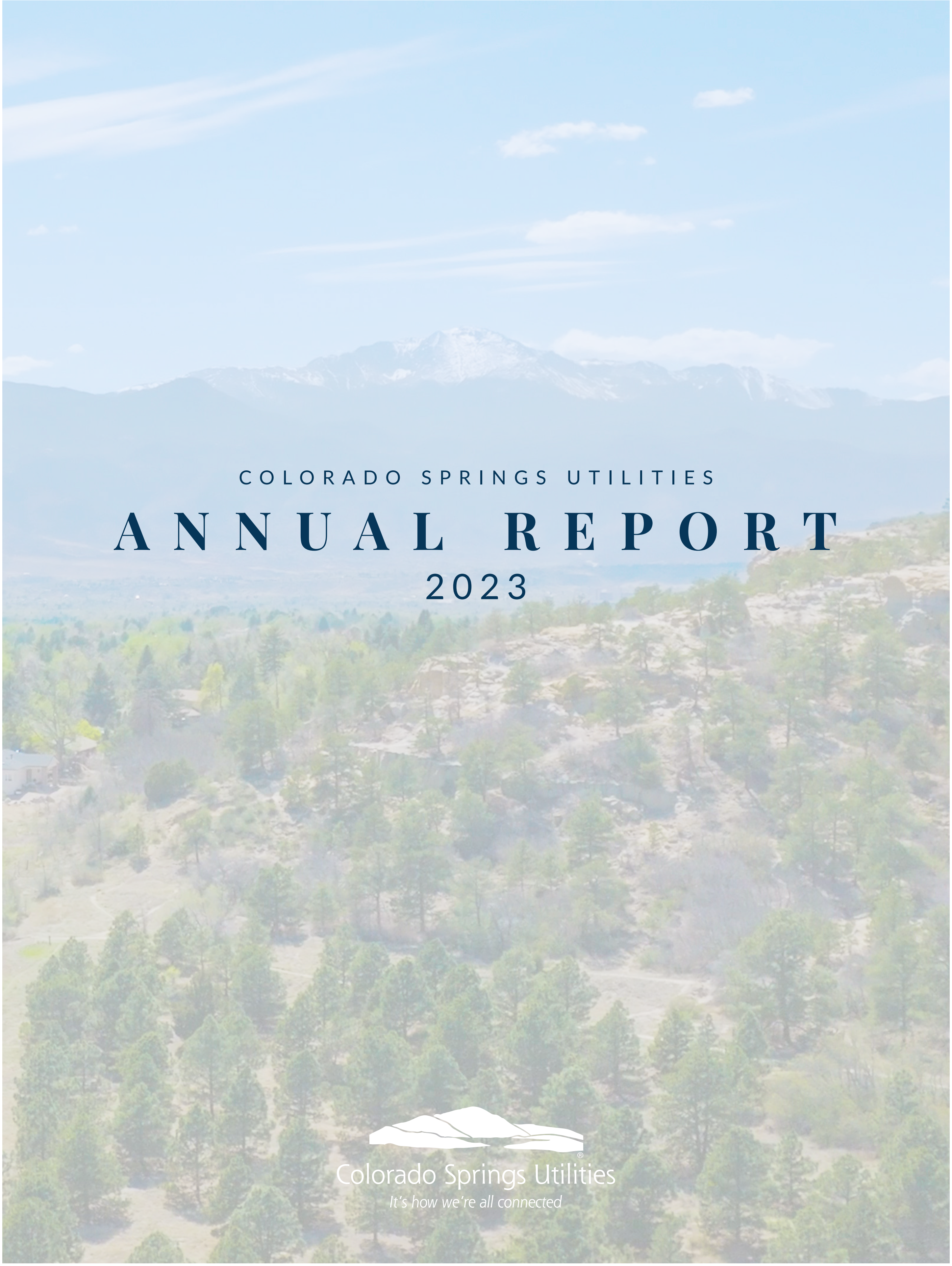

COLORADO SPRINGS UTILITIES

ANNUAL REPORT

2023

Colorado Springs Utilities®

It's how we're all connected

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Utilities Board

Dave Donelson *Chair*

Yolanda Avila *Vice Chair*

Lynette Crow-Iverson

Randy Helms

Nancy Henjum

David Leinweber

Mike O'Malley

Brian Risley

Michelle Talarico

Utilities Policy Advisory Committee

Larry Barrett *Chair*

Hilary Dussing *Vice Chair*

Michael Borden

Kate Danner

Gary Burghart

David Watson

Scott Smith

Chris Meyer *alt.*

Executive Team

Travas Deal
Chief Executive Officer

Mike Francolino
Chief Customer and Enterprise Services Officer

Tristan Gearhart
Chief Financial Officer

Somer Mese
Chief Operations Officer

Lisa Barbato
Chief System Planning and Projects Officer

Renee Adams
Chief Human Resources Officer

From the CEO

I recently celebrated one year as CEO – a year that has been rewarding and foundational for Colorado Springs Utilities.

This year, I am humbled to lead an exceptional team as we reflect on 100 years of service to the community. Throughout our history, we have overcome obstacles, adapted to change and continued to deliver reliable, cost-effective services to our customers.

Last year, we marked major milestones in energy planning – including the beginning of demolition on a century old coal-fired power plant – while bringing a new solar project online. We continued long-range water planning to ensure we have the resources to support a growing community for the next 100 years.

We have a lot of infrastructure work on the horizon. We are continuing to build on the foundation of our integrated resource plans that will help our community responsibly grow into the future.

Technology continues to evolve, and we must do the same. We anticipate all our customers will have new smart meters in place by the end of 2024, and construction will continue on the fiber network that will enhance our utility operations, making us one of the best-connected cities in the country.

Looking ahead, I am confident we will continue to achieve great things. Our mission to provide safe, reliable and competitively priced utilities to our customers will guide us as we navigate new opportunities in 2024 and beyond.

Sincerely,

Travas Deal
Chief Executive Officer

100 Years of Service
Colorado Springs Utilities

Our mission

Provide safe, reliable and competitively priced utilities to our customers.

Our vision

Ready for today, prepared for a sustainable future.

Our values

Safety, people, trust, responsibility, collaboration and continuous improvement.

Safety | *We are passionately committed to safety in everything we do.*

People | *We promote and foster an inclusive work environment in which everyone is treated with dignity and respect.*

Trust | *We demonstrate the highest standards of integrity, competence, transparency and professionalism.*

Responsibility | *We are committed to fiscal and environmental stewardship of all resources.*

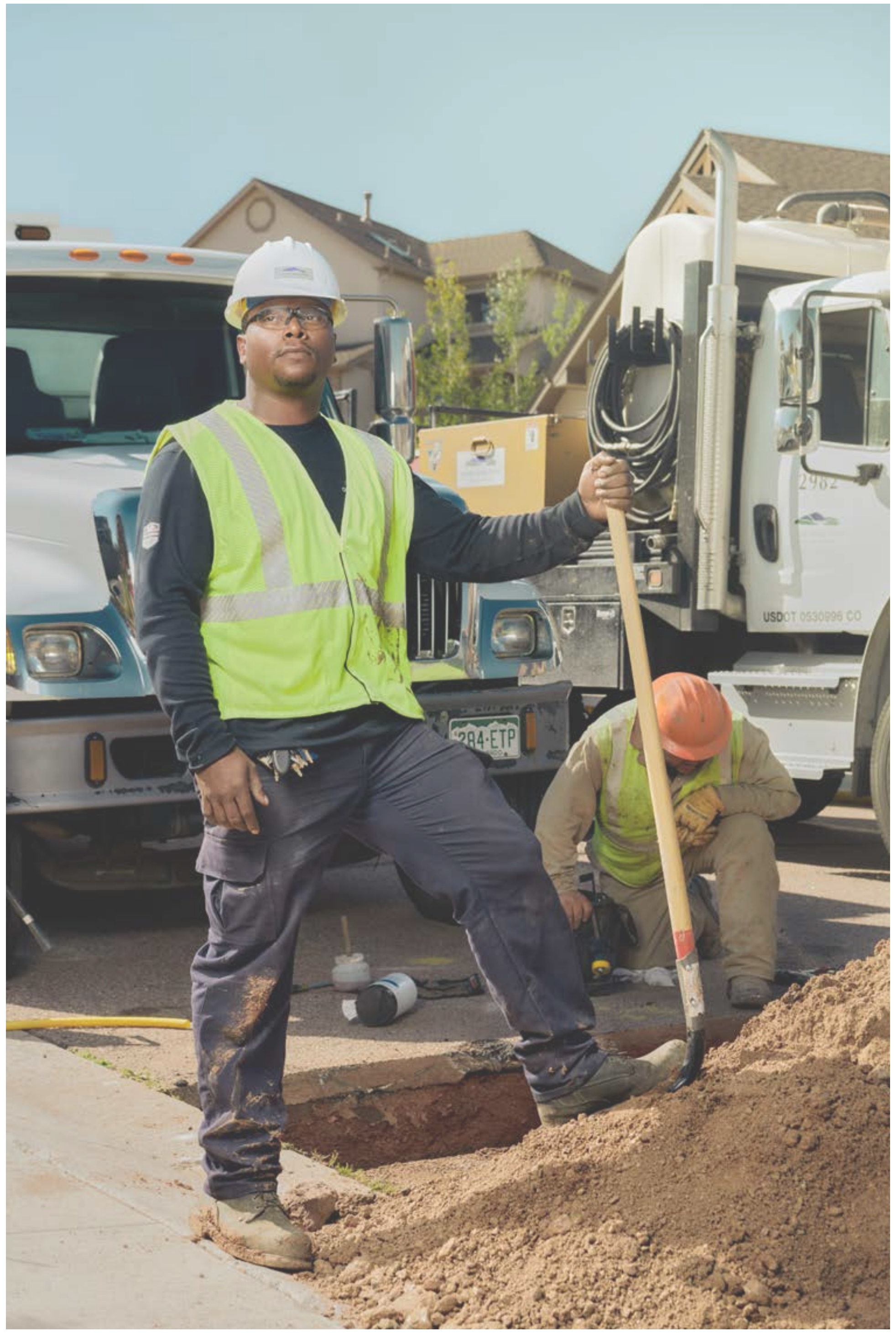
Collaboration | *We develop cooperative goals, share information and foster relationships.*

Continuous Improvement | *We innovate, optimize and adapt to serve customers today and in the future.*

Our promise

Residential | *To add value to our customers' lives.*

Business | *To make our customers more successful.*

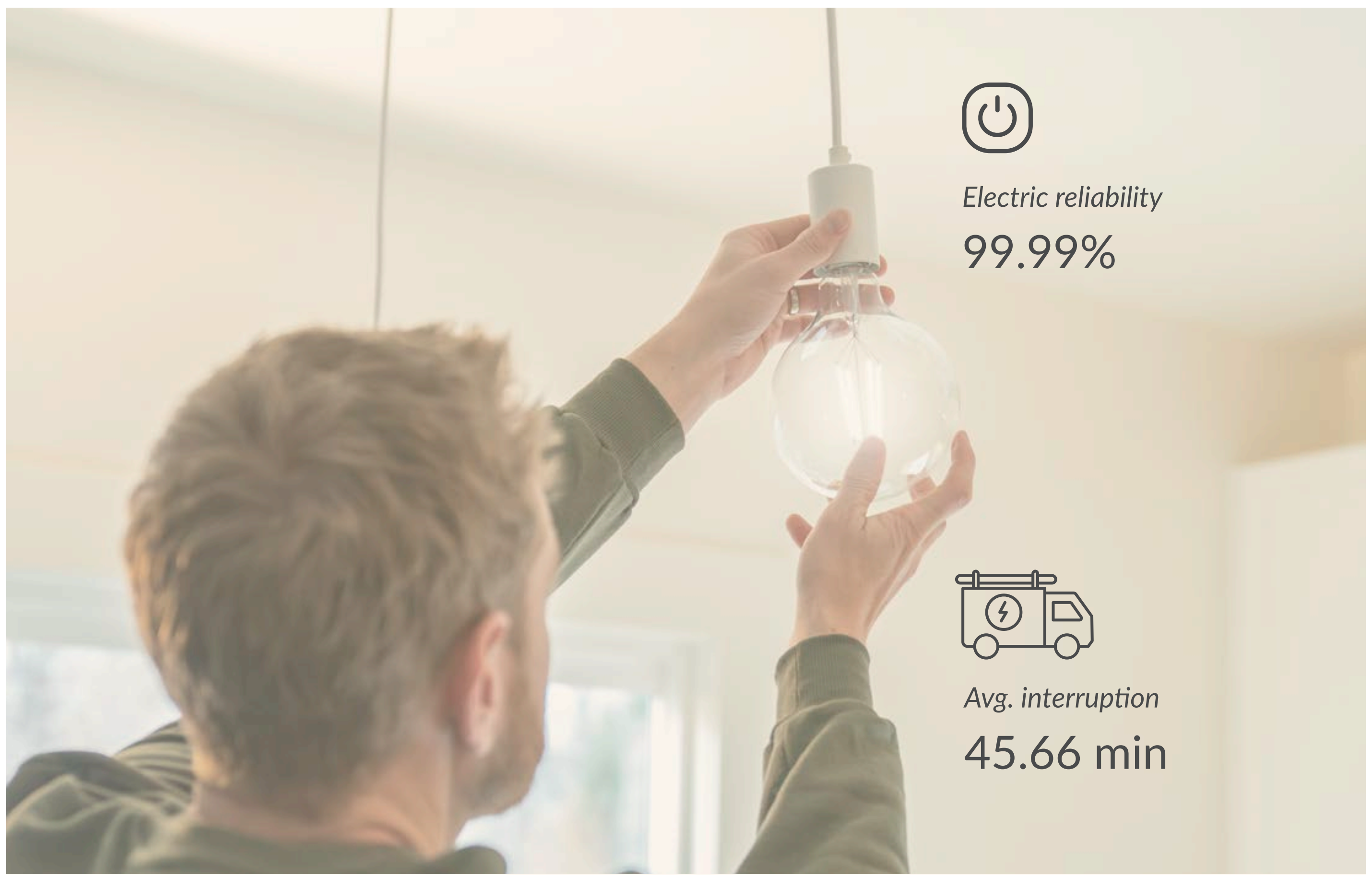


Electric

Avg. monthly residential use
606 kWh
(kilowatt hours)

Peak day demand
969 MW
(megawatts)

*Miles of power lines**
4,008



Electric reliability
99.99%

Avg. interruption
45.66 min

Substations
54

Generation plants
8

Service points
254,486

Natural Gas

Avg. monthly residential use
67 CCF
(centum cubic feet)

Peak day demand
230,717 Dth
(dekatherms)

Local gate stations
5

Miles of gas pipe mains
2,750

Propane air plant
1

Service points
236,633

*overhead and underground lines

Water

Avg. daily residential use per person
65 GAL

Avg. monthly residential use
683 CF
(cubic feet)

Peak day consumption
108 MGD
(million gallons)

Avg. interruption
12.7 min.

Miles of water mains
2,555

Treatment tanks
40

Reservoirs
25

Treatment plants
5

Service points
158,357

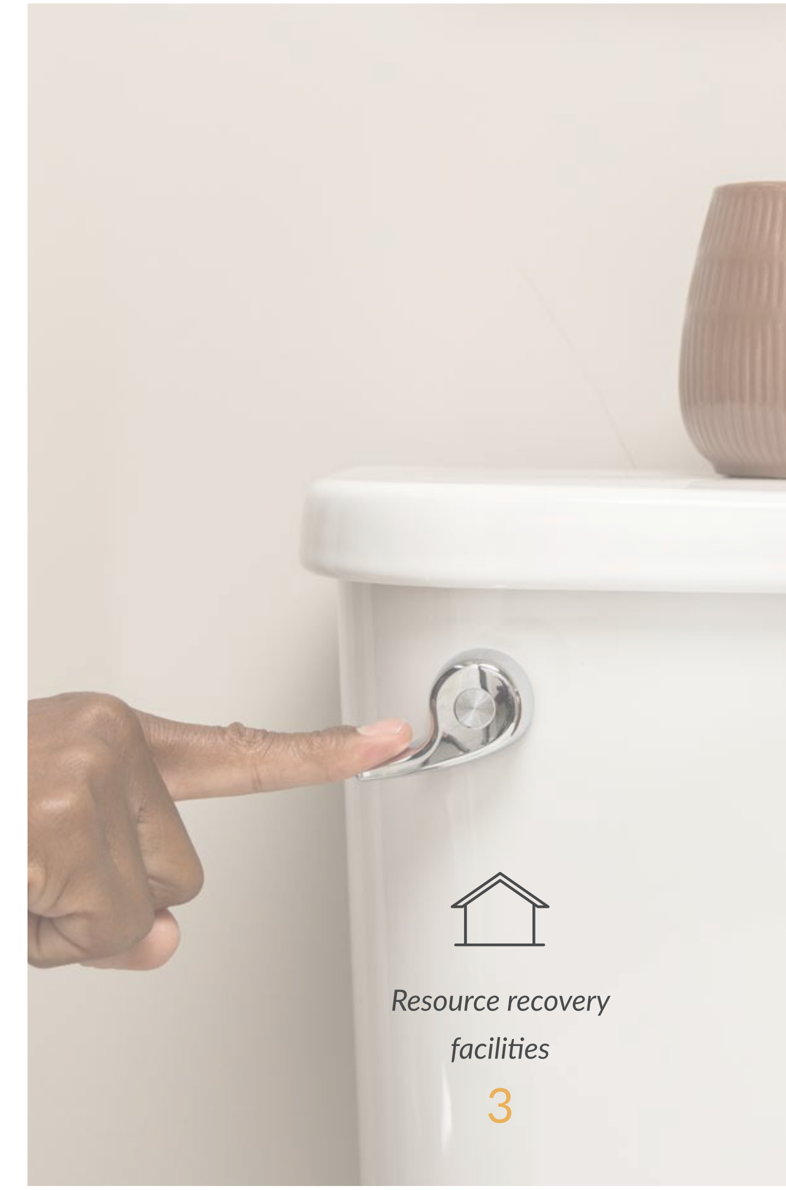
Wastewater

Avg. monthly residential use
583 CF
(cubic feet)

Peak day demand
68 MGD
(million gallons)

Avg. flow vs. capacity
37/95

Miles of wastewater mains
1,817



Resource recovery facilities
3

Solids handling facility
1

Service points
152,852

Our energy future

Like other energy providers across the United States, we are amid big changes in the industry.

In 2023, we made significant progress on several of our Sustainable Energy Plan (SEP) initiatives – all of which will help us attain our goal of a safe, reliable and cost-conscious energy transition.

Demolition of Martin Drake Power Plant

We began the demolition of our downtown Martin Drake Power Plant. This was driven by the significant operating costs of older coal-fired power plants and the State of Colorado's air quality regulations.

Commission of natural gas generators

We commissioned six state-of-the-art natural gas generators in 2023. These highly efficient, low emissions units will support our transition to a more diverse energy portfolio and help ensure a reliable electric grid.

Pursuit of new energy resources

In July 2023, we distributed requests for proposals for approximately 1,500 megawatts (MW) of new electric generation and 200 MW of energy storage. With a goal to introduce these new resources into our system by 2028, we can diversify our energy mix, meet our carbon emission reduction goals, provide enhanced electric grid reliability and stay a step ahead of the next wave of technology and regulations.

Embrace innovation through Southwest Power Pool

Our recent involvement in the Southwest Power Pool (SPP) – an innovative regional resource-sharing pool – is already producing positive results for customers. In just one year, we have achieved more than $4.7 million in cost savings. This success stems from purchasing energy through SPP below local generation costs and selling excess power.

Expansion of renewable resources

Pike Solar, the largest solar facility in the region, became operational in 2023. The 1,310 acre, 175-megawatt facility supplies electricity through a 17-year power purchase agreement, benefiting approximately 46,300 homes and businesses annually.

Maintain a reliable electric grid

The expansion of our Briargate Substation and upgrade to the connected transmission line was completed in spring 2023. A key project in the SEP, the Briargate expansion doubled the size of the substation to accommodate future demands and technologies, and increased the capacity of the transmission line that feeds the substation.

Our water future

In 2023, we kept in close contact with the Colorado River Commissioner as the basin states began negotiations on future operating guidelines. The Colorado River Basin, which is suffering from prolonged drought and other impacts, provides 70% of the water our community uses.

Our approach to long-term water planning accounts for factors such as climate variability and low flows in the Colorado River. In February, a water ordinance that quantifies the amount of surplus water we must have available as a condition of annexing property into the city, was approved by City Council. The ordinance considers risks to our system and helps ensure we will have adequate water to meet the long-term needs of our community.

We continued to work toward securing our city's water future with conservation actions that addressed limiting high-water-use turf in new development through changes to city code, and helping customers transition to water-wise landscapes. A new, statewide native grasses manual, co-authored by staff from our Conservation and Efficiency Center, provided low-water, attractive alternatives for customers to consider.

Crystal Creek Reservoir

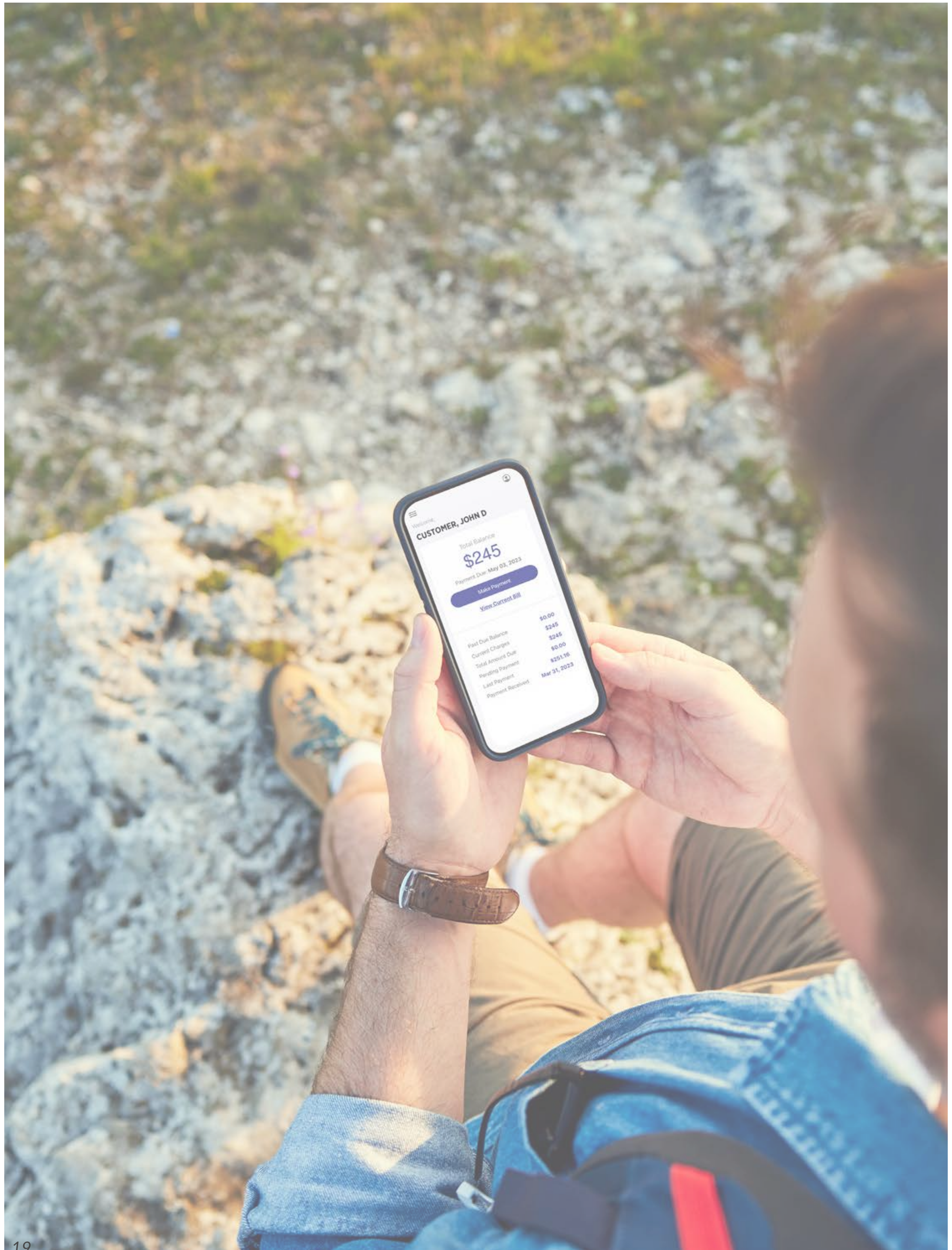
Water storage is critical so keeping our reservoir dams healthy and safe is important. We reopened Crystal Creek Reservoir in May following a dam rehabilitation project and began work on South Catamount Reservoir's dam in the winter. Both dams, located on Pikes Peak, feature steel faces that require periodic resurfacing. The work also includes replacing dam infrastructure.

Monument Creek

The Monument Creek Stabilization project, which began in October, will protect a large underground wastewater interceptor from being exposed by erosion. In addition to raising the channel, a new pedestrian underpass and ramp at the Mesa Road bridge will provide safe access for Pikes Peak Greenway Trail users.

Water valve replacement

The first phase of a project to install new water valves along North Academy Boulevard took place in May. Planned outages and traffic interruptions required careful orchestration to minimize customer impacts. The work will increase water service reliability in the area following a significant main break in 2021.



Our technology future

A Utility's Customer Information System is at the core of its operations. That is why we launched an upgraded system last spring to prepare for the next generation of smart meters and online customer tools.

While many of the upgrades improved behind-the-scenes digital infrastructure, our customer-facing tools also got a makeover to enhance our customer service. The updated self-service options help customers manage their use to achieve energy and water savings.

Features of the CS Utilities app

Quick outage reporting

Easy payment options

Free online bank payments

Improved energy and water use dashboard

Secure online messaging center

Convenient rebate applications

Shared account functions

Easy email and text notification enrollment

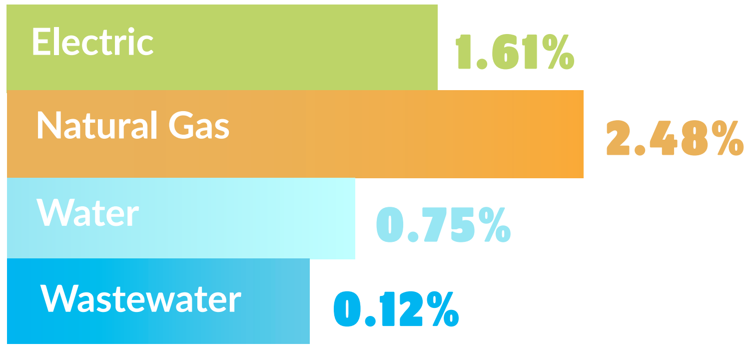
In addition to the tools above, business customers have the following features:

Overview of multiple accounts

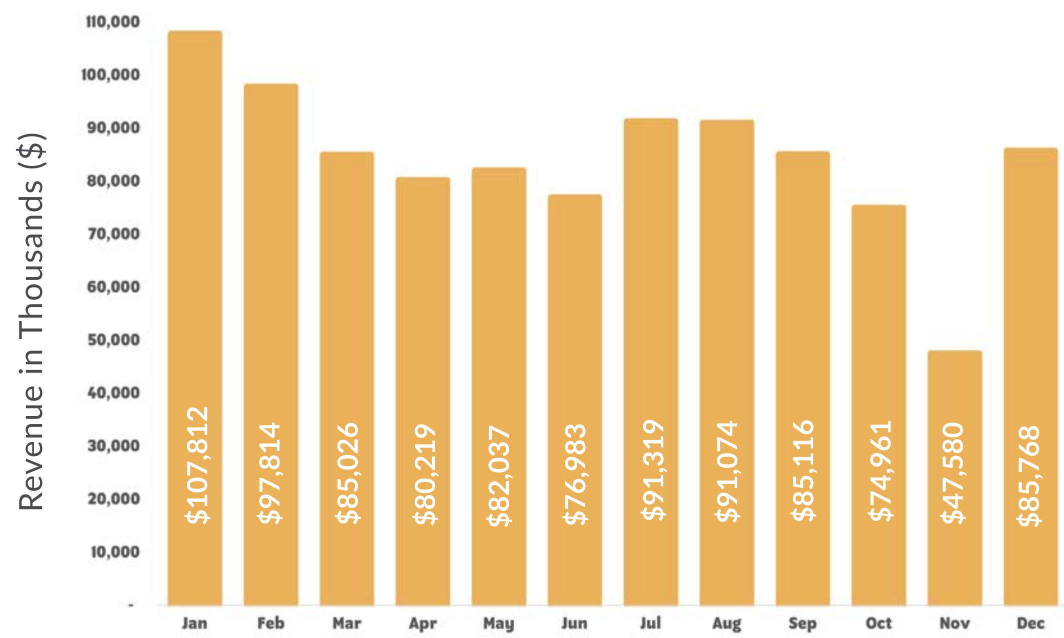
Improved energy and water use dashboard

Shared account functions for different people in an organization

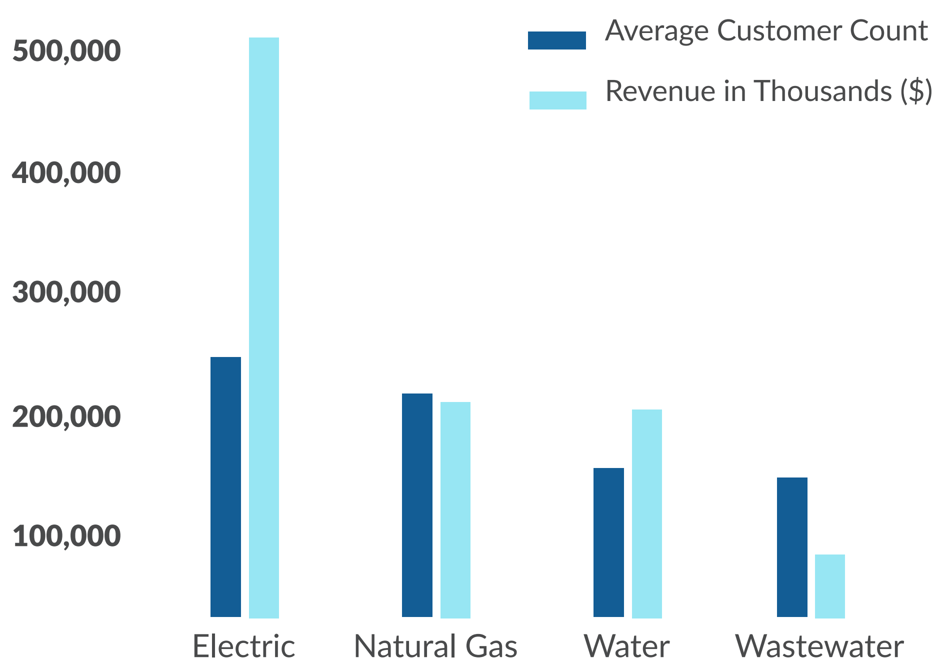
CUSTOMER GROWTH



OPERATING REVENUE BY MONTH



CUSTOMERS & REVENUE BY SERVICE



COMMUNITY OUTREACH

2,969
VOLUNTEER HOURS SERVED

34
NONPROFITS SUPPORTED

78
COMMUNITY PROJECTS

573
EMPLOYEE, FAMILY & FRIEND VOLUNTEERS

45
GRANTS AWARDED

DAYS CASH ON HAND
157

DEBT SERVICE COVERAGE
1.71

DEBT RATIO
49.7%

COLORADO SPRINGS UTILITIES

(An Enterprise Fund of the
City of Colorado Springs, Colorado)

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2023 and 2022

COLORADO SPRINGS UTILITIES
(An Enterprise Fund of the
City of Colorado Springs, Colorado)
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As of and for the Years Ended December 31, 2023 and 2022

Note: Immaterial differences may occur due to rounding

Independent Auditors' Report

To the Audit Committee of
Colorado Springs Utilities

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Colorado Springs Utilities (the Utilities), an enterprise fund of the City of Colorado Springs, Colorado, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Utilities as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards).* 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 Utilities 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Utilities' enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Colorado Springs, Colorado, as of December 31, 2023, and 2022, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the Utilities adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* effective January 1, 2023. Accordingly, the accounting changes have been retroactively applied to the prior period presented. Our opinion is not modified with respect to this matter.

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.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 GAAS and *Government 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 Utilities' 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.

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 required supplementary information, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2024 on our consideration of the Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
April 5, 2024

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") serves as an introduction to the financial statements of Colorado Springs Utilities ("Utilities"). It is intended to be an objective, easily readable analysis of significant financial and operating activities and events for the fiscal years ended December 31, 2023 and 2022. It also provides an overview of Utilities' general financial condition and results of operations. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") as applied to units of local government and promulgated by the Governmental Accounting Standards Board ("GASB").

Utilities is an Enterprise Fund of the City of Colorado Springs, Colorado ("City") that provides electric, streetlight, natural gas, water and wastewater services ("Utility System") to customers in the Pikes Peak region. The organization operates an electric generation, transmission and distribution system; a streetlight system; a natural gas distribution system; a water collection, treatment and distribution system; and a wastewater collection and treatment system. Utilities' service area includes the City, Manitou Springs and many of the suburban residential areas surrounding the City. The military installations of Fort Carson Army Base, Peterson Space Force Base and the United States Air Force Academy receive electric service, natural gas service and water service from Utilities. Peterson Space Force Base also receives wastewater treatment service and Cheyenne Mountain Space Force Station receives electric service. The City is currently the primary customer of the streetlight system and is responsible for the majority of streetlight service charges.

Utilities' financial statements, in conformity with U.S. GAAP, do not purport to, and do not represent the financial position or the changes in the financial position of the City, component units or its joint ventures. The MD&A includes known information that management is aware of through the date of the auditors' report. Please read this MD&A in conjunction with Utilities' financial statements and accompanying notes that follow this section.

FINANCIAL STATEMENTS

Utilities' annual report includes three financial statements with accompanying notes that are an integral part of these statements. The financial statements include: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position and 3) Statements of Cash Flows. Comparative total data for the prior year has been presented in order to provide an understanding of changes in Utilities' financial position and operations.

Statements of Net Position - This statement reports net position as the difference between 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources as of the end of each fiscal year. Assets are separated into current and noncurrent categories and are reported in the order of liquidity. Deferred outflows of resources are the consumption of net assets in one period that are applicable to future periods. Liabilities are separated into current and noncurrent categories. Deferred inflows of resources are the acquisition of net assets that are applicable to future reporting periods. The components of net position are classified as net investment in capital assets, restricted debt service, restricted third party escrow, restricted health care benefits, restricted pension liability, restricted for other purposes and unrestricted.

Statements of Revenues, Expenses and Changes in Net Position - This statement measures the activities for the year and can be used to determine whether the rates, fees and other charges are adequate to recover expenses. All revenues and expenses are accounted for in this statement for the years ended December 31.

Statements of Cash Flows - This statement reports all cash receipts and payments summarized by net changes in cash from operating, noncapital financing, capital and related financing and investing activities for the years ended December 31. This statement is prepared using the direct method, which reports gross cash receipts and payments and presents a reconciliation of operating income to net cash provided by operating activities. This statement also separately lists the noncash investing, capital and related financing activities.

Notes to Financial Statements - These notes provide additional detailed information and required disclosure in support of the financial statements.

COMPONENT UNITS AND JOINT VENTURES

Component Units - City

Public Authority for Colorado Energy ("PACE") - PACE is a nonprofit corporation that has been organized by the City for the purpose of assisting the City to acquire, finance and supply natural gas for Utilities. On June 27, 2008, the City (on behalf of Utilities) entered into a Natural Gas Supply Agreement with PACE. Utilities will purchase approximately 20.0% of Utilities' natural gas supply needs for 30 years through a natural gas prepayment transaction among PACE, Merrill Lynch Commodities, Inc., Bank of America Corporation and Royal Bank of Canada.

Fountain Valley Authority - Utilities has a 71.4% interest in this authority, which is a political subdivision of the State of Colorado, formed primarily to construct a water treatment plant and to operate the water treatment plant and water conveyance system for its five customers.

Aurora-Colorado Springs Joint Water Authority - Utilities has a 66.7% participation share in this authority, which is a political subdivision of the State of Colorado, formed for the purpose of developing water resources, systems or facilities for the benefit of Utilities and the City of Aurora, Colorado.

Canal and Reservoir Companies - Utilities has interests ranging from 51.9% to 77.2% in four canal and reservoir companies. This ownership interest represents proportionate ownership and control of the companies' facilities and water rights. The water rights add significant physical water to the water supply portfolio in addition to allowing for exchange, storage, staging and delivery of Utilities' water supply.

Joint Ventures

Young Gas Storage Company Ltd. - Utilities has an equity interest of 5.0% in this joint venture organized to develop and operate a natural gas storage system near Fort Morgan, Colorado.

CONDENSED FINANCIAL STATEMENTS

Condensed financial statements as of December 31:

Condensed Statements of Net Position

	2023	2022 (restated)	2021
		(in thousands)	
Assets and Deferred Outflows of Resources			
Assets			
Current assets	$ 611,268	$ 656,989	$ 595,064
Other noncurrent assets	288,248	286,603	260,068
Capital assets, net	4,553,546	4,340,663	4,082,370
Total Assets	5,453,062	5,284,255	4,937,502
Deferred outflows of resources	164,821	71,363	120,624
Total Assets and Deferred Outflows of Resources	$ 5,617,883	$ 5,355,618	$ 5,058,126
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities	$ 240,849	$ 265,313	$ 244,701
Noncurrent liabilities	2,790,004	2,463,197	2,590,609
Total Liabilities	3,030,853	2,728,510	2,835,310
Deferred inflows of resources	61,438	210,422	155,969
Net Position			
Net investment in capital assets	2,177,091	2,055,652	1,831,238
Restricted	44,947	62,429	48,110
Unrestricted	303,554	298,605	187,499
Total Net Position	2,525,592	2,416,686	2,066,847
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 5,617,883	$ 5,355,618	$ 5,058,126

Assets

Current assets decreased in 2023 by $45.7 million and increased by $61.9 million in 2022. The decrease in 2023 was primarily due to decreases of $55.3 million in unrestricted cash and cash equivalents and $38.2 million in net accounts receivable. This was offset by increases of $22.6 million in unrestricted investments and $18.1 million in inventories. The increase in 2022 was primarily due to an increase of $66.8 million in unrestricted investments.

Other noncurrent assets increased in 2023 and 2022 by $1.6 million and $26.5 million, respectively. The increase in 2023 was primarily due to increases of $102.9 million in restricted investments, $13.3 million in lease receivable and $4.4 million in other noncurrent assets. These increases were offset by decreases of $98.9 million in restricted cash and cash equivalents and $20.2 million in restricted pension and post-employment benefits ("OPEB"). The increase in 2022 was primarily due to increases of $23.5 million in restricted cash and cash equivalents and $20.1 million of pension and OPEB offset by decreases of $7.8 million of amortization of Southern Delivery System

("SDS") mitigation costs, $5.7 million in restricted investments and $2.0 million of amortization of the utility acquisition adjustment.

Capital assets, net increased in 2023 and 2022 by $212.9 million and $258.3 million, respectively. The increases were primarily due to capital improvements that are required to maintain and rehabilitate aging infrastructure in order to provide safe and reliable services to customers, construction to prepare for future demand and to meet environmental and regulatory requirements.

Deferred Outflows of Resources

Deferred outflows of resources increased in 2023 by $93.5 million primarily due to increases of $89.2 million in pension and OPEB deferred outflows and $6.4 million in asset retirement obligations. This increase is offset by decreases of $3.7 million in loss on debt refundings and $1.6 million in deferred cash flow hedges. The decrease in 2022 of $49.2 million was primarily due to decreases of $24.6 million in pension and OPEB deferred outflows, $18.9 million in deferred cash flow hedges and $5.7 million in loss on debt refundings.

Liabilities

Current liabilities decreased in 2023 by $24.5 million primarily due to decreases of $20.0 million in accounts payable and $8.2 million in current maturities of bonds. The increase of $20.6 million in 2022 was primarily due to increases of $18.1 million in accounts payable, $5.0 million in current maturities of bonds, $3.8 million in subscription-based information technology arrangements ("SBITAs") liability and $1.6 million in accrued salaries and benefits. This was offset by a decrease of $8.8 million in other current liabilities.

Noncurrent liabilities increased in 2023 by $326.8 million primarily due to increases of $225.3 million in pension and OPEB, $91.4 million in net revenue bonds, $16.4 million in municipal solid waste landfill closure and postclosure care and $7.5 million in asset retirement obligations. This was offset by a decrease of $17.0 million in other noncurrent liabilities. The decrease in 2022 by $127.4 million was primarily due to decreases of $124.4 million in pension and OPEB and $57.8 million in derivative instruments. This was offset by increases of $36.0 million in net revenue bonds, $8.7 million in SBITAs liability and $5.3 million in customer advances for construction.

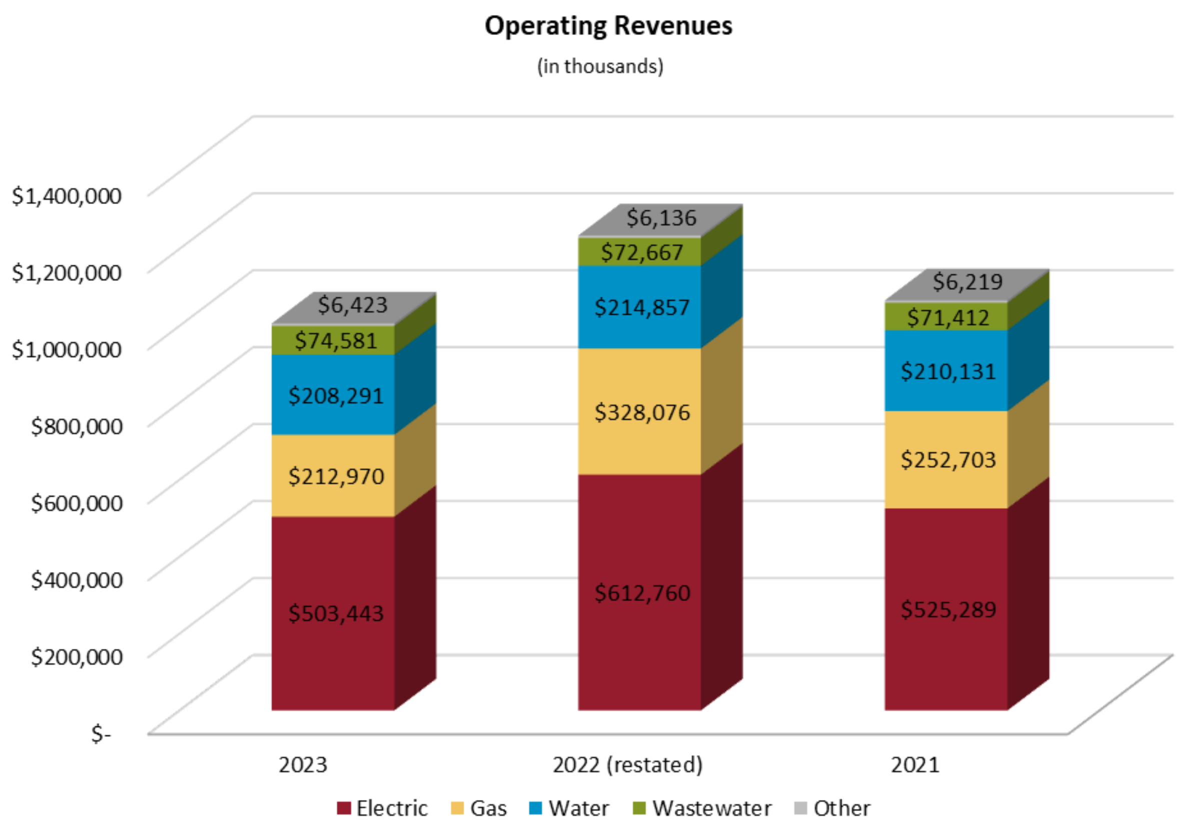
Deferred Inflows of Resources

Deferred inflows of resources decreased in 2023 by $149.0 million primarily due to a decrease of $172.2 million in pension and OPEB deferred inflow, offset by an increase of $13.9 million in lease deferred inflows and $9.3 million in gain on debt refundings. The increase of $54.5 million during 2022 was primarily due to the increase of $41.1 million in pension and OPEB deferred inflows.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2023	2022 (restated)	2021
		(in thousands)	
Operating Revenues	$ 1,005,708	$ 1,234,496	$ 1,065,754
Operating Expenses	(852,741)	(872,239)	(925,538)
Operating Income	152,967	362,257	140,216
Nonoperating Expenses	(60,364)	(40,688)	(63,186)
Income Before Contributions, Transfers and Special Items	92,603	321,569	77,030
Capital contributions	52,931	69,411	68,073
Transfers out - surplus payments to the City	(35,298)	(37,279)	(37,250)
Transfers - other	—	(112)	(171)
Special items	(1,330)	(3,750)	—
Change in Net Position	108,906	349,839	107,682
Total Net Position, January 1	2,416,686	2,066,847	1,959,165
Total Net Position, December 31	$ 2,525,592	$ 2,416,686	$ 2,066,847

Changes in Operating Revenues and Expenses

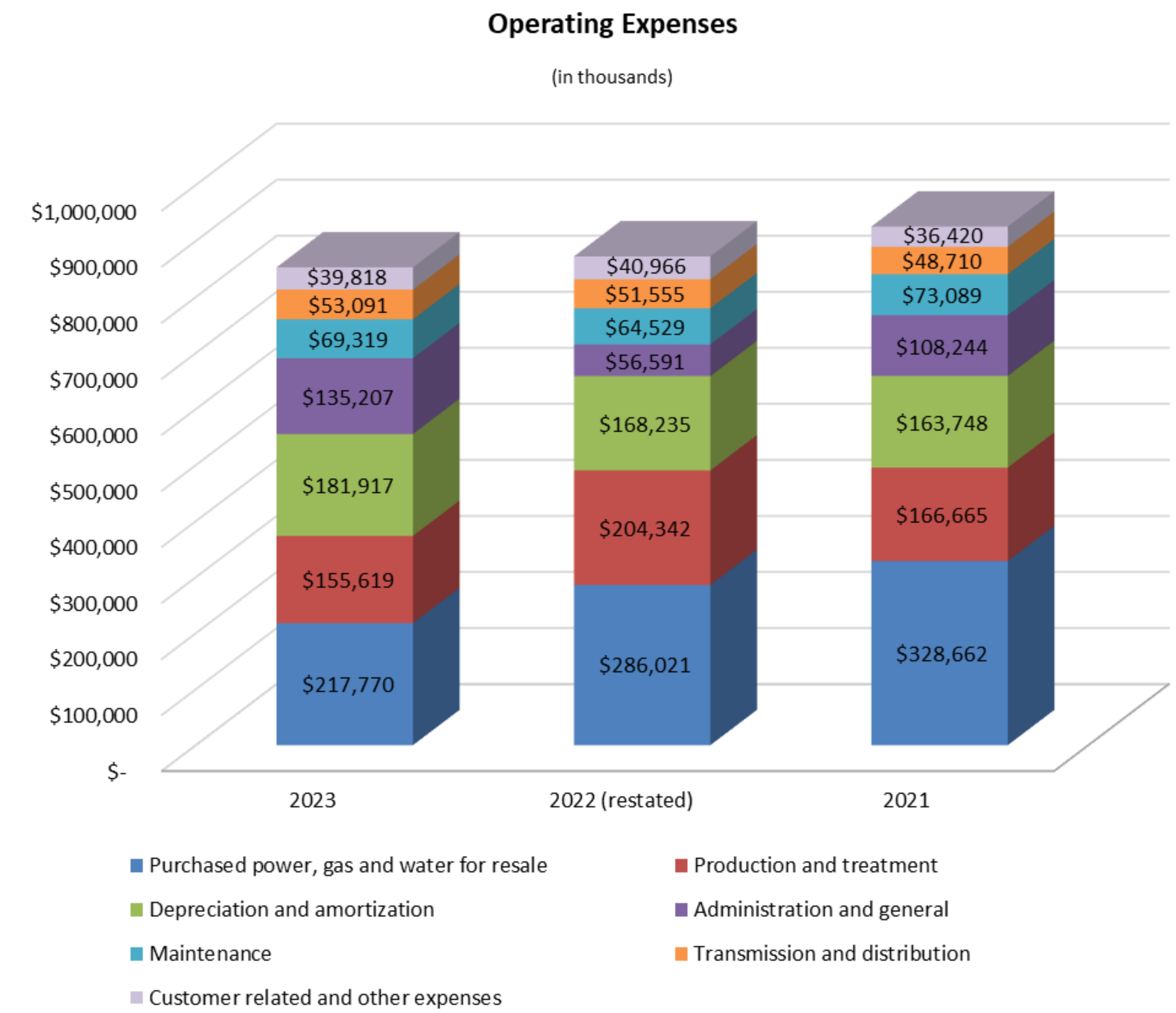


Operating Revenues 2023 to 2022:

- $(115.1) million - Natural gas decrease primarily driven by the over recovery of the gas cost adjustment rate in 2022, the refunding of the gas cost adjustment balance in 2023 and lower fuel prices
- $(109.3) million - Electric decrease primarily driven by the recovery of the electric cost adjustment rate in 2022 and lower fuel prices in 2023
- $(6.6) million - Water decrease primarily driven by cooler and rainier summer weather

Operating Revenues 2022 to 2021:

- $87.5 million - Electric increase primarily driven by the recovery of higher fuel and purchased power expense through the electric cost adjustment rate
- $75.4 million - Natural gas increase primarily driven by the recovery of higher fuel expense through the gas cost adjustment rate
- $4.7 million - Water increase primarily driven by growth and warmer weather



Operating Expenses 2023 to 2022:

- $78.6 million - Administration and general increase primarily driven by an increase in pension and OPEB expense
- $(68.2) million - Purchased power expense decrease primarily related to lower gas prices
- $(48.7) million - Production and treatment decrease primarily due to lower demand and lower fuel costs

Operating Expenses 2022 to 2021:

- $(51.7) million - Administration and general decrease primarily driven by a decrease in pension and OPEB expense
- $(42.6) million - Purchased power expense decrease primarily related to the February 2021 weather event resulting in high demand and fuel price surges
- $37.7 million - Production and treatment increase primarily due to higher demand and higher fuel costs

CASH AND LIQUIDITY

Current assets include unrestricted cash deposits in banks and unrestricted investments in United States ("U.S.") Treasury Notes and U.S. Government Agency Securities. The total of these two unrestricted funding sources was $294.7 million at December 31, 2023, a decrease of $32.6 million, or 10.0% from 2022 due primarily to net operating cash flow of $230.9 million, cash contributions in aid of construction of $30.5 million, interest received on investments of $16.8 million and cash receipts from Federal/State programs of $5.1 million, partially offset by principal and interest payments of $214.5 million, cash-funded capital expenditures of $60.7 million and surplus payments to the City of $35.6 million. The total of these two unrestricted funding sources was $327.3 million at December 31, 2022, an increase of $7.6 million, or 2.4% from 2021 due primarily to net operating cash flow of $382.5 million, cash contributions in aid of construction of $38.4 million, interest received on investments of $9.2 million and cash receipts from Federal/State programs of $4.6 million, partially offset by principal and interest payments of $205.8 million, cash-funded capital expenditures of $187.6 million and surplus payments to the City of $37.3 million.

Current and noncurrent assets include restricted cash deposits in banks and restricted investments in U.S. Treasury Notes, U.S. Government Agency Securities and local government investment pools. The total of these two restricted funding sources was $225.7 million at December 31, 2023, an increase of $7.3 million, or 3.4%, from 2022 due primarily to bond proceeds of $225.7 million, interest income of $10.3 million, offset by capital reimbursements from restricted cash of $221.8 million and release of debt service reserves of $6.4 million. The total of these two restricted funding sources was $218.3 million at December 31, 2022, an increase of $24.5 million, or 12.6%, from 2021 due primarily to bond proceeds of $180.7 million, offset by capital reimbursements from restricted cash of $138.8 million and release of $20.4 million in collateral postings and reserves.

A source of unrestricted liquidity that is not reflected on the Statements of Net Position is revolving lines of credit. Utilities has maintained one or more lines of credit in place since 2002. Although never drawn, the credit lines are maintained to ensure liquidity is available, if needed, through major unforeseen natural disasters when the ability to collect revenue could be impaired, for working capital during an unplanned or extended plant outage, or as a collateral posting source with financial counterparties on hedging agreements. On September 9, 2022, Utilities amended and restated the Revolving Loan Agreement ("Credit Line") with U.S. Bank National Association dated September 8, 2016. The available Credit Line remains at $75.0 million.

Summary of the days cash on hand as of December 31:

	2023	2022 (restated)	2021
		(in thousands)	
Cash, cash equivalents and investments - unrestricted	$ 294,668	$ 327,307	$ 319,755
Cash Expense per Day			
Total Operating Expenses	$ 852,740	$ 872,239	$ 925,538
Less: Noncash pension and OPEB expense	15,873	78,836	21,372
Less: Depreciation and Amortization	(181,917)	(168,235)	(163,748)
Net Cash Expense	$ 686,696	$ 782,840	$ 783,162
Number of Days in a Period	365	365	365
Net Cash Expense Per Day	$ 1,881	$ 2,145	$ 2,146
Days of Cash on Hand	156.6	152.6	149.0

COLORADO SPRINGS UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended December 31, 2023 and 2022

CAPITAL ASSETS AND TOTAL LONG-TERM DEBT

Capital assets and total long-term debt as of December 31:

Capital Assets

	2023	2022 (restated)	2021
		(in thousands)	
Plant in service	$ 7,304,398	$ 6,752,394	$ 6,532,048
Completed construction not classified	—	216,362	133,120
Construction work in progress	369,302	430,357	314,932
Accumulated depreciation and amortization	(3,120,154)	(3,058,450)	(2,897,730)
Total Capital Assets (net of accumulated depreciation and amortization)	$ 4,553,546	$ 4,340,663	$ 4,082,370

Capital Expenditures by System - excludes Leases and SBITAs

Utilities' capital expenditures for the years ended December 31, 2023, 2022 and 2021, were $366.9 million, $374.9 million, and $316.9 million, respectively.

For the year ended December 31, 2023 the largest capital expenditures included: $38.3 million for electric sustainable energy plan, $37.2 million for fiber telecommunications infrastructure, $20.7 million for finished water linear asset program, $20.1 million for natural gas generators, $19.2 million for advanced metering infrastructure, $17.7 million for distribution integrity management program, $11.4 million for customer care and billing, $4.7 million for utilities reliability program, $3.8 million for billable new construction, $3.1 million for sanitary sewer creek crossing program and $2.9 million for network enterprise services program.

Capital expenditures by system as of December 31:

	2023	2022	2021
		(in thousands)	
Electric	$ 199,363	$ 214,269	$ 201,118
Water	72,736	94,946	53,464
Natural Gas	42,172	28,983	30,379
Wastewater	17,822	13,218	20,254
Facilities and Information Technology	34,764	23,504	11,633
Total Capital Expenditures	$ 366,857	$ 374,920	$ 316,848

Total Long-Term Debt

	2023	2022	2021
		(in thousands)	
Tax-exempt revenue bonds	$ 2,030,355	$ 1,956,885	$ 1,910,265
Taxable revenue bonds	211,060	214,670	218,170
Loans	3,506	3,959	4,400
Total Long-Term Debt	$ 2,244,921	$ 2,175,514	$ 2,132,835

Debt Ratio

Debt Ratio as of December 31:

	2023	2022 (restated)	2021
		(in thousands)	
Current Maturities of Bonds	$ 98,910	$ 107,125	$ 102,055
Current Portion of Notes and Loans Payable	464	453	442
Long-Term Revenue Bonds, Net	2,411,651	2,320,234	2,284,204
Long-Term Notes and Loans Payable	3,042	3,506	3,959
Net Gain (Loss) on Debt Refundings	(17,869)	4,783	(14,289)
Total	$ 2,496,198	$ 2,436,101	$ 2,376,371
Net Position	$ 2,525,592	$ 2,416,686	$ 2,066,847
Debt Ratio	49.7%	50.2%	53.5%

Utilities engages Moody's Investor Services ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch") to provide credit rating services. Utilities' long-term credit ratings are as follows:

	2023		2022		2021	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Moody's	Aa2	Stable	Aa2	Stable	Aa2	Stable
S&P	AA+	Stable	AA+	Negative	AA+	Stable
Fitch	AA	Stable	AA	Stable	AA	Stable

Utilities' short-term ratings on variable rate bonds are as follows:

Bond Issue	2023	2022	2021
2005A	VMIG1 / A-1 / NR	VMIG1 / A-1 / NR	VMIG1 / A-1 / NR
2006B	VMIG1 / A-1 / NR	VMIG1 / A-1 / NR	VMIG1 / A-1 / NR
2007A	VMIG1 / A-1+ / NR	VMIG1 / A-1+ / NR	VMIG1 / A-1+ / NR
2008A	VMIG1 / A-1 / F1	VMIG1 / A-1+ / F1+	VMIG1 / A-1+ / F1+
2009C	VMIG1 / A-1 / F1	VMIG1 / A-1 / F1	VMIG1 / A-1 / F1
2010C	VMIG1 / A-1 / F1	VMIG1 / A-1 / F1	VMIG1 / A-1 / F1
2012A	VMIG1 / A-1 / F1	VMIG1 / A-1+/ F1+	VMIG1 / A-1+ / F1+

Utilities' short-term ratings are based on the credit ratings of banks providing liquidity support for the variable rate bonds. Short-term credit rating assignments are by Moody's, S&P and Fitch, respectively. "NR" indicates a bond issue is not rated by that specific credit rating agency or was withdrawn.

Financing

Utilities conducts financing activities based on strategies and guidance provided by the Plan of Finance ("Plan"). Fundamental to the Plan are goals and objectives that Utilities has developed and targeted as important measures for future performance. These include the following:

- Maintenance of long-term credit ratings of Aa2/AA+/AA by Moody's, S&P and Fitch, respectively
- A focus on targeted financial metrics: Debt Ratio, Days Cash on Hand and Debt Service Coverage
- The minimization of rate impacts resulting from financing activities in each utility service (Electric, Gas, Water and Wastewater)

The Plan includes analyzing funding options, measuring risk and benefits of the options, setting parameters for optimal structures such as fixed versus floating rate debt, term of debt and other financing alternatives. The Plan incorporates Utilities' Financial Risk Management Policy and a review of the legal framework to enable successful implementation of potential financing alternatives. The following briefly describes the major financing transactions Utilities executed in 2023 and 2022, all of which were in direct support of the Plan:

- In August 2023, Utilities issued Utilities System Improvement Revenue Bonds, Series 2023A, and Utilities System Refunding Revenue Bonds, Series 2023B totaling $364.4 million. Series 2023A bonds were issued as new money bonds to finance a portion of the costs of a number of general capital improvements to the utility system. Series 2023B bonds were used to refund all of the City's outstanding Utilities System Refunding Revenue Bonds, Series 2013A, Utilities System Improvement Revenue Bonds Series, 2013B-1, and Utilities System Improvement Revenue Bonds Series 2013B-2.
- In June 2023, Utilities renewed the standby bond purchase agreement agreement with U.S. Bank National Association for Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2008A, (expires September 2025) supporting $33.1 million in variable rate debt.
- In October 2022, Utilities issued Utilities System Refunding Revenue Bonds, Series 2022A, and Utilities System Improvement Revenue Bonds, Series 2022B, totaling $290.9 million. Series 2022A bonds were used to refund all of the City's outstanding Utilities System Refunding Revenue Bonds, Series 2012B, Utilities System Revenue Bonds, Series 2012C-1, and Utilities System Revenue Bonds, Series 2012C-2. Series 2022B bonds were issued as new money bonds to finance a portion of the costs of a number of general capital improvements to the utility system.
- In September 2022, Utilities amended and restated the $75.0 million revolving loan agreement and revolving promissory note extending the commitment expiration date to September 2025.

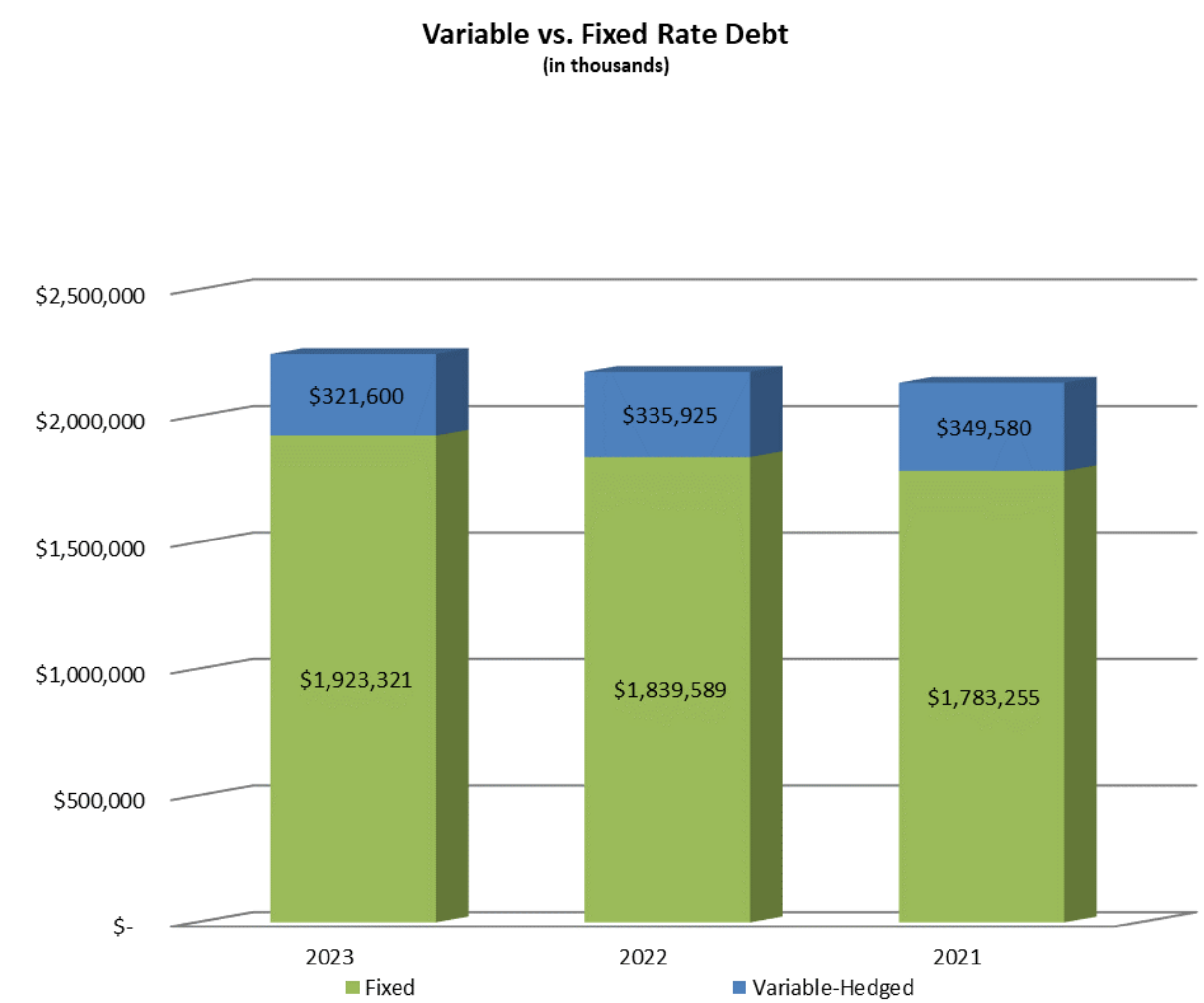
- In September 2022, Utilities renewed the standby letter of credit and reimbursement agreement with Sumitomo Mitsui Banking Corporation, acting through its New York branch, for Variable Rate Demand Utilities System Refunding Revenue Bonds, Series 2009C (expires September 2027) supporting $55.9 million in variable rate debt.
- In September 2022, Utilities renewed a standby bond purchase agreement with U.S. Bank National Association for Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2012A (expires September 2027) supporting $39.4 million in variable rate debt.

Debt Service Coverage

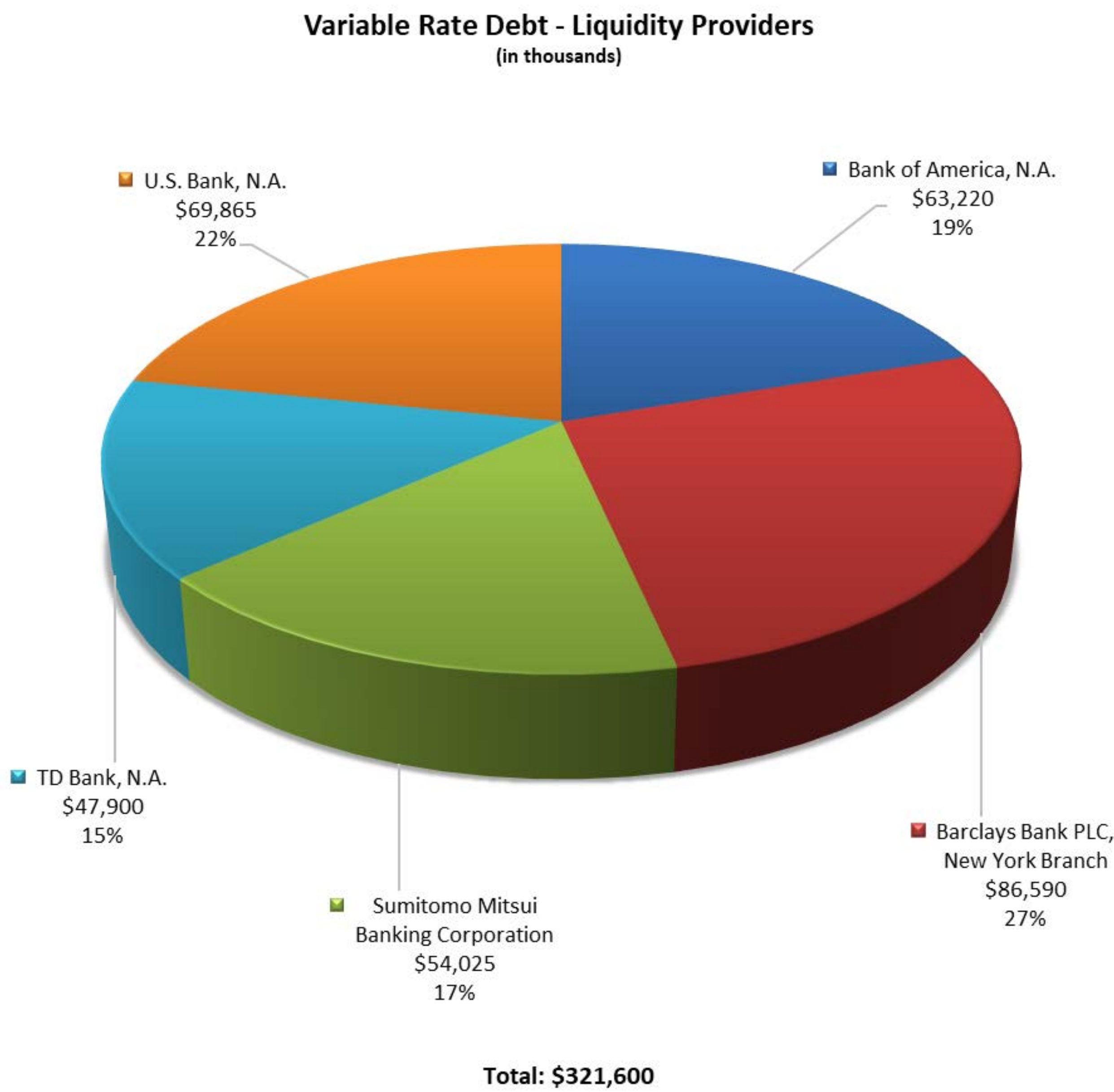
Summary of the debt service coverage for the years ended December 31:

	2023	2022 (restated)	2021
		(in thousands)	
Operating Revenues	$ 1,005,708	$ 1,234,497	$ 1,065,754
Operating Expenses	(852,740)	(872,239)	(925,538)
Noncash pension and OPEB expense	(15,873)	(78,836)	(21,372)
Depreciation and amortization	181,917	168,235	163,748
Operating Revenues Available for Debt Service	319,012	451,657	282,592
Interest earnings (excl. interest on bonds)	16,019	9,165	6,266
Development fees	32,609	36,456	47,174
Net Pledged Revenues	$ 367,640	$ 497,278	$ 336,032
Fiscal Year Debt Service	$ 214,473	$ 205,752	$ 188,729
Debt Service Coverage Ratio	1.71	2.42	1.78

The following chart illustrates the variable and fixed financing structure for the years ending December 31:

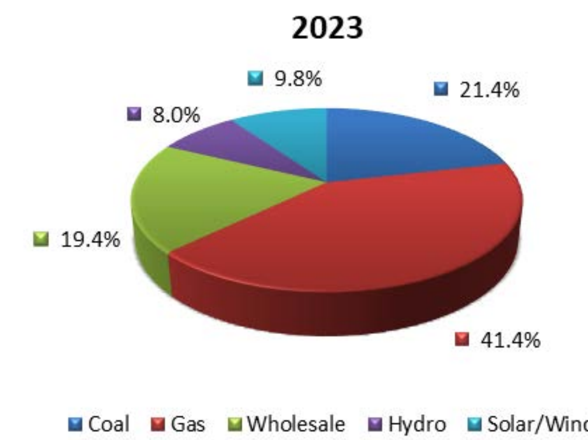


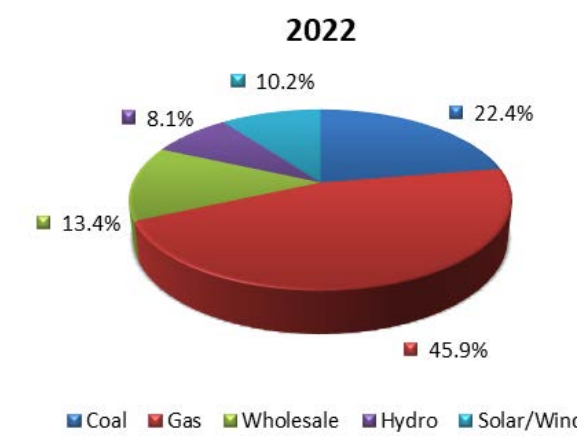
The following chart illustrates the variable rate liquidity providers as of December 31, 2023:

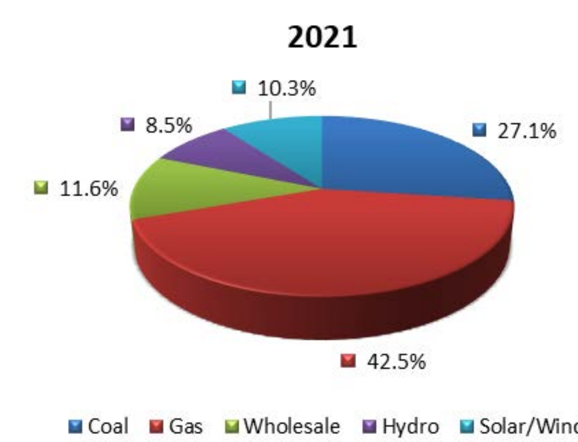


SOURCES OF GENERATION

The following illustrates Utilities' sources of generation for the years ended December 31:







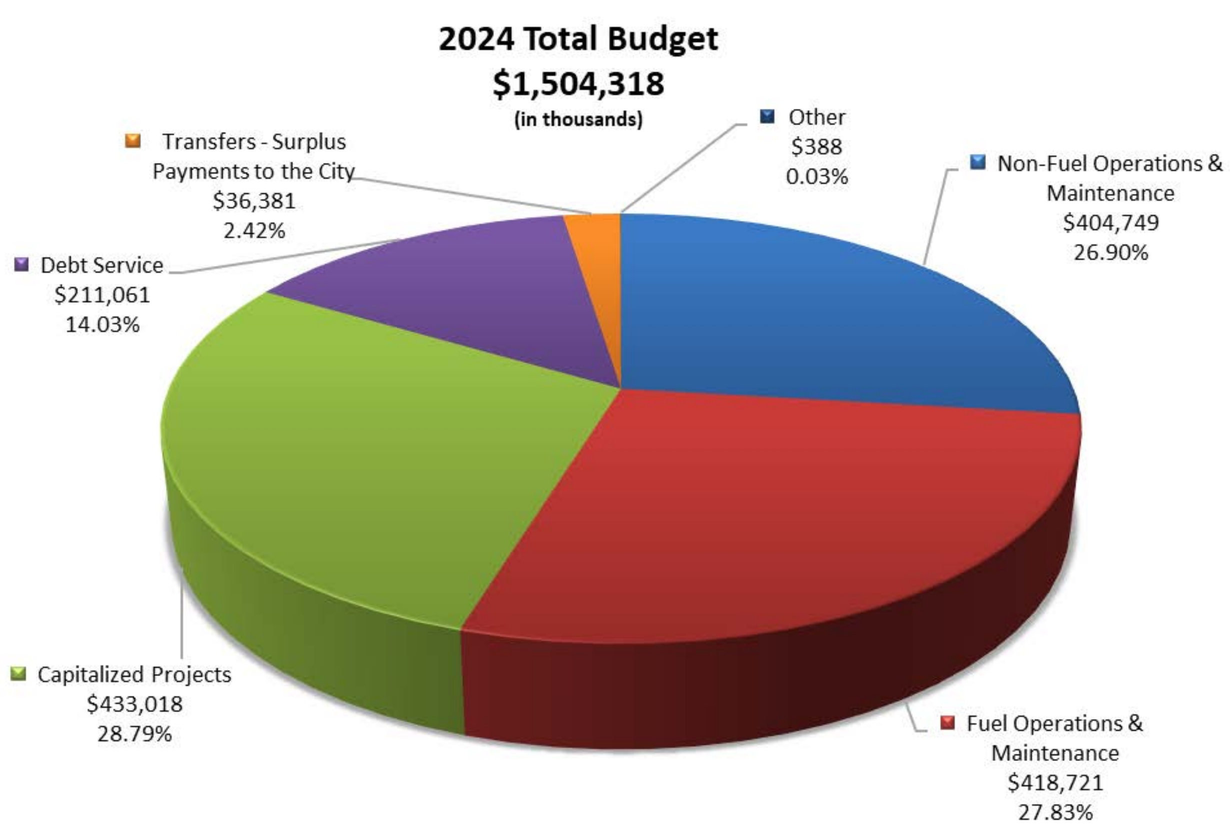
PEAK DEMAND

	Peak Demand	Peak Day
Electric - maximum hourly peak demand (Megawatts)	989	Jul 28, 2021
Natural Gas - maximum daily peak demand (Million Cubic Feet)	266,786	Feb 01, 2011
Water - maximum daily pumpage (Millions of Gallons)	182,405	Jul 07, 2001

BUDGETARY HIGHLIGHTS FOR 2024

The following information contains statements that to the extent they are not recitations of historical fact, constitute "forward-looking statements." A number of important factors affecting Utilities' business and financial results could cause actual results to differ materially from those stated in the forward-looking statements. Utilities does not plan to issue updates or revisions to forward-looking statements contained in this MD&A.

Budget Summary



COLORADO SPRINGS UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended December 31, 2023 and 2022

Capital Projects

		2024 Approved Budget (in thousands)
Electric	$	222,998
Streetlight		1,730
Natural Gas		41,898
Water		98,059
Wastewater		40,321
Common		28,011
Total	$	433,017

SIGNIFICANT EVENTS

Weather Event

From February 13 - 16, 2021, the City and much of the country experienced record low temperatures during Winter Storm Uri. This extreme weather and resulting challenges in the delivery of natural gas caused natural gas prices to increase to unprecedented levels. During this period, Utilities incurred additional electric and natural gas fuel costs of approximately $144.0 million. On March 9, 2021, City Council approved increases to the gas cost adjustment rate effective March 11, 2021 and the electric cost adjustment rate effective April 1, 2021, in order to recover these expenses no later than May 2022.

Decommissioning of Power Plants

In June 2020, the Utilities Board voted to approve an integrated resource plan that commits Utilities to providing cost-effective, resilient, and environmentally sustainable power. The plan calls for grid modernization, integration of more cost-effective renewable energy, and incorporation of new technologies like energy storage. It allows Utilities to achieve an 80.0% carbon reduction by 2030 and included a decision to decommission Martin Drake Power Plant ("Drake") no later than December 31, 2022, Ray Nixon Power Plant ("Nixon 1") no later than December 31, 2029 and Birdsall Power Plant ("Birdsall") no later than December 31, 2034. This further accelerated Drake's decommission date from the previous decision by the Utilities Board in November 2015 to close and decommission Drake no later than 2035. Drake Unit 5 was fully decommissioned in 2016. Drake was permanently shut down on September 1, 2022.

As a result of the Utilities Board's decision to decommission Drake, Nixon 1, and Birdsall, Utilities determined the assets related to the decommissioning power plants were impaired as of December 31, 2020. Utilities recorded a $233.5 million loss as a special item on the Statements of Revenues, Expenses and Changes in Net Position. An additional $3.8 million loss as a special item was recorded in 2022, due to Drake shutting down four months early. In 2023, Utilities Board approved a new plan to update integrated resource plan. As a result Birdsall had an additional $1.3 million loss as a special item due to a change in the decommission dates, with Birdsall 1 and 2 decommissioning no later than December 31, 2024 and Birdsall 3 decommissioning no later than December 31, 2026.

CONTACTING UTILITIES' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, creditors and other financial users with a general overview of Utilities' finances. If you have questions about this report or need additional financial information, contact Colorado Springs Utilities, Accounting Department, P.O. Box 1103, Mail Code 929, Colorado Springs, CO 80947-0929, or visit our website www.csu.org.

	2023	2022 (restated)
	(in thousands)	
Assets		
Current Assets		
Cash and cash equivalents - unrestricted	$ 110,417	$ 165,684
Cash and cash equivalents - restricted	56,909	53,588
Investments - unrestricted	184,251	161,623
Accounts receivable, net	134,060	172,213
Due from other City funds	5,034	5,112
Lease receivable	607	—
Interest receivable	1,716	608
Inventories	106,469	88,342
Prepaid expenses	11,805	9,819
Total Current Assets	**611,268**	**656,989**
Noncurrent Assets		
Cash and cash equivalents - restricted	46,915	145,814
Investments - restricted	121,850	18,924
Lease receivable	13,300	—
Interest receivable - restricted	106	9
Pension and OPEB - restricted	—	20,171
Investment in joint ventures	757	754
Other (including utility acquisition adjustment)	105,320	100,931
Capital assets:		
Plant in service	7,304,398	6,752,394
Completed construction not classified	—	216,362
Construction work in progress	369,302	430,357
Accumulated depreciation and amortization	(3,120,154)	(3,058,450)
Total Capital Assets (net of accumulated depreciation and amortization)	4,553,546	4,340,663
Total Noncurrent Assets	**4,841,794**	**4,627,266**
Total Assets	**5,453,062**	**5,284,255**
Deferred Outflows of Resources		
Deferred cash flow hedges - unrealized loss on derivative instruments	11,088	9,492
Loss on debt refundings	20,577	24,322
Pension and OPEB deferred outflows	126,716	37,549
Asset retirement obligation	6,440	—
Total Deferred Outflows of Resources	**164,821**	**71,363**
Total Assets and Deferred Outflows of Resources	**$ 5,617,883**	**$ 5,355,618**

COLORADO SPRINGS UTILITIES
Statements of Net Position
As of and for the Years Ended December 31, 2023 and 2022

	2023	2022 (restated)
	(in thousands)	
Liabilities		
Current Liabilities		
Accounts payable	$ 93,810	$ 113,813
Due to other City funds	8,238	6,965
Current maturities of bonds	98,910	107,125
Current portion of notes and loans payable	464	453
Current portion of lease liability	145	—
Current portion of SBITAs liability	4,848	3,805
Accrued interest	11,962	11,330
Accrued salaries and benefits	2,442	6,109
Accrued health care benefits	3,397	2,502
Compensated absences	13,263	11,996
Other	3,370	1,215
Total Current Liabilities	**240,849**	**265,313**
Noncurrent Liabilities		
Customer deposits	5,889	4,479
Notes and loans payable	3,042	3,506
Lease liability	791	—
SBITA liability	7,606	8,712
Compensated absences	6,764	6,264
Customer advances for construction	31,091	28,747
Revenue bonds (incl. unamortized premiums and discounts, net)	2,411,651	2,320,234
Municipal solid waste landfill closure and postclosure care	22,395	5,970
Asset retirement obligation	7,513	—
Derivative instruments	34,951	35,364
Pension and OPEB	257,754	32,406
Other	557	17,515
Total Noncurrent Liabilities	**2,790,004**	**2,463,197**
Total Liabilities	**3,030,853**	**2,728,510**
Deferred Inflows of Resources		
Gain on debt refundings	38,446	29,105
Lease deferred inflows	13,900	—
Pension and OPEB deferred inflows	9,092	181,317
Total Deferred Inflows of Resources	**61,438**	**210,422**

COLORADO SPRINGS UTILITIES
Statements of Net Position
As of and for the Years Ended December 31, 2023 and 2022

	2023	2022 (restated)
	(in thousands)	
Net Position		
Net investment in capital assets	$ 2,177,091	$ 2,055,652
Restricted		
Debt service	21,093	22,159
Third party escrow	6,565	4,879
Health care benefits	2,959	2,544
Pension asset	—	20,171
Other purposes	14,330	12,676
Unrestricted	303,554	298,605
Total Net Position	**2,525,592**	**2,416,686**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 5,617,883**	**$ 5,355,618**

The accompanying notes are an integral part of these statements

COLORADO SPRINGS UTILITIES
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Years ended December 31, 2023 and 2022

	2023	2022 (restated)
	(in thousands)	
Operating Revenues		
Electric	$ 503,443	$ 612,760
Streetlight	4,401	4,075
Gas	212,970	328,076
Water	208,291	214,857
Wastewater	74,581	72,667
Products and services	2,022	2,061
Total Operating Revenues	**1,005,708**	**1,234,496**
Operating Expenses		
Production and treatment	155,619	204,342
Purchased power, gas and water for resale	217,770	286,021
Transmission and distribution	53,091	51,555
Maintenance	69,319	64,529
Administration and general	135,207	56,591
Customer service and information	8,786	12,605
Customer accounting and collection	30,675	27,971
Franchise taxes	357	390
Depreciation and amortization	181,917	168,235
Total Operating Expenses	**852,741**	**872,239**
Operating Income	**152,967**	**362,257**
Nonoperating Revenues (Expenses)		
Derivative instruments gain	2,009	38,779
Investment income	29,455	7,135
Other revenues	11,532	8,991
Other expenses	(12,261)	(5,286)
Interest expense	(91,099)	(90,307)
Total Nonoperating Expenses	**(60,364)**	**(40,688)**
Income Before Contributions, Transfers and Special Items	**92,603**	**321,569**
Capital contributions	52,931	69,411
Transfers out - surplus payments to the City	(35,298)	(37,279)
Transfers - other	—	(112)
Special item (Note 6)	(1,330)	(3,750)
Change in Net Position	**108,906**	**349,839**
Net position-beginning period	**2,416,686**	**2,066,847**
Total Net Position, December 31	**$ 2,525,592**	**$ 2,416,686**

The accompanying notes are an integral part of these statements

COLORADO SPRINGS UTILITIES
STATEMENTS OF CASH FLOWS
For the Years ended December 31, 2023 and 2022

	2023	2022 (restated)
	(in thousands)	
Cash Flows from Operating Activities		
Receipts from customers and users	$ 1,035,966	$ 1,164,880
Receipts from interfund activities	5,229	17,590
Other cash receipts, net	6,399	3,014
Payments to suppliers	(537,786)	(542,487)
Payments to/on behalf of employees	(247,096)	(227,865)
Payments for interfund activities	(31,727)	(32,600)
Net Cash Provided by Operating Activities	**230,985**	**382,532**
Cash Flows from Noncapital Financing Activities		
Other payments, net	(201)	(863)
Surplus payments to the City	(35,593)	(37,280)
Receipts from federal/state programs	731	179
Net Cash Used in Noncapital Financing Activities	**(35,063)**	**(37,964)**
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of revenue bonds	364,395	290,945
Premium related to bond issuance	42,653	31,069
Debt issuance and other related costs	(618)	(1,337)
Capital expenditures	(282,461)	(326,700)
Capital contributions	30,532	38,394
Repayment and refunding of revenue bonds	(294,535)	(247,825)
Lease payments	(140)	—
SBITAs payments	(7,967)	(5,486)
Interest payments on long-term debt	(107,117)	(103,469)
Interest paid on leases	(29)	—
Interest paid on SBITAs	(318)	(277)
Interest payments - other	(9)	(4)
Proceeds from sale of assets	1,942	978
Receipts from federal/state programs	4,388	4,451
Net Cash Used in Capital and Related Financing Activities	**(249,284)**	**(319,261)**
Cash Flows from Investing Activities		
Interest received on investments	16,807	9,212
Distributions from joint ventures	107	170
Purchases of investments	(293,687)	(129,008)
Proceeds from sales and maturities of investments	179,290	65,285
Net Cash Used in Investing Activities	**(97,483)**	**(54,341)**
Decrease in Cash and Cash Equivalents	(150,845)	(29,034)
Cash and Cash Equivalents, January 1	365,086	394,120
Cash and Cash Equivalents, December 31	**$ 214,241**	**$ 365,086**

The accompanying notes are an integral part of these statements

COLORADO SPRINGS UTILITIES
STATEMENTS OF CASH FLOWS - Continued
For the Years ended December 31, 2023 and 2022

	2023	2022 (restated)
	(in thousands)	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 152,967	$ 362,257
Adjustments to operating income:		
Depreciation and amortization	181,917	168,235
Other	(85,314)	(75,508)
(Increase) Decrease in Assets		
Accounts receivable	38,224	(23,075)
Inventories	(18,127)	(26,863)
Prepaid expenses	(604)	1,409
Pension and OPEB asset	(20,171)	20,171
Other assets	13,789	9,285
Pension and OPEB deferred outflows	(89,167)	24,638
Increase (Decrease) in Liabilities		
Accounts payable	(17,585)	19,096
Accrued salaries and benefits	(1,004)	1,416
Pension and OPEB liabilities	245,519	(144,585)
Other liabilities	2,766	4,945
Pension and OPEB deferred inflows	(172,225)	41,111
Net Cash Provided by Operating Activities	$ 230,985	$ 382,532
Noncash Investing, Capital and Related Financing Activities		
Derivative instruments	$ 2,009	$ 38,779
Noncash acquisition of plant in service (incurrence of payable)	12,801	20,842
Noncash capital contributions	20,322	32,955
Noncash repayment of long-term debt	16,562	17,929
Amortization of loss on refundings	3,745	5,731
Amortization and charge-off of debt discount	9	9
Noncash adjustments of plant in service Special items (Note 6)	(1,330)	(3,750)

The accompanying notes are an integral part of these statements

NOTE 1 - FINANCIAL REPORTING ENTITY

Colorado Springs Utilities ("Utilities") is an Enterprise Fund of the City of Colorado Springs, Colorado ("City"). The financial statements present only entities for which Utilities is considered to be financially accountable. The Chief Executive Officer ("CEO") directs and manages Utilities. The CEO reports to and is appointed by the City Council. Major policy decisions are subject to the approval of Utilities Board, which also sits as the City Council. The financial statements, in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP"), do not purport to, and do not represent the financial position or the changes in financial position of the City, component units, or its joint ventures.

Utilities operates an electric generation, transmission and distribution system; a streetlight system; a natural gas distribution system; a water collection, treatment and distribution system; and a wastewater collection and treatment system ("Utility System"). Utilities' service area includes the City, Manitou Springs and many of the suburban residential areas surrounding the City. The military installations of Fort Carson Army Base, Peterson Space Force Base and the United States Air Force Academy receive electric service, natural gas service and water service from Utilities. Peterson Space Force Base also receives wastewater treatment service and Cheyenne Mountain Space Force Station receives electric service.

The activity of component units is reported in the City's financial statements due to the extent of their operational and financial relationship. City component units are discussed further in Note 19. Separate financial statements of these component units can be obtained from Colorado Springs Utilities, Accounting Department, P.O. Box 1103, Mail Code 929, Colorado Springs, CO 80947-0929, or visit our website www.csu.org.

Joint ventures are legal entities or other organizations that result from contractual arrangements and are owned, operated or governed by two or more participants as separate and specific activities subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. The joint venture in which Utilities participates is further discussed in Note 19.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Utilities' accounting records are maintained and the accompanying financial statements have been prepared in accordance with U.S. GAAP as applied to units of local government and promulgated by the Governmental Accounting Standards Board ("GASB"). Financial statements are reported using 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.

Recent Accounting Pronouncements

GASB Statement No. 87, *Leases* ("GASB 87") is effective for fiscal years beginning after June 15, 2021. GASB 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Utilities adopted GASB 87 effective January 1, 2022. Refer to "Leases" section of Note 2 for more information.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* ("GASB 93") is effective for fiscal years beginning after December 31, 2021. GASB 93 addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate ("IBOR") most notably, the London Interbank Offered Rate ("LIBOR"), which was expected to cease to exist in its current form at the end of 2021. This statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment. By removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap,

GASB 93 identifies the Secured Overnight Financing Rate ("SOFR") and the Effective Federal Funds Rate as appropriate benchmark interest rates to replace LIBOR. GASB 99 (see below) further states that the LIBOR is no longer an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt when LIBOR ceases to be determined by the Intercontinental Exchange ('ICE") Benchmark Administration using the methodology in place as of December 31, 2021. Refer to Note 7 for more information.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* ("GASB 94") is effective for fiscal years beginning after June 15, 2022. GASB 94 addresses issues related to public-private and public-public partnership arrangements and availability payment arrangements. Utilities have no partnerships or arrangements that qualify under this statement as of December 31, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96") is effective for fiscal years beginning after June 15, 2022. GASB 96 defines subscription-based information technology arrangements ("SBITAs"), establishes that a SBITAs results in a right-to-use subscription asset and a corresponding subscription liability and provides the capitalization criteria for outlays related to SBITAs other than subscription payments. Utilities adopted GASB 96 and implemented for fiscal year ended December 31, 2023 and retrospectively presented for fiscal year ended December 31, 2022. Refer to SBITAs section of Note 2 for more information and Note 21 for the restatement of the 2022 financial statements.

GASB Statement No. 99, *Omnibus 2022* ("GASB 99") was issued in April 2022. This statement addresses a variety of topics and is effective for Utilities in 2022, 2023, or 2024 depending on the requirement. The only topic effective for Utilities in 2022 is the replacement of IBOR discussed above in the GASB 93 section. Utilities adopted provisions related to leases (GASB 87) and SBITAs (GASB 96) for fiscal year 2023, as these were the only topics that affect Utilities in 2023. Utilities is currently assessing the adoption of the remaining topic related to derivative instruments and the impact it will have on the financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB 62* ("GASB 100") is effective for fiscal years beginning after June 15, 2023. This Statement is meant to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Utilities is currently assessing the adoption of GASB 100 and the impact it will have on the financial statements.

GASB Statement No. 101, *Compensated Absences* ("GASB 101") is effective for fiscal years beginning after December 15, 2023. GASB 101 aligns the recognition and measurement guidance of compensated absences, defines the types of leave to record as a compensated absence and amends certain disclosure requirements. Utilities is currently assessing the adoption of GASB 101 and the impact it will have on the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures* ("GASB 102") is effective for fiscal years beginning after June 15, 2024. GASB 102 requires disclosures of essential information about risks related to vulnerabilities due to certain concentrations or constraints. GASB 102 defines concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources and constraint as a limitation imposed by an external party or by formal action from the highest level of decision-making authority. Utilities is currently assessing the adoption of GASB 102 and the impact it will have on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Financial Statement Presentation

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in Utilities' financial position and operations.

Deposits and Investments

For purposes of the Statements of Cash Flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition. Investment of funds is restricted by State Statute.

Investments are limited to:

- Securities issued by, fully guaranteed by, or for which the full credit of the United States ("U.S.") Treasury is pledged for payment and which matures within five years of settlement
- Securities issued by, fully guaranteed by, or for which the full credit of the following pledged for payment: Federal Farm Credit Bank, Federal Land Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Export-Import Bank, Tennessee Valley Authority, World Bank, or other comparable Federal government sponsored agencies that mature within five years of settlement
- Securities that are a general obligation of any U.S. state, the District of Columbia, or any territorial possession of the U.S. and that are rated in one of its two highest rating categories by two or more nationally recognized organizations that regularly rate such obligations
- Securities that are a revenue obligation of any U.S. state, the District of Columbia, or any territorial possession of the U.S. and that are rated in its highest rating category by two or more nationally recognized organizations that regularly rate such obligations and that mature within three years of settlement
- Any security of the investing public entity under a lease, lease-purchase agreement, or similar agreement
- Any interest in any local government investment pool, subject to various conditions
- Repurchase agreements, subject to various conditions
- Reverse repurchase agreements, subject to various conditions
- Securities lending agreements, subject to various conditions
- Any money market fund that is registered as an investment company under the Federal Investment Company Act of 1940, subject to various conditions
- Any guaranteed investment contract that, at the time the contract or agreement is entered into, is rated in one of the two highest rating categories by two or more nationally recognized rating agencies that regularly issue such ratings
- Any corporate or bank security that is denominated in U.S. dollars, that matures within three years of settlement, that at the time of purchase carries at least two credit ratings from any of the nationally recognized statistical ratings organizations, with minimum rating requirements and other various conditions

Utilities has adopted an investment policy. That policy follows the State statute for allowable investments. Investments are stated at fair value, which is the amount an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 4. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the financial statements as increases or decreases in investment income. Fair values may have changed significantly after the date reported.

Receivables and Payables

Accounts receivable as of December 31, 2023 and 2022, included unbilled customers' accounts of $54,854,704 and $72,570,024, respectively. Accounts receivable has been reduced by an allowance for uncollectible accounts of $3,157,196 and $2,856,063 as of December 31, 2023 and 2022, respectively.

Outstanding balances between Utilities and the City are reported as "Due to or Due from other City funds."

Accounts payable are obligations to pay for goods or services purchased from suppliers in the normal course of business. Accounts payable are classified as current liabilities if payment is due within the next twelve months.

Inventories and Prepaid Expenses

Inventories are valued at lower of cost or market value. The costs of inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Restricted Assets

Debt proceeds available for the acquisition, construction, or improvement of capital assets that are unspent at year end are classified as restricted noncurrent assets. Restricted noncurrent assets consist primarily of unspent bond proceeds.

Utilities' bond ordinances require individual reserve funds by bond issue, but allowed Utilities to use surety bonds in lieu of cash bond reserve funds. The bond ordinances require that monies be restricted in separate accounts for the retirement of principal and payment of interest.

Under terms of the International Swaps and Derivatives Association ("ISDA"), agreements covering interest rate and energy hedge positions held between Utilities and various counterparties, secured parties, are entitled to hold posted collateral directly or through a custodian. The value or amount of collateral posted is subject to thresholds and counterparty credit ratings established in the ISDA. Cash collateral held directly by Utilities is classified as a restricted noncurrent asset. The corresponding liability is classified as noncurrent on the Statements of Net Position.

In 2022 Pension and OPEB is the pension asset resulting from Utilities proportionate share of Public Employees' Retirement Association of Colorado's Local Government Division Trust Fund pension asset and is classified as a restricted noncurrent asset.

Capital Assets

The costs of additions and replacements of assets identified as units of property or intangible assets that exceed $5,000 and have an estimated useful life greater than one year are capitalized pursuant to Utilities' Capital Policy. Maintenance and replacement of minor items of property are charged to operating expense. Contributed assets are recorded at cost or the estimated acquisition value at the time of contribution to Utilities. Depreciable asset retirements are recorded against accumulated depreciation and the retired portion of the asset is removed from plant in service. The net difference plus costs of removal less salvage value, if any, are recorded to Non-Operating Revenues (Expenses) on the Statements of Revenues, Expenses and Changes in Net Position.

Utilities accounts for Asset Retirement Obligations ("ARO") in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"), by recognizing the obligations as a liability based on the best estimate of the current value of outlays expected to be incurred (see Note 20).

Utilities computes depreciation and amortization on plant in service on a straight-line, service-life basis. Depreciation is calculated using the following estimated maximum service lives for major asset classifications:

	Years
Electric boiler plant/station equipment	25
Electric underground conduit	28.5
Gas mains and services	80
Water source of supply	100
Water treatment plant	25
Water transmission and distribution mains	50
Sewer mains and laterals	100
Wastewater preliminary treatment facility	45
General structures and improvements	57
Intangibles	50

Leases

Utilities adopted GASB 87 effective January 1, 2022. GASB 87 is effective for Utilities in 2022. Utilities performed an inventory of lease agreements, analyzing each lease to determine if the lease met the definition of a lease in accordance with GASB 87. After identifying the qualifying leases, it was determined there were no material obligations as of December 31, 2022.

Utilities has assessed leases for the period ended December 31, 2023 and has determined that leases will be recorded in 2023.

Leases are contracts that convey control of the right to use another entity's nonfinancial asset as specified for a period of time in an exchange or exchange-like transaction without the transfer of ownership of the asset. The lease term is the period of time where there is a noncancellable right to use the underlying asset.

For lessor contracts, lease receivables and deferred inflows of resources are reported at present value using Utilities' incremental borrowing rate. Refer to Note 5 for more information.

For lessee contracts, lease assets and liabilities are reported at present value using Utilities' incremental borrowing rate. The right to use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. Refer to Note 6 and Note 11 for more information.

Subscription Based Information Technology Arrangements

Utilities adopted GASB 96 effective January 1, 2023. Utilities performed an inventory of its SBITAs, analyzing each agreement to determine if the SBITAs met the definition in accordance with GASB 96.

SBITAs are contracts that convey control of the right to obtain the use of another entity's information technology as specified for a period of time in an exchange or exchange-like transaction. Utilities would also have the ability to obtain the present service capacity and determine the nature and use of the underlying information technology asset as specified in the contract. The SBITAs term is the period of time where there is a noncancellable right to use the underlying information technology.

SBITA's right to use assets and liabilities are reported at present value using Utilities' incremental borrowing rate. The right to use SBITAs assets are amortized over its useful life which matches the term of the subscription. Refer to Note 6 and Note 11 for more information.

Other Assets

Other assets include a noncurrent asset acquisition adjustment that is amortized over a 30-year period; equivalent to the remaining useful life of a natural gas-fired combined cycle electric generation asset acquired in 2010. The remaining unamortized balance was $33,893,450 and $35,887,182 as of December 31, 2023 and 2022, respectively.

In addition SDS mitigation, engineering, and design expenditures specific to monetary mitigation that do not meet Utilities' capitalization requirements are recognized as a regulatory asset in other assets and are amortized over a 10-year period. The remaining unamortized balance was $28,017,251 and $34,798,795 as of December 31, 2023 and 2022, respectively.

Utilities' debt issuance costs are also included as a regulatory asset in the other assets balance. These are costs incurred to issue new or refunding debt, include closing, legal, and other costs required to issue debt. Debt issuance costs are amortized over the life of the debt using the straight-line method and the expense is reported as other expenses on the Statements of Revenues, Expenses and Changes in Net Position. The remaining unamortized balance was $18,382,189 and $18,085,624 as of December 31, 2023 and 2022, respectively.

Martin Drake Power Plant ("Drake") decommissioning costs that do not meet Utilities' capitalization requirements are recognized as a regulatory asset in other assets and are amortized over a 10-year period. This was recorded in 2023 and the remaining unamortized balance was $13,907,031 as of December 31, 2023.

Utilities entered into a prepaid solar purchase power agreement ("PPA") in order to provide renewable solar photovoltaic electric energy service to the United States Air Force Academy. The prepaid amount is reported in other assets, reduced over time through actual usage. The remaining balance was $9,924,663 and $10,536,042 as of December 31, 2023 and 2022, respectively.

Utilities amended an agreement in 2019 for the reimbursement of developers' proportionate share of costs to construct the Wolf Ranch Pump Station.The short-term receivable balance for future collections under this agreement was $0 and $477,448 as of December 31, 2023 and 2022.

Utilities has established payment arrangement plans with customers that extend beyond one year. The long-term balance of these accounts receivable was $231,837 and $155,843 as of December 31, 2023 and 2022, respectively.

Derivative Instruments

Utilities utilizes financial derivative instruments to manage exposure to fluctuating interest rates. All financial derivative instruments are stated at fair value as of December 31, 2023 and 2022, based on third party valuation services.

Deferred Cash Flow Hedges - Unrealized Gain / Loss on Derivative Instruments

Derivative instruments deemed effective by applying methods of evaluating effectiveness pursuant to GASB Statement No.53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), are recognized as cash flow hedges. Changes in the fair value of cash flow hedge derivative instruments are reported as either deferred cash flow hedge outflows or inflows of resources on the Statements of Net Position.

Customer Deposits

Utilities accrues a liability for all amounts deposited by customers as security for the payment of bills.

Utilities holds a $1.56 million deposit in escrow for a 5 year revenue guaranteed period. The owners guarantee revenues shall meet minimums otherwise Utilities shall draw on the revenue guaranteed deposit.

Compensated Absences

Utilities' employees earn vacation and sick leave in varying amounts. The amount of accumulated, unpaid vacation at year end is accrued and reported on the Statements of Net Position. Sick leave benefits which are anticipated to result in payments upon retirement are also accrued and reported on the Statements of Net Position.

Customer Advances for Construction

Utilities accrues a liability for advances from customers for construction which are to be refunded either wholly or in part.

Long-Term Obligations

Bond premiums and discounts are amortized over the life of the bond issues using the straight-line method which approximates the effective interest method. The net of the premiums and discounts are included in the bond payable.

Additionally, any difference between the carrying amount of redeemed or defeased debt and its reacquisition price is deferred and amortized to interest expense using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Municipal Solid Waste Landfill Closure and Postclosure Care Costs

Utilities accrues a liability for solid waste landfill closure and postclosure care costs. The liability is determined by multiplying the closure and postclosure care costs in current dollars by the percent capacity of the landfill used. Every five years, Utilities performs an independent assessment of postclosure landfill cost estimates and adjusts liabilities and expense recognition for any material differences. The last independent assessment was performed in 2023.

Pensions

Utilities participates in the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to and deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A full copy of the bill can be found online at www.leg.colorado.gov.

Defined Benefit Other Postemployment Benefit Plans

Utilities participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer defined benefit OPEB fund administered by 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 and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Utilities administers a single-employer defined benefit OPEB plan that provides health care and life insurance OPEB to retirees that were hired prior to August 1, 1988. Utilities' contribution is determined by the City Council. The

total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the single-employer plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of participants are recognized when due and/or payable in accordance with the benefit terms. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting & Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75").

Other Liabilities

As of December 31, 2023, Utilities recognized liabilities of $676,506 for unearned revenue and there were no restricted funds received in advance for future shared capital projects. As of December 31, 2022, Utilities recognized liabilities of $646,094 for unearned revenue and $1,140,643 for restricted funds received in advance for future shared capital projects.

Effective June 26, 2017, Utilities signed an amendment to modify the payment structure of an existing contractual service agreement. As of December 31, 2023, the contractual service agreement was paid in full. As of December 31, 2022, Utilities recognized a liability of $16,942,885 for future payments due under this agreement.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49") requires that a liability be recognized for expected outlays for remediating existing pollution when certain triggering events occur. In 2023 Utilities recorded a pollution remediation obligation associated with the voluntary commencement of the abatement of asbestos, polychlorinated biphenyls and lead from building materials related to the Drake decommissioning in 2023. At December 31, 2023, the total pollution remediation liability was $3,250,000 and recorded as current liabilities, other in the Statements of Net Position. Costs were estimated based on the current value of outlays expected to be incurred.

Net Position

Net Investment in Capital Assets - This component of net position consists of capital assets net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of external constraints placed on net position use imposed by creditors (such as through debt covenants), contributors, law, regulations of other governments, constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of amounts that do not meet the definition of "restricted" or "net investment in capital assets." When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is Utilities' policy to use a combination of restricted resources and unrestricted resources as they are needed.

Revenues and Expenses

Utilities distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with Utilities' principal ongoing operations. The principal operating revenues of Utilities are charges to customers for sales and services. Operating expenses include the cost of sales and services, administration and general expenses and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Operating revenues are comprised of the following for the years ended December 31:

	2023		2022	
	Amount	Percent	Amount	Percent
	(in thousands)			
Electric	$ 514,135	50.2 %	$ 623,813	49.1 %
Streetlight	4,401	0.4	4,075	0.3
Gas	220,321	21.5	351,180	27.6
Water	209,169	20.4	216,762	17.1
Wastewater	74,682	7.3	72,892	5.7
Products and services	2,022	0.2	2,061	0.2
Total	$ 1,024,730	100.0 %	$ 1,270,783	100.0 %
Less: Interdepartmental sales	(19,022)		(36,286)	
Total Operating Revenues	$ 1,005,708		$ 1,234,497	

Transfers

Utilities provides for surplus payment to the City in lieu of taxes and other transfers related to approved contracts. Refer to Note 18 for more information.

Capital Contributions

Cash and capital assets are contributed to Utilities from customers, the City or external parties. The value of capital contributed to Utilities is reported as revenue on the Statements of Revenues, Expenses and Changes in Net Position.

NOTE 3 - DEPOSITS AND INVESTMENTS

The Federal Deposit Insurance Corporation standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category. Coverage includes checking and savings accounts (interest bearing and noninterest bearing).

Deposits

The Colorado Public Deposit Protection Act requires that financial institutions pledge a single institution pool of collateral against all the uninsured public deposits it holds and the fair value of the securities in the pool is required to be equal to or greater than 102.0% of the financial institution's total uninsured public deposits.

As of December 31, 2023, the carrying amount of Utilities' cash deposits was $54,781,019. Petty cash was $7,900 and the bank balance was $58,311,754. A portion of the bank balance in the amount of $250,000 was covered by Federal depository insurance and $55,712,026 was collateralized as required by Colorado Statutes.

As of December 31, 2022, the carrying amount of Utilities' cash deposits was $33,384,559. Petty cash was $7,900 and the bank balance was $41,764,547. A portion of the bank balance in the amount of $250,000 was covered by Federal depository insurance and $41,191,675 was collateralized as required by Colorado Statutes.

Investments

Utilities' investment policy is dictated by the Bond Ordinances for individual issues. These Bond Ordinances require Utilities to establish and maintain certain restricted investment funds, including unrestricted funds and reserve

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funds. Utilities is authorized to invest in any securities or other instruments permitted as investments under the laws of the State. Utilities' investments are subject to interest rate, credit, concentration of credit and custodial credit risks as described below.

Interest Rate Risk - The risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from rising interest rates, Utilities' practice generally limits investments of unrestricted funds to maturities of two years or less.

Utilities' investment balances as of December 31:

	2023		2022	
	Fair Value	Weighted Average Maturity in Years	Fair Value	Weighted Average Maturity in Years
	(in thousands)			
U.S. Treasury Notes	$ 223,793	0.66	$ 116,816	0.77
U.S. Government Agency Securities	82,308	1.07	63,731	1.31
Local Government Investment Pools	159,451	0.00	331,694	0.00
Total Investments	$ 465,552		$ 512,241	
Portfolio Weighted Average Maturity		0.77		0.96
Reconciliation to Total Cash and Investments				
Add:				
Cash on Hand and in Banks	54,789		33,392	
Total Cash and Investments	$ 520,341		$ 545,633	

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligation. Pursuant to Utilities' Financial Risk Management Policy, all counterparties in swap or other financial product agreements with Utilities must have a minimum long-term credit rating in the "A-" category issued by at least one major credit rating agency at the time of execution of such swap or financial products agreement; though, there is no requirement that such a rating be maintained throughout the life of the financial products agreement. In the alternative, a counterparty must provide a guarantee, swap surety, or other form of credit enhancement such that its enhanced creditworthiness is in at least the "A-" category at the time of execution of such swap or financial products agreement.

Utilities has investments in two local government investment pools, Colorado Surplus Asset Fund Trust ("CSAFE") and ColoTrust. These local government investment pools operate similarly to money market funds. They pool the funds of participating local governments and invest in various securities as permitted under state law. Both CSAFE and ColoTrust were established pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes.

As of December 31, 2023 and 2022, Utilities had investments of $130,246,016 and $200,504,352, respectively in the ColoTrust PLUS+ fund ("PLUS+"). PLUS+ is marked-to-market daily and seeks to maintain a stable net asset value ("NAV") of $1.00 per share. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Securities settle through the Federal Reserve Bank ("Fed") but are held at the custodial bank. Most investments in PLUS+ trade/settle through the Depository Trust Company ("DTC") rather than the Fed, as the DTC trades and settles most commercial paper. The custodian's internal records identify the investments owned by the fund. Investments of the fund consist of U.S. Treasury securities, Federal instrumentality securities, agency securities, repurchase agreements, tri-party repurchase agreements, collateralized bank deposits and commercial paper. The Repurchase Agreements between ColoTrust and the various approved counterparties require that the aggregate market value of all purchased securities from any counterparty be overcollateralized by at least 102.0% of the purchase price. Collateralized bank deposits are collateralized at 102.0% of fair market value under the provisions of the Public Depository Protection Act.

As of December 31, 2023 and 2022, Utilities had investments of $29,205,366 and $131,189,682, respectively in the CSAFE Core Fund. The CSAFE Core fund seeks to maintain a stable NAV of $2.00 per share and the investment guidelines limit the weighted average maturity ("WAM") at 180 days. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the funds are held by the Fed in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the fund. The fund invests in highly rated securities, including U.S. Treasury and U.S. government agency securities, commercial paper and corporate bonds. Other securities permitted by the funds' investment policies include municipal securities, repurchase agreements and shares in certain money market funds. Any funds left in CSAFE's bank checking account during the day or overnight are collateralized at 102.0% of fair market value under the provisions of the Public Depository Protection Act. The remaining deposits are swept by the bank around mid-day into the trust where the participants' deposits are collateralized 100.0% by the underlying investments.

Utilities' investment ratings from Moody's Investor Services ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch") at December 31:

Investment Type	Moody's		S&P		Fitch	
	2023	2022	2023	2022	2023	2022
U.S. Govt Agency Securities	Aaa	Aaa	AA+	AA+	AA+	AAA
Local Government Investment Pools						
ColoTrust PLUS+ Fund	Not Rated	Not Rated	AAAm	AAAm	Not Rated	Not Rated
CSAFE Core Fund	Not Rated	Not Rated	Not Rated	Not Rated	AAAf	AAAf

Concentration of Credit Risk - The risk of loss attributed to the magnitude of a government's investment in a single issuer. Utilities, as an enterprise of a municipal government, places no limit on the amount that may be invested in a single issuer, however internal strategy discourages concentration of more than 55% of total funds with a single issuer.

As of December 31, 2023, Utilities was invested in the following:

Investments	Amount (in thousands)	% of Total
Federal Farm Credit Bureau	$ 40,034	13.1 %
Federal Home Loan Bank	42,274	13.8 %

As of December 31, 2022, Utilities was invested in the following:

Investments	Amount (in thousands)	% of Total
Federal Farm Credit Bureau	$ 24,582	13.6 %
Federal Home Loan Bank	29,445	16.3 %
Federal Home Loan Mortgage Corporation	9,704	5.4 %

Custodial Credit Risk - The risk that, in the event of a bank failure, Utilities' deposits may not be returned. Utilities does not have any investments that are exposed to custodial credit risk.

Total Deposits and Investments - The deposits and investments reconcile to cash and cash equivalents and investments reported on the Statements of Net Position as of December 31, 2023:

	Cash and Cash Equivalents		Investments	
	Unrestricted	Restricted	Unrestricted	Restricted
	(in thousands)			
Deposits	$ 30,330	$ 24,451	$ —	$ —
Petty cash	8	—	—	—
Investments				
U.S. Treasury Notes	—	—	104,353	119,440
U.S. Government Agency Securities	—	—	79,898	2,410
Local Government Investment Pools	80,079	79,372	—	—
Total	$ 110,417	$ 103,823	$ 184,251	$ 121,850

The deposits and investments reconcile to cash and cash equivalents and investments reported on the Statements of Net Position as of December 31, 2022:

	Cash and Cash Equivalents		Investments	
	Unrestricted	Restricted	Unrestricted	Restricted
	(in thousands)			
Deposits	$ 11,366	$ 22,018	$ —	$ —
Petty cash	8	—	—	—
Investments				
U.S. Treasury Notes	—	—	97,892	18,924
U.S. Government Agency Securities	—	—	63,731	—
Local Government Investment Pools	154,310	177,384	—	—
Total	$ 165,684	$ 199,402	$ 161,623	$ 18,924

The amount of unrealized gain (loss) on investments included in investment income on the Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2023 and 2022 was $3,229,402 and $(2,783,756), respectively.

NOTE 4 - FAIR VALUE MEASUREMENT

Utilities discloses assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement & Application* ("GASB 72"), which establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures about fair value measurements.

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date. Examples include U.S. Treasury securities and equity securities from active markets. The hierarchy gives the highest priority to Level 1 inputs.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly. Examples include government agency securities and derivative instruments valued using prices for similar locations or products on published exchanges.
- Level 3 inputs are unobservable inputs for an asset or liability.

The following valuation methods were used for Utilities' recurring fair value measurements as of December 31, 2023 and 2022:

- U.S. Treasury Notes and Agency Notes classified in Level 2 of the fair value hierarchy are valued using the following standard inputs, listed in approximate order of priority for use, when available: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, and offers and reference data including market research publications.
- Derivative instruments classified in Level 2 of the fair value hierarchy are valued using valuations provided by Stifel, a third-party valuation service provider. The fair values of the interest rate derivative instruments are based on present value of their estimated future cash flows and account for counterparty nonperformance risk, see Note 7.

Utilities has the following recurring fair value measurements as of December 31:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
		(in thousands)		
Assets				
Investments - unrestricted				
U.S. Treasury Notes	$ —	$ 104,353	$ —	$ 104,353
Agency Notes	—	79,898	—	79,898
Total Investments - unrestricted	$ —	$ 184,251	$ —	$ 184,251
Investments - restricted				
U.S. Treasury Notes	$ —	$ 119,440	$ —	$ 119,440
Agency Notes	—	2,410	—	2,410
Total Investments - restricted	$ —	$ 121,850	$ —	$ 121,850
Liabilities				
Derivative instruments	$ —	$ 34,951	$ —	$ 34,951

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
		(in thousands)		
Assets				
Investments - unrestricted				
U.S. Treasury Notes	$ —	$ 97,892	$ —	$ 97,892
Agency Notes	—	63,730	—	63,730
Total Investments - unrestricted	$ —	$ 161,622	$ —	$ 161,622
Investments - restricted				
U.S. Treasury Notes	$ —	$ 18,924	$ —	$ 18,924
Total Investments - restricted	$ —	$ 18,924	$ —	$ 18,924
Liabilities				
Derivative instruments	$ —	$ 35,364	$ —	$ 35,364

NOTE 5 - LEASE RECEIVABLE

Utilities, as a lessor, has entered into multiple fiber conduit lease contracts. These leases have interest rates between 2.97% and 3.96%, and terms ranging from 4 to 23 years. Utilities has $13.9 million in accounts receivable as of December 31, 2023 related to these leases. This amount required Utilities to record leases in 2023.

Utilities has agreements for pole attachments, which are regulated by the Colorado Revised Statutes § 38-5.5-108. The pole attachment revenue was $597,000 as of December 31, 2023.

Summary of changes in lease deferred inflows as of December 31, 2023:

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023
		(in thousands)		
Lease deferred inflows	$ —	$ 14,216	$ 316	$ 13,900

NOTE 6 - CAPITAL ASSETS

Summary of Capital Assets Net of Accumulated Depreciation and Amortization

Summary for the year ended December 31, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance
		(in thousands)		
Plant in Service				
Non-Depreciable Capital Assets				
Land	$ 211,425	$ 6,576	$ (2,129)	$ 215,872
Intangible assets				
Land rights	46,930	1,043	—	47,973
Other intangibles	8,693	—	—	8,693
Total Non-Depreciable Capital Assets	267,048	7,619	(2,129)	272,538
Depreciable Capital Assets				
Electric	2,240,539	499,538	(280,775)	2,459,302
Streetlight	53,868	1,114	(403)	54,579
Gas	480,554	36,534	(212)	516,876
Water and Wastewater	3,277,648	200,522	(2,760)	3,475,410
Common	330,939	42,413	(384)	372,968
Intangible assets				
Software	56,201	42,987	(713)	98,475
Land rights	44	—	—	44
Other intangibles	26,167	—	—	26,167
Right to use assets				
Electric lease	—	1,076	—	1,076
SBITAs	19,386	7,577	—	26,963
Completed construction not classified	216,362	—	(216,362)	—
Total Depreciable Capital Assets	6,701,708	831,761	(501,609)	7,031,860
Total Plant in Service	6,968,756	839,380	(503,738)	7,304,398

	Beginning Balance	Additions	Deletions	Ending Balance
		(in thousands)		
Accumulated Depreciation and Amortization				
Electric	$ (1,488,150)	$ (198,964)	$ 233,453	$ (1,453,661)
Streetlight	(35,941)	(1,458)	403	(36,996)
Gas	(151,857)	(9,586)	205	(161,238)
Water and Wastewater	(1,078,432)	(68,747)	2,194	(1,144,985)
Common	(221,749)	(37,699)	18,789	(240,659)
Intangible assets				
Software	(55,322)	(12,804)	—	(68,126)
Land rights	(20)	(2)	—	(22)
Other intangibles	(3,313)	(523)	—	(3,836)
Right to use assets				
Electric lease	—	(154)	—	(154)
SBITAs	(4,749)	(5,728)	—	(10,477)
Completed construction not classified	(18,917)	—	18,917	—
Total Accumulated Depreciation and Amortization	(3,058,450)	(335,665)	273,961	(3,120,154)
Total Plant in Service (net of Accumulated Depreciation and Amortization)	3,910,306	503,715	(229,777)	4,184,244
Construction work in progress	430,357	594,120	(655,175)	369,302
Total Capital Assets (net of Accumulated Depreciation and Amortization)	$ 4,340,663	$ 1,097,835	$ (884,952)	$ 4,553,546

Summary for the year ended December 31, 2022 (restated):

	Beginning Balance	Additions	Deletions	Ending Balance
		(in thousands)		
Plant in Service				
Non-Depreciable Capital Assets				
Land	$ 210,601	$ 824	$ —	$ 211,425
Intangible assets				
Land rights	44,284	2,646	—	46,930
Other intangibles	4,791	3,902	—	8,693
Total Non-Depreciable Capital Assets	259,676	7,372	—	267,048
Depreciable Capital Assets				
Electric	2,165,824	81,780	(7,065)	2,240,539
Streetlight	52,898	1,392	(422)	53,868
Gas	449,936	30,848	(230)	480,554
Water and Wastewater	3,192,584	86,652	(1,588)	3,277,648
Common	328,718	2,279	(58)	330,939
Intangible assets				
Software	56,201	—	—	56,201
Land rights	44	—	—	44
Other intangibles	26,167	—	—	26,167

	Beginning Balance	Additions	Deletions	Ending Balance
		(in thousands)		
Right to use assets				
SBITAs	$ 12,997	$ 6,389	$ —	$ 19,386
Completed construction not classified	133,120	216,362	(133,120)	216,362
Total Depreciable Capital Assets	6,418,489	425,702	(142,483)	6,701,708
Total Plant in Service	6,678,165	433,074	(142,483)	6,968,756
Accumulated Depreciation and Amortization				
Electric	(1,415,760)	(78,379)	5,989	(1,488,150)
Streetlight	(34,901)	(1,462)	422	(35,941)
Gas	(143,345)	(8,718)	206	(151,857)
Water and Wastewater	(1,017,524)	(62,077)	1,169	(1,078,432)
Common	(216,019)	(5,787)	57	(221,749)
Intangible assets				
Software	(54,796)	(526)	—	(55,322)
Land rights	(18)	(2)	—	(20)
Other intangibles	(2,791)	(522)	—	(3,313)
Right to use assets				
SBITAs	—	(4,749)	—	(4,749)
Completed construction not classified	(12,576)	(18,917)	12,576	(18,917)
Total Accumulated Depreciation and Amortization	(2,897,730)	(181,139)	20,419	(3,058,450)
Total Plant in Service (net of Accumulated Depreciation and Amortization)	3,780,435	251,935	(122,064)	3,910,306
Construction work in progress	314,932	292,792	(177,367)	430,357
Total Capital Assets (net of Accumulated Depreciation and Amortization)	$ 4,095,367	$ 544,727	$ (299,431)	$ 4,340,663

Special Item

Decommissioning of Power Plants - In June 2020, the Utilities Board voted to approve an integrated resource plan that commits Utilities to providing cost-effective, resilient, and environmentally sustainable power. The plan calls for grid modernization, integration of more cost-effective renewable energy, and incorporation of new technologies like energy storage. It allows Utilities to achieve an 80.0% carbon reduction by 2030 and included a decision to decommission Drake no later than December 31, 2022, Ray Nixon Power Plant (“Nixon 1”), no later than December 31, 2029 and Birdsall Power Plant (“Birdsall”) no later than December 31, 2034. This further accelerated Drake’s decommission date from the previous decision by the Utilities Board in November 2015 to close and decommission Drake no later than 2035. Drake Unit 5 was fully decommissioned in 2016. Drake was permanently shut down on September 1, 2022.

As a result of the Utilities Board’s decision to decommission Drake, Nixon 1 and Birdsall, Utilities determined the assets related to the decommissioning power plants were impaired as of December 31, 2020. Utilities recorded a $233.5 million loss as a Special item on the Statements of Revenues, Expenses and Changes in Net Position. An additional $3.8 million loss was recorded in 2022, due to Drake shutting down four months early. In 2023, Utilities Board approved a new plan to update integrated resource plan. As a result Birdsall had an additional $1.3 million loss as a special item due to a change in the decommission dates, with Birdsall 1 and 2 decommissioning no later than December 31, 2024 and Birdsall 3 decommissioning no later than December 31, 2026.

NOTE 7 - DERIVATIVE INSTRUMENTS

Utilities' financial derivative instruments are acquired with the objective of effectively hedging expected cash flows. Interest rate hedges that are deemed effective by applying methods of evaluating effectiveness pursuant to GASB 53 are recognized as cash flow hedges. Financial derivative instruments that do not meet the effectiveness criteria are classified as investment derivative instruments. Changes in the fair value of cash flow hedge derivative instruments are reported as either Deferred Outflows or Inflows of Resources on the Statements of Net Position. Interest rate hedges that are deemed ineffective are recognized as standalone investment derivative instruments. The change in the fair value of investment derivative instruments is recognized as Nonoperating Revenues (Expenses) on the Statements of Revenues, Expenses and Changes in Net Position.

Utilities has interest rate hedges based on both the Securities Industry and Financial Markets Association (“SIFMA”) index and the London Interbank Offered Rate (“LIBOR”) index. Historically, Utilities’ interest rate derivative instruments based on 68.0% of 1-month LIBOR were classified as cash flow hedges. As of December 31, 2013, these LIBOR-based derivative instruments are no longer effective pursuant to GASB 53 hedge effectiveness standards and are considered investment derivative instruments.

Utilities values interest rate derivative instruments based on valuations provided by Stifel, a third-party valuation service provider for 2023 and 2022. The fair values of the interest rate derivative instruments are based on present value of their estimated future cash flows and account for the risk of nonperformance.

Summary of Derivative Instruments

The fair value and notional amount of derivative instruments outstanding at December 31, 2023 classified by type and changes in fair value of such derivative instruments for the year then ended:

	Changes in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
		(in thousands)			
Cash Flow Hedges					
Interest Rate Swaps	Deferred outflows	$ 1,594	Derivative instruments	$ (11,088)	$ 96,379
Total Cash Flow Hedges		$ 1,594		$ (11,088)	
Investment Derivative Instruments					
Interest Rate Swaps	Derivative gain	$ 2,009	Derivative instruments	$ (23,862)	$ 225,651
Total Investment Derivative Instruments		$ 2,009		$ (23,862)	

The fair value and notional amount of derivative instruments outstanding at December 31, 2022, classified by type and changes in fair value of such derivative instruments for the year then ended:

	Changes in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
		(in thousands)			
Cash Flow Hedges					
Interest Rate Swaps	Deferred outflows	$ 18,892	Derivative instruments	$ (9,492)	$ 101,640
Total Cash Flow Hedges		$ 18,892		$ (9,492)	
Investment Derivative Instruments					
Interest Rate Swaps	Derivative gain	$ 38,779	Derivative instruments	$ (25,872)	$ 234,715
Total Investment Derivative Instruments		$ 38,779		$ (25,872)	

Utilities employs interest rate swap derivative instruments that are designed to synthetically fix the cash flows on Variable Rate Demand Obligation bonds ("VRDO"). The variable rate received on the interest rate swaps is intended to offset the variable rate being paid on the obligations so that the fixed rate of the swap is essentially the effective rate incurred by Utilities.

Summary of scheduled projected future cash flows for interest rate derivative instruments as of December 31, 2023:

December 31,	Projected Future Cash Flows In/ (Out) for Hedging Derivatives Instruments
	(in thousands)
2024	$ (1,893)
2025	(1,821)
2026	(1,746)
2027	(1,653)
2028	(1,377)
2029-2033	(2,526)
2034-2038	(637)
2039-2041	(54)
Total	$ (11,707)

Summary of Utilities' pay-fixed interest rate swap agreements outstanding as of December 31, 2023:

	Notional Amount	Effective Date	Maturity Date	Trade Details	Counterparty
	(in thousands)				
Cash Flow Hedges					
2005A SIFMA Swap	$ 47,332	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	Bank of America, N.A.
2005A SIFMA Swap	15,913	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	J. Aron & Company
2008A SIFMA Swap	33,135	09/12/08	11/01/38	Pay 4.2686%; receive SIFMA index	Bank of America, N.A.
Investment Derivatives Instruments					
2005A SIFMA Swap	406	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	Bank of America, N.A.
2006B New Money LIBOR Swap	20,530	09/14/06	11/01/36	Pay 4.1185%; receive 68% of SOFR + Spread (LIBOR)	JPMorgan Chase Bank, N.A.
2006B New Money LIBOR Swap	30,795	09/14/06	11/01/36	Pay 4.1185%; receive 68% of SOFR + Spread (LIBOR)	Morgan Stanley Capital Services, Inc.
2007A New Money LIBOR Swap	28,740	09/13/07	11/01/37	Pay 3.1980%; receive 68% of SOFR + Spread (LIBOR)	J. Aron & Company
2007A New Money LIBOR Swap	19,160	09/13/07	11/01/37	Pay 3.1980%; receive 68% of SOFR + Spread (LIBOR)	Morgan Stanley Capital Services, Inc.
2009C LIBOR Swap (2012 Novation)	54,025	10/01/09	11/01/28	Pay 5.4750%; receive 68% of SOFR + Spread (LIBOR)	Wells Fargo Bank, N.A.
2010C LIBOR Swap	35,265	10/26/10	11/01/40	Pay 3.8807%; receive 68% of SOFR + Spread (LIBOR)	Morgan Stanley Capital Services, Inc.
2012A LIBOR Swap	36,730	03/15/12	11/01/41	Pay 4.0242%; receive 68% of SOFR + Spread (LIBOR)	Morgan Stanley Capital Services, Inc.
Total Notional Amount for Interest Rate Swaps	$322,031				

2005A SIFMA Swap **-** During the fourth quarter 2012, it was discovered that in 2008, Utilities redeemed a portion of its 2005A variable rate bond series through the issuance of the 2008D Clean Renewable Energy Bonds. This transaction created an immaterial difference between the notional size of the bond issuance and the interest rate swap hedge. The overhedged portion of the swap has therefore been declared an investment derivative instrument.

Risk

Utilities routinely monitors and manages risks in the areas of credit, interest rate and associated basis, termination, rollover, market access and foreign currency risks. These risks are discussed in detail below.

Credit Risk **-** The exposure resulting when the counterparty is unable or unwilling to fulfill its present and future financial obligations. Each of Utilities' interest rate cash flow and investment derivative instruments are held with various counterparties of high credit quality. Utilities views counterparty credit risks that may arise through interest rate derivative instrument transactions as similar between cash flow hedges and investment derivative instruments.

Long-term counterparty credit ratings from Moody's and S&P at December 31:

Counterparty	Credit Rating 2023	Credit Rating 2022
J. Aron & Co.	A2 / BBB+	A2 / BBB+
JPMorgan Chase Bank, N.A.	A1 / A-	A1 / A-
Bank of America, N.A.	A1 / A-	A2 / A-
Morgan Stanley Capital Services, Inc.	A1 / A-	A1 / A-
Wells Fargo Bank, N.A.	A1 / BBB+	A1 / BBB+

The Financial Risk Management Plan requires that Utilities' counterparties to financial instruments be on an approved counterparty list. To be on the interest rate counterparty transaction list, at the time of transaction execution, counterparties must have a minimum credit rating in the "A-" category by at least one of the major credit rating agencies previously listed or a counterparty shall provide a guarantee, swap surety, or other form of credit enhancement such that its creditworthiness is of an "A-" category equivalent. Each counterparty must also have a demonstrated record of successfully executing swap transactions and shall have a minimum capitalization of at least $250.0 million.

The Energy Risk Management Plan requires that Utilities' counterparties to commodity transactions be on an approved counterparty list. To be on this list, counterparties must have the necessary contracts in place for the commodity being transacted and have adequate credit or credit facilities in place to cover assumed transactions. The Energy Risk Management Plan limits the amount of counterparty credit exposure according to the counterparty's credit rating. At December 31, 2023 and 2022, Utilities has no forward exposure to financial energy commodity transactions.

It is Utilities' policy to require collateral posting provisions for all counterparties involved in its non-exchange-traded derivative instrument transactions. The collateral posted by counterparties is governed by ISDA agreements with collateral threshold limits as specified in each agreement. As the mark to market value of a fixed price financial derivative instrument held by Utilities decreases relative to market, Utilities may be obligated to post collateral with the applicable counterparty. Conversely, as the mark to market value of a fixed price financial derivative instrument agreement or call option increases, Utilities' counterparties may be required to post collateral.

For the year ending December 31, 2023 and 2022, Utilities did not post any dollars in collateral with various counterparties to the swap agreements. Utilities' aggregate fair value of derivative instruments as of December 31, 2023 was approximately $(34.9) million compared to $(35.4) million at the end of 2022.

The combined fair value of all derivative instruments, net of collateral postings, as of December 31, 2023 and 2022 was approximately $(34.9) and $(35.4) million, respectively.

Collateral postings represent the initial amount that Utilities would be required to pay in the event counterparties failed due to a credit default event. Collateral posted is presented as restricted cash and impacts Utilities' cash reserves and liquidity. In the event of a failure of all counterparties due to a credit default, Utilities anticipates the full value of the collateral posting would be liquidated on behalf of secured creditors, thereby reducing actual cash balances and liquidity by the value of the collateral posting. A credit default by all counterparties could lead to additional cash requirements called by secured creditors up to the net liability of the combined derivative instrument positions.

The impact of a future credit default on Utilities is dependent on market conditions that exist at the time of the event. As a result, the impact on Utilities' cash and liquidity position could be negative or positive. In consideration of this uncertainty and to minimize the impact of such an event on liquidity, as of December 31, 2023 and 2022, Utilities has a total line of credit available in the amount of $75.0 million. Utilities also closely monitors the creditworthiness of all existing counterparties and awards future business based on creditworthiness and collateral positions existing at the time of the transaction.

Interest Rate Risk - The risk that changes in market interest rates will adversely affect Utilities' anticipated cash flows. Utilities is exposed to interest rate risk on variable rate debt. Utilities utilizes fixed price swaps to offset cash flow exposures for a portion of the variable rate debt. Utilities receives fixed rate swap payments against VRDOs based on SIFMA and SOFR plus spread swap indices.

Basis Risk - The risk that arises when variable rates or prices of a derivative instrument and a hedged item are based on different reference rates. Utilities is exposed to basis risk on pay-fixed interest rate swap hedging derivative instruments because the variable rate payments received by Utilities on these hedging derivative instruments are based on a rate or index other than interest rates. Utilities pays on hedged variable rate debt, which is generally remarketed every 7 days. As of December 31, 2023, the weighted average interest rate on Utilities' variable rate debt was 3.01%, the SIFMA swap index rate was 3.87%, while 68% of the SOFR plus spread was 3.66%. As of June 30, 2023, the United Kingdom's Financial Conduct Authority, which regulated LIBOR, discontinued LIBOR as a representative benchmark. The International Swaps and Derivatives Association, Inc. has released its IBOR Fallbacks Protocol (the "Protocol"), which allows contract participants that adhere to the "Protocol" to amend previous LIBOR-based Swaps to include new fallback provisions that result in the Secured Overnight Financing Rate replacing LIBOR in such contracts. Per the Protocol, the index on the swaps has converted to a fallback rate based on SOFR. The language in the existing swap documents has not changed, but a Fallback Rate Supplement to the ISDA Definitions has been released and incorporated. Per the Protocol, the index on LIBOR-based swaps has converted to SOFR plus a spread. The spread is calculated based on a 5-year historical difference between LIBOR and SOFR. As of December 31, 2022, the weighted average interest rate on Utilities' variable rate debt was 0.102%, the SIFMA swap index rate was 3.66%, while 68% of the LIBOR was 2.99%.

Termination Risk - The risk that a derivative instrument's unscheduled end will affect Utilities' asset and liability strategy or will present Utilities with potentially unscheduled termination payments to the counterparty. Utilities or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract or if both parties agree to terminate, or "close." If at the time of termination a hedging derivative instrument is in a liability position, Utilities would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover Risk - The risk that a derivative instrument associated with a hedged item does not extend to the maturity of that hedged item. Utilities is exposed to rollover risk on hedging instruments of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or if a counterparty exercises a termination option, Utilities will be re-exposed to the risks being hedged by the hedging derivative instrument. Utilities has no exposure to rollover risk with current interest rate derivative instruments.

Market Access Risk - The risk that Utilities will not be able to enter credit markets or that credit will become more costly. A strong credit rating tends to broaden an entity's credit market access and bondholder base while achieving lower cost funding. As of December 2023, Utilities' long-term credit ratings are "Aa2/AA+" by Moody's and S&P, respectively. As of December 2022, Utilities' long-term credit ratings are "Aa2/AA+" by Moody's and S&P, respectively.

Foreign Currency Risk - The risk that changes in exchange rates will adversely affect the cash flows of a transaction. Utilities has no exposure to foreign currency risk.

NOTE 8 - TOTAL LONG-TERM DEBT

Summary of Scheduled Maturities of Total Long-Term Debt

Revenue Bonds - scheduled maturities as of December 31, 2023:

December 31,	Principal	Interest
	(in thousands)	
2024	$ 98,910	$ 109,556
2025	105,405	104,568
2026	103,800	99,400
2027	106,970	94,296
2028	122,620	88,853
2029-2033	522,365	359,994
2034-2038	423,745	246,064
2039-2043	338,685	146,793
2044-2048	261,920	75,605
2049-2053	156,995	19,251
Total	$ 2,241,415	$ 1,344,380

Notes and loans from direct borrowings - scheduled maturities as of December 31, 2023:

December 31,	Principal	Interest
	(in thousands)	
2024	$ 464	$ 85
2025	476	73
2026	488	61
2027	500	49
2028	513	36
2029-2030	1,065	33
Total	$ 3,506	$ 337

Summary of Total Long-Term Debt

The following is a summary of the total long-term debt as of December 31, 2023:

Revenue Bonds	**Issue Date**	**Final Maturity**	**Coupon Rate Ranges**	**Original Amount of Debt**	**Outstanding Principal at December 31, 2023**
				(in thousands)	
Fixed Rate Tax Exempt Bonds					
Series 2014A-1	09/25/2014	11/15/2044	4.000%-5.000%	$ 58,515	$ 53,060
Series 2014A-2	09/25/2014	11/15/2044	4.000%-5.000%	53,995	49,085
Series 2015A	10/15/2015	11/15/2048	3.000%-5.000%	82,795	60,340
Series 2017A-1	09/27/2017	11/15/2042	3.000%-5.000%	89,750	76,080
Series 2017A-2	09/27/2017	11/15/2047	2.500%-5.000%	84,340	75,440
Series 2017A-3	09/27/2017	11/15/2023	5.000%	66,090	—
Series 2018A-1	07/10/2018	11/15/2026	3.000%-5.000%	125,645	94,060
Series 2018A-2	07/10/2018	11/15/2048	3.000%-5.000%	39,500	35,785
Series 2018A-3	08/21/2018	11/15/2033	5.000%	4,810	3,230
Series 2018A-4	07/10/2018	11/15/2048	4.000%-5.000%	56,860	51,680
Series 2019A	10/24/2019	11/15/2029	5.000%	84,090	84,090
Series 2020A	08/18/2020	11/15/2050	4.000%-5.000%	200,720	171,765
Series 2020B	08/18/2020	11/15/2028	5.000%	50,980	32,855
Series 2020C	08/18/2020	11/15/2050	5.000%	85,440	69,790
Series 2021A	08/18/2021	11/15/2033	5.000%	38,715	26,285
Series 2021B	08/18/2021	11/15/2051	4.000%-5.000%	185,030	179,145
Series 2022A	10/04/2022	11/15/2042	4.000%-5.000%	127,425	121,960
Series 2022B	10/04/2022	11/15/2052	5.000%-5.250%	163,520	160,325
Series 2023A	08/31/2023	11/15/2053	3.000%-5.250%	203,060	203,060
Series 2023B	08/31/2023	11/15/2045	5.000%-5.250%	161,335	160,720
Fixed Rate Taxable Bonds					
Series 2009B-2	09/24/2009	11/15/2039	4.949%-5.545%	64,450	54,810
Series 2009D-2	11/17/2009	11/15/2049	4.164%-6.313%	56,750	48,990
Series 2010D-4	12/23/2010	11/15/2040	6.615%	107,260	107,260
Variable Rate Tax Exempt Bonds					
Series 2005A	09/15/2005	11/01/2035	resets weekly	100,000	63,220
Series 2006B	09/14/2006	11/01/2036	resets weekly	75,000	51,325
Series 2007A	09/13/2007	11/01/2037	resets weekly	75,000	47,900
Series 2008A	09/12/2008	11/01/2038	resets weekly	50,000	33,135
Series 2009C	10/01/2009	11/01/2028	resets weekly	66,455	54,025
Series 2010C	10/26/2010	11/01/2040	resets weekly	50,000	35,265
Series 2012A	03/15/2012	11/01/2041	resets weekly	50,000	36,730
Total Revenue Bonds					**$ 2,241,415**

Notes and loans from direct borrowings	Issue Date	Final Maturity	Interest Rate Ranges	Original Amount of Debt	Outstanding Principal at December 31, 2023
				(in thousands)	
Colorado Water Resources & Power Development Authority					
Series 2009E - Drinking Water Revolving Fund	04/29/2010	11/01/2030	2.500%	$ 8,600	$ 3,506
Total Notes and Loans Payable					**3,506**
Total Long-Term Debt					**$ 2,244,921**

NOTE 9 - REVENUE BONDS

In August 2023, Utilities issued Utilities System Improvement Revenue Bonds, Series 2023A and Utilities System Refunding Revenue Bonds, Series 2023B totaling $364,395,000. Series 2023A bonds were issued as new money bonds to finance a portion of the costs of a number of general capital improvements to the Utility System. Series 2023B bonds were used to refund all or a portion of the City's outstanding Utilities System Refunding Revenue Bonds, Series 2013A, Utilities System Improvement Revenue Bonds Series, 2013B-1, and Utilities System Improvement Revenue Bonds Series 2013B-2.

In October 2022, Utilities issued Utilities System Refunding Revenue Bonds, Series 2022A and Utilities System Improvement Revenue Bonds, Series 2022B totaling $290,945,000. Series 2022A bonds were used to refund all or a portion of the City's outstanding Utilities System Refunding Revenue Bonds, Series 2012B, Utilities System Revenue Bonds, Series 2012C-1, and Utilities System Revenue Bonds, Series 2012C-2. Series 2022B bonds were issued as new money bonds to finance a portion of the costs of a number of general capital improvements to the Utility System.

Revenue bonds constitute an irrevocable lien, but not necessarily an exclusive lien, upon net pledged revenues pursuant to the Bond Ordinances. All Utilities' revenues net of specified operating expenses are pledged as security for all revenue bonds and loans payable until they are defeased. None of the covenants, agreements, representations and warranties contained in the Ordinance or in the bonds, nor the breach thereof, shall ever impose or shall be construed as imposing any liability, obligation or charge against the City (except the special funds pledged therefore), or against its general credit, or as payable out of its general fund or out of any funds derived from taxation or out of any other revenue source (other than those pledged therefore). The full faith and credit of the City is not pledged for the payment of the amounts due on the bonds or under the Ordinance.

Summary of principal and interest paid and net pledged revenues for the following periods:

	2023	2022 (restated)
	(in thousands)	
Principal and Interest Paid ("P&I")	$ 214,473	$ 205,752
Net Pledged Revenues	367,640	497,278
P&I % of Net Pledged Revenues	58.3 %	41.4 %

The bond ordinance provides for certain other covenants, the most significant of which are as follows:

- Utilities is required to ensure charges to the users of the Utility System are sufficient to pay in each fiscal year: an amount equal to the annual operation and maintenance expenses for such fiscal year, an amount

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equal to 130.0% of both the principal and interest on the bonds and parity bonds then outstanding from the net pledged revenues in that fiscal year and any amounts required to meet then existing deficiencies under a surety agreement or to satisfy covenants under any financial products agreements.
- Utilities is restricted from issuing additional parity bonds unless certain conditions are met.

Utilities' outstanding revenue bonds contain event of default provisions with possible finance-related consequences. Utilities' management has evaluated the event of default provisions with possible finance-related consequences and in the opinion of Utilities' management, the likelihood is remote that these provisions will have a significant effect on Utilities' financial position or results of operations.

Arbitrage Rebate Payable

Section 148 of the Internal Revenue Code requires issuers of most types of tax-exempt bonds to rebate investment earnings in excess of bond yield to the United States Internal Revenue Service in installment payments made at least once every five years, with the final installment made when the last bond in the issue is redeemed.

The most recent arbitrage rebate analysis was completed as of December 31, 2023, by an independent consulting firm. Future computations of the rebate requirement on outstanding bond issues will be calculated annually, with an arbitrage rebate liability recorded for any issues that have a material amount due at the time of calculation.

Utilities' bond issues do not carry any liability. The 2008A, 2009B, 2009C, 2009D, 2010C, 2010D, 2012A, 2021A, 2021B, 2022A, 2022B, 2023A, and 2023B bond issues will continue to have annual calculations completed until no longer required.

Current Refundings

The 2023B series was issued on August 31, 2023 to current refund the following:

2023B Current Refunding

Bonds Refunded	Refunded Amount	Average Interest Rate on Refunded Bond	Refunded Bond Cash Flow (in thousands)	Refunded Bond Cash Flow Period	Refunded Bond Call Date	Prior Net Cash Flow [1]
2013A	$ 86,760	4.193 %	$ 121,870	2023-2045	8/31/2023	$ 115,674
2013B1	$ 48,350	4.977 %	$ 78,137	2023-2043	8/31/2023	$ 73,524
2013B2	$ 56,705	4.999 %	$ 91,838	2023-2043	8/31/2023	$ 86,395

Bond Refunded	Issue Amount	Average Interest Rate on New Issue	New Issue Cash Flow
2013A1	$ 73,485	3.386 %	$ 107,443
2013B1	$ 40,445	3.768 %	$ 65,616
2013B2	$ 47,405	3.767 %	$ 76,901

Bond Refunded	Issue Cash Flow Period	Net Proceeds [2]	Economic Gain [3]
2013A1	2023-2045	$ 87,573	$ 5,901
2013B1	2023-2043	$ 48,983	$ 5,899
2013B2	2023-2043	$ 57,456	$ 7,056

[1] Amounts are net of prior receipts.
[2] Net proceeds exclude bond issuance costs and debt service reserve requirements. Net proceeds plus any additional sinking fund monies were used to purchase State and Local Government securities which were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the old bonds. As a result, the old bonds are considered defeased and the refunded bonds have been removed from the Statements of Net Position.
[3] Economic Gain is the net present value of the savings (New Issue Cash Flow minus Prior Net Cash Flow minus Prior funds on hand plus Refunding funds on hand).

2022A Current Refunding

Bond Refunded	Refunded Amount	Average Interest Rate on Refunded Bond	Refunded Bond Cash Flow (in thousands)	Refunded Bond Cash Flow Period	Refunded Bond Call Date	Prior Net Cash Flow [1]
2012B	$ 79,285	4.040 %	$ 107,072	2022-2043	10/04/2022	$ 97,891
2012C1	$ 44,940	3.940 %	$ 59,360	2022-2042	10/04/2022	$ 55,807
2012C2	$ 27,685	4.801 %	$ 47,000	2022-2042	10/04/2022	$ 43,610

Bond Refunded	Issue Amount	Average Interest Rate on New Issue	New Issue Cash Flow
2012B	$ 66,585	3.390 %	$ 92,621
2012C1	$ 37,360	2.823 %	$ 51,567
2012C2	$ 23,480	3.824 %	$ 38,973

Bond Refunded	Issue Cash Flow Period	Net Proceeds [2]	Economic Gain [3]
2012B	2022-2043	$ 80,753	$ 3,626
2012C1	2022-2030	$ 45,685	$ 3,348
2012C2	2022-2042	$ 28,242	$ 3,094

[1] Amounts are net of prior receipts.
[2] Net proceeds exclude bond issuance costs and debt service reserve requirements. Net proceeds plus any additional sinking fund monies were used to purchase State and Local Government securities which were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the old bonds. As a result, the old bonds are considered defeased and the refunded bonds have been removed from the Statements of Net Position.
[3] Economic Gain is the net present value of the savings (New Issue Cash Flow minus Prior Net Cash Flow minus Prior funds on hand plus Refunding funds on hand).

NOTE 10 - REVOLVING LOAN AGREEMENTS

On September 9, 2022, Utilities amended the Revolving Loan Agreement (“Credit Line”) with U.S. Bank National Association dated as of September 8, 2016. The available Credit Line will remain $75.0 million to fund Utilities’ operating needs and normal expenditures including, without limitation, regularly scheduled capital expenses. Utilities’ repayment obligations under the Credit Line is limited to the net pledged revenues on a subordinate basis to the parity bonds and certain related obligations. The Credit Line expires on September 8, 2025. Utilities has entered into agreements similar to this Credit Line over the past several years and to date, Utilities has not drawn on any such agreements.

NOTE 11 - LONG-TERM LIABILITIES

Commercial Paper

On November 24, 2015, City Council approved Ordinance 15-83 authorizing the issuance of up to $150.0 million in commercial paper notes ("Series A Notes" and "Series B Notes" collectively the "Notes"). The maximum principal amount of the commercial paper notes which may be outstanding at any time is limited to $75.0 million for each series. In October 2018, Utilities terminated the Irrevocable Transferable Direct-Pay Letters of Credit for the Notes and suspended the commercial paper program. Market conditions will determine if and when the City (on behalf of Utilities) will issue more commercial paper notes.

Changes in Long-Term Liabilities

Summary of changes in long-term liabilities as of December 31, 2023:

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023	Current Portion
			(in thousands)		
Revenue bonds	$ 2,171,555	$ 364,395	$ 294,535	$ 2,241,415	$ 98,910
Issuance premiums and discounts	255,804	42,653	29,311	269,146	—
Total Bonds Payable	2,427,359	407,048	323,846	2,510,561	98,910
Other Long-term Liabilities					
Customer deposits	4,479	3,032	1,622	5,889	—
Notes and loans payable	3,959	—	453	3,506	464
Lease liability	—	1,076	141	935	145
SBITAs liability	12,517	6,564	6,628	12,453	4,848
Compensated absences	18,260	25,874	24,107	20,027	13,263
Customer advances for construction	28,747	21,174	18,830	31,091	—
Municipal solid waste landfill closure and postclosure care	5,970	16,425	—	22,395	—
Asset Retirement Obligation	—	7,513	—	7,513	—
Derivative instruments	35,364	—	413	34,951	—
Pension and OPEB	32,406	283,322	57,974	257,754	—
Other	17,515	—	16,959	556	—
Total Other Long-term Liabilities	159,217	364,980	127,127	397,070	18,720
Total Long-term Liabilities	$ 2,586,576	$ 772,028	$ 450,973	$ 2,907,631	$ 117,630

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Summary of changes in long-term liabilities as of December 31, 2022 (restated):

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Current Portion
			(in thousands)		
Revenue bonds	$ 2,128,435	$ 290,945	$ 247,825	$ 2,171,555	$ 107,125
Issuance premiums and discounts	257,824	31,070	33,090	255,804	—
Total Bonds Payable	2,386,259	322,015	280,915	2,427,359	107,125
Other Long-term Liabilities					
Customer deposits	4,355	1,585	1,461	4,479	—
Notes and loans payable	4,400	—	441	3,959	453
SBITAs liability	12,996	6,390	6,869	12,517	3,805
Compensated absences	18,595	23,136	23,471	18,260	11,996
Customer advances for construction	23,480	29,605	24,338	28,747	—
Municipal solid waste landfill closure and postclosure care	5,521	449	—	5,970	—
Derivative instruments	93,035	—	57,671	35,364	—
Pension and OPEB	156,820	22,047	146,461	32,406	—
Other	13,017	4,523	25	17,515	—
Total Other Long-term Liabilities	332,219	87,735	260,737	159,217	16,254
Total Long-term Liabilities	$ 2,718,478	$ 409,750	$ 541,652	$ 2,586,576	$ 123,379

Interest Cost, Expense and Payments

Interest cost to interest expense reconciliation for the years ended December 31:

	2023	2022 (restated)
	(in thousands)	
Total interest cost	$ 107,749	$ 103,966
Interest on SBITAs	348	277
Amortization of discounts, (premiums) and deferred (gain) loss on refundings	(16,998)	(13,936)
Total Interest Expense	$ 91,099	$ 90,307

Interest cost to interest payments reconciliation for the years ended December 31:

	2023	2022 (restated)
	(in thousands)	
Total interest cost	$ 107,749	$ 103,966
Accrued interest December 31 of current year	(11,962)	(11,330)
Accrued interest December 31 of prior year	11,330	10,832
Total Interest Payments	$ 107,117	$ 103,468

Lease Liability

Utilities leases railcars to transport coal to Nixon 1. The lease term is for an additional 6 years and the incremental cost of borrowing is 2.94%.

Lease liability - scheduled maturities as of December 31, 2023:

December 31,	Principal	Interest
	(in thousands)	
2024	$ 145	$ 25
2025	149	21
2026	153	16
2027	158	12
2028	163	7
2029	167	3
Total	$ 935	$ 84

SBITAs Liability

Utilities, as a lessee, has entered into multiple SBITAs. The SBITAs have interest rates between 2.41% and 3.04%, and an estimated life of 1 to 7 years. Utilities made variable payments of $257,000 related to these SBITAs as of December 31, 2023. No variable payments were made for fiscal year ended December 31, 2022.

SBITAs - scheduled maturities as of December 31, 2023:

December 31,	Principal	Interest
	(in thousands)	
2024	$ 4,848	$ 274
2025	3,782	163
2026	1,634	84
2027	726	51
2028	747	30
2029-2030	716	10
Total	$ 12,453	$ 612

NOTE 12 - MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Utilities is subject to the Colorado Department of Public Health and Environment ("CDPHE") regulations which require Utilities to incur closure and postclosure care costs for landfills. In 2023 and 2022, Utilities recognized a liability of $22,395,066 and $5,970,419, respectively, for closure and postclosure care costs based upon landfill capacity used to date. The estimated total current cost of closure and postclosure care to be recognized for Utilities' landfills is $24,636,440 and $9,453,369 for 2023 and 2022, respectively. The average landfill capacity used to date in 2023 and 2022 is 84.3% and 69.5%, respectively. The estimated remaining lives of landfills vary up to a maximum of 63 years. There are no financial assurance requirements or restricted assets for the payment of closure and postclosure care costs. Estimates of closure and postclosure costs are stated in current dollars and shall be adjusted annually for inflation and changes in laws and regulations. The last independent assessment was performed in 2023.

NOTE 13 - DEFINED BENEFIT PENSION PLAN

Eligible employees of Utilities 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 in the Code of Colorado Regulations ("C.C.R.") 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 that can be obtained at www.copera.org/investments/pera-financial-reports.

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned, as well as 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 100.0% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100.0% of highest average salary and cannot exceed the maximum benefit allowed by the 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 50.0% or 100.0% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five 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 will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve ("AIR") for the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

Eligible employees and Utilities are required to contribute to the LGDTF at a rate set by Colorado Statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The employee contribution rate was 8.5% for the period of January 1, 2022 to June 30, 2022 and was 9.0% for the period of July 1, 2022 to December 31, 2023. The employer contribution requirements for 2023 and 2022 are summarized in the table below:

	January 1, 2023 through December 31, 2023	July 1, 2022 through December 31, 2022	January 1, 2022 through June 30, 2022
Employer Contribution Rate(1)	11.00 %	11.00 %	10.50 %
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) %	(1.02) %
Amount Apportioned to the LGDTF	9.98 %	9.98 %	9.48 %
Amortization Equalization Disbursement (“AED”) as specified in C.R.S. § 24-51-411	2.20 %	2.20 %	2.20 %
Supplemental Amortization Equalization Disbursement (“SAED”) as specified in C.R.S. § 24-51-411	1.50 %	1.50 %	1.50 %
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.06 %	0.03 %	0.03 %
Total Employer Contribution Rate to the LGDTF	13.74 %	13.71 %	13.21 %

(1) Rates 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 Utilities is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from Utilities were $28,015,639 and $25,458,560 for the years ended December 31, 2023 and 2022, respectively.

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

Pension Liabilities - Utilities’ proportion of the net pension liability (asset) is based on Utilities’ contributions to the LGDTF for the calendar years 2023 and 2022 relative to the total contributions of participating employers to the LGDTF. Standard update procedures were used to roll-forward the total pension liability (asset) to December 31, 2023 .

Utilities’ pension liabilities (assets) are as follows:

December 31,	Measurement Date	Actuarial Valuation Date	Proportionate Share of the Net Pension Liability (Asset) (in thousands)	Utilities' Proportion of the LGDTF Net Pension Liability (Asset)	Increase (Decrease) of Utilities' Proportion of the LGDTF Net Pension Liability (Asset) from Prior Year
2023	12/31/2022	12/31/2021	$ 229,437	22.9 %	(0.6) %
2022	12/31/2021	12/31/2020	(20,171)	23.5	0.0

Pension Expense - For the years ended December 31, 2023 and 2022, Utilities recognized pension expense of $17,885,650 and $(50,417,589), respectively.

Deferred Outflows of Resources - Utilities reported Deferred Outflows of Resources related to pensions from the following sources as of December 31:

Deferred Outflows of Resources	2023 (in thousands)	2022
Difference between expected and actual experience	$ —	$ 986
Changes of assumptions or other inputs	—	6,838
Net difference between projected and actual earnings on pension plan investments	93,667	—
Changes in proportion and differences between contributions recognized and proportionate share of contributions	268	498
Contributions subsequent to the measurement date	28,016	25,459
Total	$ 121,951	$ 33,781

The $28,015,639 reported as Deferred Outflows of Resources related to pensions reported at December 31, 2023, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability at December 31, 2024. The $25,458,560 reported as Deferred Outflows of Resources related to pensions reported at December 31, 2022, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended December 31, 2023.

Deferred Inflows of Resources - Utilities reported Deferred Inflows of Resources related to pensions from the following sources as of December 31:

Deferred Inflows of Resources	2023	2022
	(in thousands)	
Difference between expected and actual experience	$ 1,144	$ 337
Net difference between projected and actual earnings on pension plan investments	—	174,484
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,176	66
Total	$ 3,320	$ 174,887

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

December 31,	Amount
	(in thousands)
2024	$ (11,996)
2025	13,441
2026	34,287
2027	54,883

Actuarial Assumptions - The total pension liability in the actuarial valuations were determined using the following actuarial cost method, actuarial assumptions and other inputs:

Financial statement date	**December 31, 2023**	**December 31, 2022**
Measurement date	December 31, 2022	December 31, 2021
Actuarial valuation date	December 31, 2021	December 31, 2020
Actuarial cost method	Entry age	Entry age
Price inflation	2.30%	2.30%
Real wage growth	0.70%	0.70%
Wage inflation	3.00%	3.00%
Salary increases, including wage inflation	3.20-11.30%	3.20% - 11.30%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%	7.25%
Discount Rate	7.25%	7.25%
Future post-retirement benefit increases:		
PERA Benefit Structure hired prior to January 1, 2007	1.00% compounded annually	1.00% compounded annually
PERA Benefit Structure hired after December 31, 2006	Financed by the AIR	Financed by the AIR

Health mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70.0% factor applied to male rates and a 55.0% factor applied to female rates.

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

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis. Pre-retirement mortality assumptions for members were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members 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 Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rate 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.

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

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

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.0 %	5.6 %
Fixed Income	23.0	1.3
Private Equity	8.5	7.1
Real Estate	8.5	4.4
Alternatives	6.0	4.7
Total	100.0 %	

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.0%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 and 2020 automatic adjustment provision assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 and 2020 automatic adjustment provision assessments. Employer contributions also include current and estimated future amortization equalization disbursement and supplemental amortization equalization disbursement, until the actuarial value funding ratio reaches 103%, at which point the amortization equalization disbursement and supplemental amortization equalization disbursement will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the annual increase reserve 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 annual increase reserve balance was excluded from the initial fiduciary net position, as, per statute, annual increase reserve amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. Annual increase reserve transfers to the fiduciary net position and the subsequent annual increase reserve benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the proportionate share of the net pension liability calculated using the current discount rate, 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 or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate (in thousands)	1% Increase
2023			
Discount rate	6.25%	7.25%	8.25%
Proportionate share of net pension liability	$ 385,167	$ 229,437	$ 99,065
2022			
Discount rate	6.25%	7.25%	8.25%
Proportionate share of net pension liability	$ 138,305	$ (20,171)	$ (152,729)

Pension Plan Fiduciary Net Position - Detailed information about the LGDTF's fiduciary net position is available in PERA's annual comprehensive financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 14 - DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Employees of Utilities that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan by PERA. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available annual comprehensive financial report, which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financials-reports.

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. The program member contributions from Utilities for the years ending December 31, 2023 and 2022 were $3,632,530 and $3,630,794, respectively.

NOTE 15 - DEFINED BENEFIT OPEB PLANS

HCTF Cost-Sharing Multiple-Employer Plan

Eligible employees of Utilities 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 C.R.S., as amended, and sets forth a framework that grants authority to the PERA's Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report ("ACFR") that can be obtained at www.copera.org/investments/pera-financial-reports.

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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

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

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

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 Utilities is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Utilities were $2,079,764 and $1,928,559 for the years ended December 31, 2023 and 2022, respectively.

COLORADO SPRINGS UTILITIES
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

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

OPEB Liabilities – Utilities' proportion of the net OPEB liability is based on Utilities' contributions to the HCTF for the calendar years 2023 and 2022 relative to the total contributions of participating employers to the HCTF. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2023 and 2022.

Utilities' OPEB liabilities are as follows:

December 31,	Measurement Date	Actuarial Valuation Date	Proportionate Share of the OPEB Liability	Utilities' Proportion of the HCTF Net OPEB Liability	Increase (Decrease) of Utilities' Proportion of the HCTF Net OPEB Liability from Prior Year
			(in thousands)		
2023	12/31/2022	12/31/2021	$ 15,000	1.8 %	0.0 %
2022	12/31/2021	12/31/2020	15,714	1.8	0.0

OPEB Expense - For the years ended December 31, 2023 and 2022, Utilities recognized OPEB expense of $(318,760) and $(313,026), respectively.

Deferred Outflows of Resources - Utilities reported Deferred Outflows of Resources related to OPEB from the following sources as of December 31:

Deferred Outflows of Resources	2023	2022
	(in thousands)	
Difference between expected and actual experience	$ 2	$ 24
Changes of assumptions or other inputs	241	325
Net difference between projected and actual earnings on OPEB plan investments	916	—
Changes in proportion and differences between contributions recognized and proportionate share of contributions	438	372
Contributions subsequent to the measurement date	2,080	1,929
Total	$ 3,677	$ 2,650

The $2,079,764 reported as deferred outflows of resources related to OPEB reported at December 31, 2023, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. The $1,928,559 reported as deferred outflows of resources related to OPEB reported at December 31, 2022, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net OPEB liability in the year ended December 31, 2023.

Deferred Inflows of Resources - Utilities reported Deferred Inflows of Resources related to OPEB from the following sources as of December 31:

Deferred Inflows of Resources	2023	2022
	(in thousands)	
Difference between expected and actual experience	$ 3,626	$ 3,726
Changes of assumptions or other inputs	1,656	852
Net difference between projected and actual earnings on OPEB plan investments	—	973
Changes in proportion and differences between contributions recognized and proportionate share of contributions	490	879
Total	$ 5,772	$ 6,430

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

December 31,	Amount
	(in thousands)
2024	$ (1,620)
2025	(1,520)
2026	(598)
2027	(6)
2028	(349)
Thereafter	(82)

Actuarial Assumptions - The total OPEB liability in the actuarial valuations was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Financial statement date	**December 31, 2023**	**December 31, 2022**
Measurement date	December 31, 2022	December 31, 2021
Actuarial valuation date	December 31, 2021	December 31, 2020
Actuarial cost method	Entry age	Entry age
Price inflation	2.30%	2.30%
Real wage growth	0.70%	0.70%
Wage inflation	3.00%	3.00%
Salary increases, including wage inflation	3.20%-11.30%	3.20% - 11.30%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%	7.25%
Discount rate	7.25%	7.25%
Health care cost trend rates		
PERA Benefit Structure:		
Service-based premium subsidy	0.0%	0.0%
PERACare Medicare plans	6.50% in 2022 gradually decreasing to 4.5% in 2030	4.5% in 2021 6.0% in 2022 gradually decreasing to 4.5% in 2029
Medicare Part A premiums	3.75% in 2022, gradually increasing to 4.5% in 2029	3.75% in 2021, gradually increasing to 4.5% in 2029

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

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the United Healthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the United Healthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-69	3.0%	1.5%
70	2.9	1.6
71	1.6	1.4
72	1.4	1.5
73	1.5	1.6
74	1.5	1.5
75	1.5	1.4
76	1.5	1.5
77	1.5	1.5
78	1.5	1.6
79	1.5	1.5
80	1.4	1.5
81 and older	0.0	0.0

	MAPD PPO#1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
Sample Age	Male	Female	Male	Female	Male	Female
65	$ 1,704	$ 1,450	$ 583	$ 496	$ 1,923	$ 1,634
70	1,976	1,561	676	534	2,229	1,761
75	2,128	1,681	728	575	2,401	1,896

	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
Sample Age	Male	Female	Male	Female	Male	Female
65	$ 6,514	$ 5,542	$ 4,227	$ 3,596	$ 6,752	$ 5,739
70	7,553	5,966	4,901	3,872	7,826	6,185
75	8,134	6,425	5,278	4,169	8,433	6,657

The 2022 and 2021 Medicare Part A premium is $499 and $471, respectively, per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are

referenced in the development of these rates. Effective December 31, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.5 %	3.8 %
2023	6.3	4.0
2024	6.0	4.0
2025	5.8	4.0
2026	5.5	4.3
2027	5.3	4.3
2028	5.0	4.3
2029	4.8	4.5
2030+	4.5	4.5

Mortality assumptions used in the December 31, 2021, valuation for the state Division, School Division, Local Government Division, and Judicial Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the December 31, 2021, valuation for the Trust Fund, but developed on a headcount-weighted basis. Affiliated employers of these Division Trust Funds participate in the Trust Fund.

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 Pub-2010 Contingent Survivor Table, adjusted as follows:

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

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

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

- Per capita health care costs in effect as of the December 31, 2021 valuation dates 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 the change in costs for the 2022 plan year.

- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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

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

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

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.0 %	5.6 %
Fixed Income	23.0	1.3
Private Equity	8.5	7.1
Real Estate	8.5	4.4
Alternatives	6.0	4.7
Total	100.0 %	

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 Utilities' 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 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease	Current Trend Rates	1% Increase
		(in thousands)	
2023			
Initial PERACare Medicare trend rate	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50	4.50	5.50
Initial Medicare Part A trend rate	3.00	4.00	5.00
Ultimate Medicare Part A trend rate	3.50	4.50	5.50
Proportionate Share of Net OPEB Liability	$ 14,575	$ 15,000	$ 15,462
2022			
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare 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 Net OPEB Liability	$ 15,263	$ 15,714	$ 16,237

Discount Rate - The discount rate used to measure the total OPEB liability was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate was actuarial valuation performed as of December 31, 2021, and the financial status of the Trust Fund as of the prior measurement date, December 31, 2021. In addition, the following methods of assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022 measurement dates.
- 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 3.0%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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 Utilities' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, 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 or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate (in thousands)	1% Increase
2023			
Discount Rate	6.25%	7.25%	8.25%
Proportionate Share of Net OPEB Liability	$ 17,389	$ 15,000	$ 12,956
2022			
Discount Rate	6.25%	7.25%	8.25%
Proportionate Share of Net OPEB Liability	$ 18,250	$ 15,714	$ 13,548

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's annual comprehensive financial report which can be obtained at [www.copera.org/investments/pera-financial-reports.](www.copera.org/investments/pera-financial-reports)

Utilities' Single-Employer plan

In accordance with the City Code, Utilities offers a health care plan to retirees with Utilities' contribution determined by the City Council. Employees eligible to retire prior to January 1, 1979, receive this health care plan without cost to the employee. Those eligible to retire after January 1, 1979 and hired prior to August 1, 1988 receive a limited Utilities' contribution not to exceed $91.40 per month. The monthly subsidy for these members is determined as the difference between the full PERA premium and the PERA service subsidy. All employees hired after August 1, 1988, receive no contribution from Utilities for this health care plan. In addition to regular medical insurance subsidies, Utilities also funds a Medicare supplement for eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Utilities' OPEB plan also provides a subsidy of life insurance premiums of $0.142/$1,000 for life insurance amounts up to $9,000/year per member, depending on employee type, to those who have retired prior to January 1, 2013. Employees retiring after January 1, 2013 are no longer eligible to receive the life insurance benefits.

As of the most recent actuarial valuation of the plan, 1,149 retired members or beneficiaries and 3 active employees were covered by the benefit terms.

The prior actuarial valuation had 1,212 retired members or beneficiaries and 10 active employees that were covered by the benefit terms.

Total Single Employer OPEB Liability

December 31,	Measurement Date	Actuarial Valuation Date	Total OPEB Liability (in thousands)
2023	12/31/2022	12/31/2022	$ 13,317
2022	12/31/2021	12/31/2021	16,693

Actuarial Assumptions and Other Inputs - The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurements, unless otherwise specified:

Financial statement date	**December 31, 2023**	**December 31, 2022**
Measurement date	December 31, 2022	December 31, 2021
Actuarial cost method	Entry age	Entry age
Inflation	3.20%	3.20%
Salary increases	11.30 to 3.20%	11.30% to 3.20%
Discount rate	3.72%	2.06%
Health care cost trend rates		
PERA Premiums	6.00%	6.25%
Medicare Part B	4.00%	4.00%

For the December 31, 2023 and 2022 valuation, healthy mortality assumptions for active members were based on the Pub-2010 mortality table with generational scale MP-2021 and MP-2020, respectively.

The retirement, termination and salary scale rates used in the December 31, 2023 and 2022 valuations were based on the 2020 Colorado PERA Actuarial Experience Study.

Changes in the Total Single Employer OPEB Liability

	2023 (in thousands)	2022
Beginning balance	$ 16,693	$ 17,448
Changes for the year:		
Service cost	1	7
Interest	29	357
Differences between expected and actual experience	(95)	—
Changes of assumptions or other inputs	(2,139)	100
Benefit payments	(1,172)	(1,219)
Net changes	(3,376)	(755)
Ending balance	$ 13,317	$ 16,693

Changes of assumptions

The discount rate was updated from 2.06% to 3.72%. The mortality projection scale was updated from MP-2019 to MP-2021 to reflect the Society of Actuaries' recent mortality study. None of the termination or retirement probabilities were updated as a new experience study has not been created since 2020 for the CoPera valuation. The postemployment health plan provisions, census and remainder of assumptions can be found in the Actuarial Valuation report dated May 4, 2023.

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* -** The following table presents Utilities' total OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate (in thousands)	1% Increase
2023			
Discount Rate	2.72%	3.72%	4.72%
Total OPEB Liability	$ 14,516	$ 13,317	$ 12,252
2022			
Discount Rate	1.06%	2.06%	3.06%
Total OPEB Liability	$ 18,630	$ 16,693	$ 15,174

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* -** The following presents the total OPEB liability of Utilities, as well as what the OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care cost trend rates:

	1% Decrease	Current Trend Rates (in thousands)	1% Increase
2023			
Initial PERA Premiums trend rate	5.00 %	6.00 %	7.00 %
Ultimate PERA Premiums trend rate	3.00	4.00	5.00
Medicare Part B	3.00	4.00	5.00
Total OPEB Liability	$ 13,184	$ 13,317	$ 13,450
2022			
Initial PERA Premiums trend rate	5.25 %	6.25 %	7.25 %
Ultimate PERA Premiums trend rate	3.00	4.00	5.00
Medicare Part B	3.00	4.00	5.00
Total OPEB Liability	$ 16,526	$ 16,693	$ 16,778

***OPEB Expense and Deferred Outflows of Resources Related to OPEB* -** For the years ended December 31, 2023 and 2022, Utilities recognized OPEB expense of $(2,256,389) and $400,935, respectively. Utilities reported Deferred Outflows of Resources related to OPEB from the following sources as of December 31:

Deferred Outflows of Resources	2023	2022
	(in thousands)	
Contributions subsequent to the measurement date	$ 1,088	$ 1,119

The $1,088,025 reported as deferred outflows of resources related to OPEB reported at December 31, 2023, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. The Deferred Outflows of Resources related to OPEB of $1,118,964 reported at December 31, 2022, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net OPEB liability at December 31, 2023.

Total OPEB Liabilities, Deferred Outflows, Deferred Inflows & Expense - All Plans:

Total OPEB	2023	2022
	(in thousands)	
OPEB Liabilities	$ 28,317	$ 32,406
OPEB Deferred Outflows	4,765	3,769
OPEB Deferred Inflows	5,773	6,430
OPEB Expense	(2,575)	88

NOTE 16 - COMMITMENTS

Under Article 7-60 of the City Charter, the City cannot enter into agreements involving the expenditure of public funds (with certain limited exceptions) unless funds have been appropriated by the City Council to liquidate the liability created by the agreement. In accordance with this City Charter provision, each of Utilities' agreements (with certain limited exceptions) contains clauses that, in general, terminate the agreement without further liability to Utilities if funds are not appropriated by the City Council (in whole or in part) that are sufficient to perform Utilities' obligations under the agreement. Such an agreement clause is referred to as an "appropriations clause."

Construction Commitments

Construction commitment amounts represent contract price less payments applied on outstanding retainage construction contracts. Utilities' total construction and commitments as of December 31, 2023 and 2022 were $180,786,427 and $147,749,275, respectively.

Electric Commitments

***Electric Generation Fuel Supply Agreements* -** Utilities' generation fleet is operated in the most economical manner, while observing the physical and thermal operating guidelines of each plant. Due to the varying price of commodities, coal may not be the baseload generation source. Utilities runs a daily production cost model to determine the most economical and reliable mix of generation and market activity. Utilities' hydro units are operated as "run of the river" for the smaller units and the dispatchable hydro unit is included in the production cost model to contribute to an optimum generation portfolio for the daily load and market conditions. Utilities' hydro contracts are also optimized within the constraints of the contracts. Utilities' coal generation as a percentage of native load is expected to decline as additional PPAs and resources are brought into the portfolio in the next decade.

Electric Purchase Power Agreements - Utilities has electric PPAs with other power producers to purchase capacity and associated energy to supplement existing generation resources. The agreements have various terms and conditions. Utilities' largest purchase power contract is with Western Area Power Administration. In addition, Utilities has five utility scale solar PPAs to add to Utilities' renewable portfolio with expiration terms between 2036 and 2044. In 2020, Utilities entered into a five year wind energy purchase agreement with an initial termination date of 2025 but can be extended until 2030 at Utilities' sole discretion. CSU extended this wind energy purchase agreement until 2030.

On March 28, 2022, the Department of Commerce opened an investigation into alleged circumvention of antidumping and countervailing tariffs by Chinese solar companies with operations in Cambodia, Malaysia, Thailand and Vietnam. The impact of this investigation and increasing supply chain challenges through the COVID-19 pandemic led Utilities and the PPA counterparty to negotiate, amend and restate the original Pike Solar PPA dated September 2020. The resulting renegotiated agreement, dated September 2022, removed a co-located battery energy storage system from the agreement, adjusted the energy rate, and delayed the commercial operation date into early 2024. Pike Solar became commercially operational on December 18, 2023.

Organized Market Activity - On August 1, 2022 Utilities changed Balancing Authorities from Public Service Company of Colorado to Western Area Colorado Missouri and began participating in the Southwest Power Pool ("SPP") Western Energy Imbalance Service ("WEIS") market. Utilities strategic positioning into the SPP WEIS is a forward-looking effort to ensure that integration of non-carbon variable energy resources are economically and reliably transitioned into the portfolio and the region at large. Based on the 2nd revised Western Joint Dispatch Agreement Utilities signed in September 2021, and on file with the Federal Energy Regulatory Commission, the SPP charges an annual administration rate based on Utilities Net Energy for Load. The initial term of the Utilities agreement is through February 1, 2025 and renews for successive one year terms absent timely contractual withdrawal or termination notices.

Contractual Service Agreement - Utilities has a contractual service agreement with General Electric International, Inc. ("GE"). This contractual service agreement was amended on October 12, 2021 and requires that GE perform all major maintenance activities (Hot Gas Path and Major Inspections) on the two GE combustion turbines through an estimated 143,000 run hours. The total run hours are estimated to be achieved in 2025.

Total Electric Commitments - As of December 31, 2023, the approximate minimum obligations, subject to any appropriations clauses, for these Electric Commitments over the next five years are:

December 31,	Amount (in thousands)
2024	$ 59,603
2025	55,915
2026	53,106
2027	53,078
2028	53,051

Natural Gas Commitments

Natural Gas Supply and Transport Agreements - Utilities contracts for sufficient firm transportation capacity and supplies to meet sales customers' peak day needs and fuel gas requirements for power generation. Utilities defines peak day conditions as a day with an average temperature of -13 degrees Fahrenheit. Utilities' goal is to hold a diversified portfolio of natural gas supplies, pipeline transportation, and storage services in order to provide reliability and economic efficiency in meeting supply obligations.

Utilities' firm natural gas supply portfolio is comprised of multiple contracts with various terms. In addition, Utilities balances natural gas supply needs on a short-term (30-day or less) basis, giving Utilities the flexibility to

react to warmer than normal conditions without defaulting on firm commitments and providing the flexibility to take advantage of short-term drops in natural gas prices. The staggered terms of the supply contracts help shape supply commitments to better match load requirements and ensure Utilities can acquire and replace supplies in an orderly fashion.

In addition to a diversified portfolio within the context of terms and conditions of service, Utilities actively pursues opportunities to reduce costs and realize value from natural gas supply assets. This process includes releasing transportation and storage capacity to meet peak loads during non-peak periods and other asset optimization strategies to capture value from any available asset capacity.

Total Natural Gas Commitments - As of December 31, 2023, the approximate minimum obligations, subject to any appropriations clauses, for these Natural Gas Commitments over the next five years are:

December 31,	Amount (in thousands)
2024	$ 54,373
2025	39,353
2026	31,453
2027	21,758
2028	15,484

Natural Gas Prepay Agreement

On June 27, 2008, the City (on behalf of Utilities) entered into a Natural Gas Supply Agreement ("Supply Agreement") with Public Authority for Colorado Energy ("PACE"), a component unit of the City, for financial reporting purposes. The Supply Agreement will be in effect until September 30, 2038, unless terminated earlier due to certain defaults, as set forth therein, or the termination of PACE's Prepaid Gas Agreement. The City is obligated to purchase and pay for natural gas tendered for delivery by PACE at an index minus a predetermined discount. If PACE fails on any day, for any reason other than force majeure, to deliver the quantity of natural gas required to be delivered pursuant to the Supply Agreement, the City will have no obligation for any of the natural gas supply that was not delivered as a result of such PACE delivery default.

Certain risk exists that all or part of the discount associated with this gas prepay transaction will not be realized as a result of the financial creditworthiness of the counterparties to agreements associated with the transaction and the potential failure of such counterparties to fulfill their contractual obligations, including financial remedies. As of December 31, 2023, all of the counterparties to agreements associated with the gas prepay transaction are fulfilling their contractual obligations.

Water Commitments

Water Storage Agreements - Utilities' contracts with the U.S. Bureau of Reclamation ("Bureau") for water storage in Pueblo Reservoir for SDS. The contract expires December 31, 2049, unless extended or terminated earlier in accordance with the provisions of the contract.

Total Water Commitments - As of December 31, 2023, the approximate minimum obligations for this Water Commitment over the next five years are:

December 31,	Amount (in thousands)
2024	$ 1,065
2025	1,108
2026	1,151
2027	1,196
2028	1,241

Grants - Utilities receives Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

NOTE 17 - CONTINGENCIES AND CLAIMS

Environmental Matters

Numerous federal, state, and local environmental laws and regulations affect Utilities' facilities and operations. Utilities monitors compliance with environmental laws and regulations on an ongoing basis. Utilities is not aware of any non-compliance or any pending claims related to environmental laws and regulations that would materially impact Utilities' financial position. Any capital improvements needed to stay in compliance with applicable environmental laws are planned in the normal operations of Utilities.

Risk Management

Utilities' Enterprise Risk Management group develops the process to identify, prioritize and report risks so that appropriate mitigation plans are developed and implemented to protect and enhance the business performance of Utilities. The process requires specific ri6sk policies and procedures to document risk mitigation plans and ongoing monitoring and communication.

As part of this broader enterprise risk process, Utilities manages an ongoing insurance risk management program, protecting against both property and casualty exposures where appropriate. Working with insurance providers and Utilities' operations, loss tolerances are identified and insured through the insurance carriers or are self-insured.

Utilities has insurance policies covering damages due to most types of major losses. Property insurance for physical damage is purchased commercially for Utilities' facilities and for most of the infrastructure (except for transmission lines, underground piping and dams), with a retention level of $1,000,000 per occurrence, with the exception of $5,000,000 for hail related losses, and separate deductibles for certain generating facility turbines with the highest at $3,500,000.

Utilities also purchases comprehensive information security and privacy "cyber" liability insurance, with a retention level of $1,000,000 per occurrence.

Utilities is covered under the Colorado Governmental Immunity Act for certain liability claims. The Colorado Governmental Immunity Act provides the maximum amount that may be recovered through tort claims under Colorado law of $424,000 for any injury to one person in any single occurrence and $1,195,000 for any injury to two or more persons in any single occurrence. To cover auto and general liability exposures not covered by the Colorado Governmental Immunity Act, Utilities purchases excess liability coverage, with a retention level of $1,000,000 per occurrence.

The City purchases an excess public employers' liability policy, which covers Utilities' public officials' liability, errors and omissions and employment practices liability with a retention level of $1,000,000 per occurrence.

During 2023, the following changes took effect in the Property policy: The deductible for the 7FA units at Front Range increased from $1,500,000 to $3,500,000 and the deductible for the remaining gas fired generating units and substations increased to $2,000,000 per occurrence. Further there were exclusions around cyber and sanctions – details provided upon request. Aside from these changes, there were no other significant reductions in insurance coverage as compared to 2022. In the past three years, no loss occurred that required settlements in excess of coverage.

During 2022, the following changes took effect in the Property policy: Front Range combustion turbines deductible increased to $1,500,000, flood deductible increased to $500,000 per location (13 locations specified) with a minimum deductible of $1,000,000. Aside from these changes, there were no other significant reductions in insurance coverage as compared to 2021. In the past three years, no loss occurred that required settlements in excess of coverage.

For 2023 and 2022 the following changes took effect in the Cyber policy: Insurance carriers changed.

Workers' compensation claims are self-insured and managed by City in-house staff. An excess workers' compensation liability insurance policy is purchased for statutory benefits in excess of $750,000 per occurrence. Utilities also contributes, along with the City, to a joint Workers' Compensation Self-Insurance Fund. Utilities' outstanding workers' compensation claims are reserved at $395,293 and $234,034 as of December 31, 2023, and 2022, respectively, under the City's self-insurance fund. The City believes that any liability arising out of unforeseen losses will not materially impact Utilities' financial position. This balance is not reflected on Utilities' Statements of Net Position.

Utilities is self-insured up to $400,000 per individual for medical and self-insured for a limited dental benefit and is fully insured for the vision plan. All plans provide covered employees and dependents the intended benefits detailed in the self-funded health plan documents. As part of this plan, Utilities pays claims and associated plan expenses through its Employee Benefits Self-Insurance Fund. During the course of the plan year, the contributions from Utilities and employees are expected to cover projected health care expenses while maintaining an adequately funded reserve account for Incurred But Not Reported ("IBNR"), Health Reimbursement Account ("HRA") and catastrophic claims.

Summary of the plan's ending balance as of December 31:

	2023	2022
	(in thousands)	
Health Plan	$ 12,336	$ 14,250
Less: Reserved for IBNR, HRA, catastrophic claims	(2,959)	(2,544)
Unreserved fund balance	$ 9,377	$ 11,706

Additionally, Utilities maintains a reinsurance policy through Cigna Health and Life Insurance Company, with a deductible of $400,000 per claim per plan year. Should a covered medical claim exceed $400,000 in a given plan year, the plan would be reimbursed by Cigna for the amount in excess of the deductible.

In 2022, it was determined that Utilities no longer needed to accrue an additional liability on its Statements of Net Position for public officials' general and auto liability claims. The City will record these reserves in their internal service fund.

Summary of change in claims:

	Injuries and Damages	Employee Benefits
	(in thousands)	
Unpaid Claims - December 31, 2021	$ 79	$ 2,348
2022 Increases	162	28,792
2022 Decreases	(241)	(28,638)
Unpaid Claims - December 31, 2022	—	2,502
2023 Increases	—	33,623
2023 Decreases	—	(32,728)
Unpaid Claims - December 31, 2023	$ —	$ 3,397

Legal Matters

The City Risk Manager estimates that the amount of liability for potential claims (taking into account such accrual, the Colorado Governmental Immunity Act, and insurance coverage as outlined in the Risk Management section) against Utilities would not materially affect the financial condition or operations of Utilities. Utilities has purchased insurance covering damages due to most types of major contingencies, subject to the limits in those policies and subject to the application of the Colorado Governmental Immunity Act.

Utilities enters into contracts with various contractors to design and construct facilities. On October 2, 2020, the City of Colorado Springs was served with a Summons in the matter of Myers & Sons Construction, L.P. v. City of Colorado Springs, Colorado and Colorado Springs Utilities, (now consolidated with Weifeld Group Contracting Inc. v. Myers and Sons Construction, L.P. et al.) arising from disputes related to the Utilities Mesa Water Treatment Plant Upgrades Project at what is now known as Utilities' Tollefson Water Treatment Plant and a contract between Utilities and Myers & Sons Construction, L.P. ("Myers"). The Complaint in the litigation alleges that Utilities breached its contract with Myers, that Utilities breached an implied covenant of good faith and fair dealing in the contract, asserts claims in quantum meruit, and asserts claims of unjust enrichment. While the complaint did not assert the amount of damages being asserted, Myers subsequently served Initial Disclosures that included an assertion of damages in the amount of approximately $13,000,000, and Myers currently claims damages of approximately $27,000,000. The City of Colorado Springs, on behalf of the City and Utilities, has filed an amended Answer and Jury Demand, asserting counterclaims against Myers for breach of contract, trust fund violation, and civil theft. The City recently filed a Motion for Summary Judgment and Determination of Questions of Law as to all claims by Myers, which is pending before the Court. A three-week jury trial is set to commence on April 10, 2024. The outcome of this litigation is unclear at this time.

Regulatory Matters

Utilities is subject to regulation by the City Council with respect to rates charged for services, budgeting, accounting, and other matters pertaining to regulated operations. As such, Utilities applies the provision of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("GASB 62").

Effective December 31, 2009, Utilities received approval to recognize a regulatory asset for SDS mitigation, engineering, and design expenditures specific to the monetary mitigation requirements of the Pueblo County 1041 permit, certain NEPA mitigations as required by the Bureau and Fremont County Mitigation that do not meet Utilities' capitalization requirements and would otherwise be expensed as incurred. There were no SDS mitigation expenditures in 2023 or 2022. The remaining unamortized balance of the regulatory asset was $28,017,251 and $34,798,795 as of December 31, 2023 and 2022, respectively.

Effective December 31, 2012, Utilities received the City Council's approval to recognize debt issuance costs as a regulatory asset in accordance with GASB 62. A regulated asset valued at $16,039,835 was established on January 1, 2013, for the unamortized balance of the debt issuance costs through December 31, 2012. In 2023 and 2022, additional debt issuance costs were $2,719,552 and $2,254,925, respectively. Debt issuance costs are amortized over the life of the bonds using the straight-line method and the expense is reported as other expense on the Statements of Revenues, Expenses and Changes in Net Position. The remaining unamortized balance was $18,382,189 and $18,085,624 as of December 31, 2023 and 2022, respectively.

Effective December 31, 2023, Utilities received the City Council's approval to recognize a regulatory asset for the Drake decommissioning and obsolete inventory expenses that do not meet Utilities' capitalization requirements and would otherwise be expensed as incurred. In 2023, these costs were $13,907,031.

NOTE 18 - TRANSFERS TO AND FROM THE CITY OF COLORADO SPRINGS

Utilities provides for surplus payments to the City, in lieu of taxes, based on a fixed rate per kWh (Kilo-watt hour) of electricity, Mcf (one-thousand cubic feet) at 14.65 psi of natural gas delivered and cf (cubic feet) of water delivered within the City limits, without exclusion for interdepartmental deliveries. The payments are recorded as Transfers out - surplus payments to the City on the Statements of Revenues, Expenses and Changes in Net Position. In addition, Utilities provides for other transfers when they enter into approved special contracts for water-related services that include a premium on fees and rates that benefit Utilities' ratepayers, fifty percent of the premium includes a surplus revenue and may be appropriated to the general revenues of the City by the City Council in the annual budget and Appropriation Ordinance pursuant to the City Charter.

At December 31, the amount of Transfers on the Statements of Revenues, Expenses and Changes in Net Position:

	2023	2022
	(in thousands)	
Transfers		
Transfers Out - Surplus Payments to the City		
Electric	$ 24,515	$ 25,671
Natural Gas	8,607	9,165
Water	2,176	2,443
Total Transfers Out - Surplus Payments to the City	35,298	37,279
Transfers To - Other		
Donala Water District Fee	—	84
Water Delivery to Security Water District	—	27
Water Augmentation to PF, LLC	—	1
Total Transfers To - Other	—	112
Total Transfers to the City	$ 35,298	$ 37,391

NOTE 19 - COMPONENT UNITS AND JOINT VENTURES

Component Units - City

Utilities is a participant in PACE, Fountain Valley Authority, Aurora-Colorado Springs Joint Water Authority and the Canal and Reservoir Companies. Each of these entities is treated as a component unit of the City for financial reporting purposes.

Public Authority for Colorado Energy - In June 2008, the City contracted to purchase approximately 20.0% of Utilities' natural gas supply needs for 30 years through a natural gas prepayment transaction with Merrill Lynch Commodities, Inc., Bank of America Corporation and Royal Bank of Canada that is financed by PACE non-recourse revenue bonds. PACE is obligated to pay the principal and interest on the PACE bonds. Utilities is obligated to purchase and pay for natural gas tendered for delivery by PACE at an index price minus a predetermined discount and is not obligated to make payments in respect to debt service on the PACE bonds.

Separate financial statements of the above component units, can be obtained from the Colorado Springs Utilities, Accounting Department, P.O. Box 1103, Mail Code 929, Colorado Springs, CO 80947-0929.

Fountain Valley Authority - The Fountain Valley Authority constructed a water treatment plant with 18,000,000 gallons per day capacity approximately 17 miles south of the City. Utilities acts as operator of the plant under contract with the Fountain Valley Authority. Utilities is entitled to receive approximately 71.4% of the water treated at the Fountain Valley Authority plant. The remaining water is available to the other Fountain Valley Authority participants, which include the City of Fountain, the Security Water District, the Stratmoor Hills Water District and the Widefield Water and Sanitation District, each of which owns and operates a water distribution system.

Under the applicable long-term contracts relating to the Fountain Valley Authority, Utilities is obligated to pay water treatment service charges to the Fountain Valley Authority and water conveyance service charges to the Bureau for conveyance of its water through the Bureau's Fountain Valley Conduit, which conveys raw water from the Pueblo Reservoir to the Fountain Valley Authority's treatment plant and treated water from the treatment plant to distribution reservoirs of the Fountain Valley Authority participants.

Aurora-Colorado Springs Joint Water Authority - The Aurora-Colorado Springs Joint Water Authority has constructed a 66-inch diameter pipeline from the Twin Lakes Dam, which is located approximately 12 miles south of Leadville, Colorado, to connect with the Otero Pumping Station intake pipeline located approximately 10 miles north of Buena Vista, Colorado. Utilities has a 66.7% participation share in the Aurora-Colorado Springs Joint Water Authority's project. This share was determined by the parties on the basis of their projected pumping demands, but no provision is made in the Aurora-Colorado Springs Joint Water Authority contracts for adjustments in participation shares if actual pumping demands differ from these projections. Therefore, it is possible that the transmission service charges to be paid by Utilities will be disproportionate to the water transmission service that Utilities is using during a particular time period.

Canal and Reservoir Companies - Utilities owns from 51.9% to 77.2% in four canal and reservoir companies, which include The Twin Lakes Reservoir and Canal Company, The Lake Meredith Reservoir Company, The Colorado Canal Company and The Lake Henry Reservoir Company. This ownership interest represents proportionate ownership and control of the companies' facilities and water rights. The water rights add significant physical water to the water supply portfolio in addition to allowing for exchange, storage, staging and delivery of Utilities' water supply.

Pursuant to GASB Statement No. 90, *Majority Equity Interests*, Utilities' performed an assessment of its investments which represent majority equity interests and determined that there are no material investment interests as of December 31, 2023 and 2022. An annual assessment is performed and any future material interests will be recorded in the period they are identified.

Joint Venture

Young Gas Storage Company, Ltd. ("Young") - Utilities has an equity interest of 5.0% in this joint venture. Young is a Colorado Limited Partnership organized on June 30, 1993, to develop and operate a natural gas storage system near Fort Morgan, Colorado. Young's natural gas storage system consists of 38 natural gas storage facility wells, a 6,000 horsepower compressor station, a natural gas processing plant, eleven miles of 20-inch transmission line and four miles of storage gathering line.

COLORADO SPRINGS UTILITIES
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

The net investment in Young reported on the Statements of Net Position as of December 31:

December 31,	Amounts Invested	Undistributed Net Earnings	Utilities' Investments
		(in thousands)	
2023	$ 500	$ 257	$ 757
2022	500	254	754

NOTE 20 - ASSET RETIREMENT OBLIGATIONS

Asset Retirement Obligations - Utilities records asset retirement obligations ("ARO") for its solid waste impoundments when a decommission date for a tangible capital asset it's related to is known. Utilities recognized AROs for Ray Nixon Power Plant 1's four solar evaporation ponds, one equalization basin, one southwest pond and one northwest pond, that according to the Colorado Department of Public Health and Environment (CDPHE's) Regulations Pertaining to Solid Waste Sites and Facilities (6 CCR 1007-2, Part 1, Section 9) require closure plan implementation when an impoundment is taken out of service.

The measurement of the ARO was based on the best estimate of the current value of outlays expected to be incurred and was provided by Utilities' environmental engineering staff. The associated costs are being amortized over the remaining useful life of Nixon 1, which is the decommissioning date of December 31, 2029. At December 31, 2023, the ARO deferred outflows was $6,440,117.

NOTE 21 - CHANGE IN ACCOUNTING PRINCIPLE

Utilities implemented GASB 96 effective with Financial Statements issued beginning January 1, 2023, required the effects of the implementation to be presented in the earliest period stated in the Financial Statements.Restatements made to the 2022 Financial Statements as result of the implementation of GASB 96:

	2022 (as previously reported)	GASB 96 Implementation	2022 (restated)
Statement of Net Position			
Current assets			
Prepaid expenses	$ 11,202	$ (1,383)	$ 9,819
Noncurrent assets			
Plant in service	6,733,008	19,386	6,752,394
Construction work in progress	430,062	295	430,357
Accumulated depreciation and amortization	(3,053,701)	(4,749)	(3,058,450)
Current liabilities			
Current portion of SBITAs liability	—	3,805	3,805
Noncurrent liabilities			
SBITAs liability	—	8,712	8,712
Net position			
Net invested in capital assets	2,053,237	2,415	2,055,652
Unrestricted	299,988	(1,383)	298,605
Statement of Revenues, Expenses and Changes in Net Position			
Operating and other expenses			
Administrative and general	$ 62,649	$ (6,058)	$ 56,591
Depreciation and amortization	163,486	4,749	168,235
Nonoperating revenues (expenses)			
Interest expense	(90,030)	(277)	(90,307)
Change in net position	348,807	1,032	349,839
Total net position, December 31	2,415,654	1,032	2,416,686
Statement of Cash Flows			
Cash flows from operating activities			
Payment to suppliers	$ (548,545)	$ 6,058	$ (542,487)
Cash flows from capital and related to financing activities			
Capital expenditures	(326,405)	(295)	(326,700)
SBITAs payments	—	(5,486)	(5,486)
Interest paid on SBITAs	—	(277)	(277)
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating income	360,948	1,309	362,257
Depreciation and amortization	163,486	4,749	168,235
Noncash investing, capital, and related financing activities			
Noncash acquisition of plant in service (incurrence of payable)	8,325	12,517	20,842

NOTE 22 - SUBSEQUENT EVENTS

Rate Changes - On November 14, 2023 City Council approved changes to the Electric, Natural Gas, and Water Rate Schedules, and changes to Utilities Rules and Regulations effective January 1, 2024. On January 9, 2024, City Council approved changes to the Gas Cost Adjustment rates effective January 15, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO SPRINGS UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
COLORADO PERA HEALTH CARE TRUST FUND
For the Years Ended December 31,
(Unaudited)

SCHEDULE OF UTILITIES' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)*

Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (in thousands)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2023	22.9 %	$ 229,437	$ 189,074	121.3 %	83.0 %
2022	23.5	(20,171)	176,404	(11.4)	101.5
2021	23.5	122,379	172,897	70.8	90.9
2020	23.5	172,137	162,454	106.0	86.3
2019	24.3	305,276	158,984	192.0	76.0
2018	24.2	269,286	153,008	176.0	79.4
2017	25.6	345,491	149,251	231.5	73.6
2016	25.3	278,733	143,704	194.0	76.9
2015	25.8	231,178	141,331	163.6	80.7

SCHEDULE OF UTILITIES' PENSION CONTRIBUTIONS*

Year	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess) (in thousands)	Utilities Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 28,016	$ 28,016	$ —	$ 203,898	13.7 %
2022	25,459	25,459	—	189,074	13.5
2021	23,285	23,285	—	176,404	13.2
2020	22,348	22,348	—	172,897	12.9
2019	20,599	20,599	—	162,454	12.7
2018	20,159	20,159	—	158,984	12.7
2017	19,401	19,401	—	153,008	12.7
2016	18,925	18,925	—	149,251	12.7
2015	18,222	18,222	—	143,704	12.7

*Information is not available for years prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of Utilities' measurement date (December 31 of the year prior to the most recent fiscal year) in accordance with GASB 68.

The accompanying notes are an integral part of the Required Supplementary Information.

SCHEDULE OF UTILITIES' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY*

Year	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered - Employee Payroll (in thousands)	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	1.8 %	$ 15,000	$ 189,074	7.9 %	38.6 %
2022	1.8	15,714	176,404	8.9	39.4
2021	1.8	16,993	172,897	9.8	32.8
2020	1.8	20,243	162,454	12.5	24.5
2019	1.9	25,620	158,984	16.1	17.0
2018	1.9	24,423	153,008	16.0	17.5

SCHEDULE OF UTILITIES' OPEB CONTRIBUTIONS*

Year	Statutorily Required Contributions	Contributions in relation to the Statutorily Required Contributions	Contribution Deficiency (Excess) (in thousands)	Utilities Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 2,080	$ 2,080	$ —	$ 203,898	1.0 %
2022	1,928	1,928	—	189,074	1.0
2021	1,799	1,799	—	176,404	1.0
2020	1,764	1,764	—	172,897	1.0
2019	1,657	1,657	—	162,454	1.0
2018	1,622	1,622	—	158,984	1.0

*Information is not available for years prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of Utilities' measurement date (December 31 of the year prior to the most recent fiscal year) in accordance with GASB 75.

The accompanying notes are an integral part of the Required Supplementary Information.

SCHEDULE OF CHANGES IN UTILITIES' TOTAL OPEB LIABILITY AND RELATED RATIOS*

	2023	2022	2021	2020	2019	2018
			(in thousands)			
Total OPEB Liability						
Beginning balance	$ 16,693	$ 17,448	$ 21,179	$ 19,228	$ 21,624	$ 21,390
Changes for the year:						
Service cost	1	7	12	11	23	20
Interest	29	357	565	764	723	786
Changes of benefit terms	—	—	—	—	—	—
Differences between expected and actual experience	(95)	—	(5,151)	(492)	(511)	(93)
Changes of assumptions or other inputs	(2,139)	100	1,988	2,877	(1,389)	785
Benefit payments	(1,172)	(1,219)	(1,145)	(1,209)	(1,242)	(1,264)
Net changes	(3,376)	(755)	(3,731)	1,951	(2,396)	234
Ending balance	$ 13,317	$ 16,693	$ 17,448	$ 21,179	$ 19,228	$ 21,624
Covered-employee Payroll	$ 667	$ 1,219	$ 1,183	$ 2,207	$ 3,530	$ 5,683
Total OPEB Liability as a percentage of covered-employee payroll	1996.6%	1369.4%	1474.9%	959.6%	544.7%	380.5%

*Information is not available for years prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of Utilities' measurement date (December 31 of the year prior to the most recent fiscal year) in accordance with GASB 75.

The accompanying notes are an integral part of the Required Supplementary Information.

SIGNIFICANT CHANGES IN PLAN PROVISIONS, ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION (MEASUREMENT DATE)

Colorado PERA Local Government Division Trust Fund

2022 Changes in Plan Provisions, Assumptions or Other Inputs Since 2021

The following legislation, enacted in 2022, was reflected to the extent possible in the actuarial valuation:

- HB 22-1029, effective upon enactment in 2022, requires the State treasurer to issue, in addition to the regularly scheduled $225 million (actual dollars) direct distribution, a warrant to PERA in the amount of $380 million (actual dollars) with reductions to future direct distributions. The July 1, 2023, direct distribution will be reduced by $190 million (actual dollars) to $35 million (actual dollars) due to a negative investment return in 2022.
- The total pension liability for the Local Government Division, as of the December 21, 2022, measurement date, was adjusted to reflect the disaffiliation, as allowable under C.R.S. § 24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2022, measurement date.

2021 Changes in Plan Provisions, Assumptions or Other Inputs Since 2020

- Member contribution rates increased by 0.50%
- Employer contribution rates increased by 0.50%
- Annual increase (“AI”) cap is lowered from 1.25% per year to 1.00% per year

2020 Changes in Plan Provisions, Assumptions or Other Inputs Since 2019

- Price inflation assumption was lowered from 2.40% to 2.30%
- Wage inflation assumption was lowered from 3.50% to 3.00%
- Salary scale assumptions were altered to align with the revised economic assumptions and to better reflect actual experience.
- Pre-retirement, post-retirement and disability mortality assumptions for active and retired lives were changed from static mortality tables represented by the RP-2014 Mortality tables, with adjustments for credibility and gender, to generational mortality tables represented by various tables presented in the *Pub-2010 Public Retirement Plans Mortality Tables Report*, projected using MP-2019 projection scale and adjusted for credibility and gender. In addition, a separate beneficiary mortality table was adopted.
- Rates of termination/withdrawal, retirement and disability were revised to more closely reflect actual experience.

2019 Changes in Plan Provisions, Assumptions or Other Inputs Since 2018

- Senate Bill (SB) 18-200 was enacted on June 4, 2018, which included the adoption of the automatic adjustment provision (AAP). The following changes reflect the anticipated adjustments resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020:
  - Member contribution rates increase by 0.50%
  - Employer contribution rates increase by 0.50%
  - AI cap is lowered from 1.50% per year to 1.25% per year.
- House Bill (HB) 19-1217, enacted May 20, 2019, repealed the member contribution increases scheduled for the Local Government Division pursuant to SB 18-200.

2018 Changes in Plan Provisions, Assumptions or Other Inputs Since 2017

The following changes were made to the plan provisions as part of SB 18-200:

- Member contribution rates increase by 0.75% effective July 1, 2019, an additional 0.75% effective July 1, 2020 and an additional 0.50% effective July 1, 2021.
- Annual Increase (Al) cap is lowered from 2.00% per year to 1.50% per year.
- Initial AI waiting period is extended from one year after retirement to three years after retirement.
- AI payments are suspended for 2018 and 2019.
- The number of years used in the Highest Average Salary calculation for non-vested members as of January 1, 2020, increases from three to five years for the Local Government Division.

2017 Changes in Plan Provisions, Assumptions or Other Inputs Since 2016

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

2016 Changes in Plan Provisions, Assumptions or Other Inputs Since 2015

- The Investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The post-retirement mortality assumption for healthy lives was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73.0% factor applied to ages below 80 and a 108.0% factor applied to age 80 and above, projected to 2018, for males and a 78.0% factor applied to ages below 80 and a 109.0% factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90.0% of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70.0% factor applied to male rates and a 55.0% factor applied to female rates.
- The rates of retirement, withdrawal and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35% to 0.40%.
- The single equivalent interest rate was lowered from 7.50% to 7.25%, reflecting the change in the long-term expected rate of return.

2015 Changes in Plan Provisions, Assumptions or Other Inputs Since 2014

The following programming changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage
- Reflection of the employer match on separation benefits for all eligible years
- Reflection of one year of service eligibility for survivor annuity benefit
- Refinement of the 18-month annual increase timing
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year
- Elimination of the assumption that 35.0% of the future disabled members elect to receive a refund
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year

2014 Changes in Plan Provisions, Assumptions or Other Inputs Since 2013

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

Colorado PERA Health Care Trust Fund

2022 Changes in Plan Provisions, Assumptions or Other Inputs Since 2021

- The total OPEB liability for the Health Care Trust Fund (HCTF), as of the December 31,2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S §24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2022, measurement date.

2021 Changes in Plan Provisions, Assumptions or Other Inputs Since 2020

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

2020 Changes in Plan Provisions, Assumptions or Other Inputs Since 2019

- Price inflation assumption was lowered from 2.40% to 2.30%
- Wage inflation assumption was lowered from 3.50% to 3.00%
- Salary scale assumptions were altered to align with the revised economic assumptions and to better reflect actual experience.
- Pre-retirement, post-retirement and disability mortality assumptions for active and retired lives were changed from static mortality tables represented by the RP-2014 Mortality tables, with adjustments for credibility and gender, to a generational mortality tables represented by various tables presented in the *Pub-2010 Public Retirement Plans Mortality Tables Report*, projected using MP-2019 projection scale and adjusted for credibility and gender. In addition, a separate beneficiary mortality table was adopted.
- Rates of termination/withdrawal, retirement and disability were revised to more closely reflect actual experience.
- Health care cost and trend assumptions were updated for December 31, 2019 funding valuation and reflected in the TOL as of the December 31, 2020 measurement date.

2019 Changes in Plan Provisions, Assumptions or Other Inputs Since 2018

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

2018 Changes in Plan Provisions, Assumptions or Other Inputs Since 2017

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

2017 Changes in Plan Provisions, Assumptions or Other Inputs Since 2016

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

Utilities' Single-Employer OPEB Plan

2022 Changes in Assumptions or Other Inputs Since 2021

- The discount rate was updated from 2.06% to 3.72%
- The mortality projection scale was updated from MP-2019 to MP-2021 to reflect the Society of Actuaries' recent mortality study.
- None of the termination or retirement probabilities were updated as a new experience study has not been created since 2020 for the CoPERA valuation.

2021 Changes in Assumptions or Other Inputs Since 2020

- The discount rate was updated from 2.12% to 2.06%
- The retirement, termination and salary scale rates were updated to the rates from PERA as of December 31, 2021.

2020 Changes in Assumptions or Other Inputs Since 2019

- The discount rate was updated from 2.74% to 2.12%.
- The retirement, termination and salary scale rates were updated to the rates from PERA as of December 31, 2020.
- The mortality assumption was updated from RP-2014 mortality table with generational scale MP-2018 to Pub-2010 mortality table with generational scale MP-2020 to reflect the Society of Actuaries' recent mortality study.
- Trend rates were reset to 6.25% grading down by 0.25% to 4.0%. The Part B premium ultimate rate used was changed to 4.0%.

2019 Changes in Assumptions or Other Inputs Since 2018

- The discount rate decreased from 4.10% to 2.74% based on changes in the 20-year municipal bond rate.
- The future trend rates on the PERA premiums were lowered.

2018 Changes in Assumptions or Other Inputs Since 2017

- The discount rate increased from 3.44% to 4.10%, based on changes in the 20-year municipal bond rate.
- Future trend rates for PERA and Medicare Part B premiums were updated.

2017 Changes in Assumptions or Other Inputs Since 2016

- The discount rate decreased from 3.78% to 3.44%, based on changes in the 20-year municipal bond rate.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

To the Audit Committee of
Colorado Springs Utilities

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Colorado Springs Utilities', an enterprise fund of the City of Colorado Springs, Colorado, which comprise the statement of net position as of December 31, 2023, and the statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 5, 2024. Our report includes an emphasis of matter paragraph because of the adoption of the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* effective January 1, 2023. Our opinion is not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Colorado Springs Utilities' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Colorado Springs Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Colorado Springs Utilities' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colorado Springs Utilities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Madison, Wisconsin
April 5, 2024


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Colorado Springs Utilities

It's how we're all connected