

UPPER BLUE SANITATION DISTRICT
BRECKENRIDGE, COLORADO

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016



RECEIVED

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**UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2016

ROSTER OF OFFICIALS

BOARD OF DIRECTORS

Barrie Stimson – Board President
Patricia Theobald – Board Vice President
Allyn Mosher – Board Secretary/Treasurer
Jeremy Fischer – Member
Jason Hart – Member

KEY EMPLOYEES

Andrew Carlberg – District Manager
Marjorie Covey – Administrative Manager
Earl Picard – Chief Plant Operator
Wally Esquibel – Collection System Foreman

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FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

UPPER BLUE SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Required Supplementary Information (RSI) December 31, 2016

The discussion and analysis of the Upper Blue Sanitation District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to broaden their understanding of the District's financial performance.

Financial Highlights

The District offers sanitary sewer services to the Town of Breckenridge and surrounding areas. The District's assets exceeded its liabilities at the close of 2016 by \$90,151,112 (*net position*), which is an increase of \$4,459,522 from the prior year. Of this amount \$22,916,901 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.

The District's policy is not to impose property taxes. The District may have large fund balances from time-to-time, but those funds are allocated to new capital projects and replacement capital projects. Those capital projects are identified in the District's ten year financial master plan.

The District had total revenues of \$10,743,254 in 2016 versus 2015 revenues of \$12,232,715. There was a decrease in 2016 revenues in the amount of \$1,489,461. The main decrease from 2015 was due to a decrease in Plant Investment Fees in the amount of \$1,527,415 and Inclusion Fees in the amount of \$111,315.

In 2016, there was operating income from operations in the amount of \$5,746,211 and other income in the amount of \$4,997,043. The District's total operating revenues increased in 2016 by \$144,042 from 2015. The main increase in 2016 operating revenue was the increase in Sewer User Charges in the amount of \$106,308 and Line Extension Fees in the amount of \$34,318. Investment Earnings increased in 2016 by \$5,227 from 2015. In 2015, there was operating income from operations in the amount of \$5,602,169 and other income in the amount of \$6,630,546. Capital contributions from Plant Investment Fees in the amount of \$4,538,727 for 2016 and \$6,066,142 for 2015.

Using the Basic Financial Statements

The Basic Financial Statements consists of Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements, The Statement of Net Position and The Statement of Activities are government-wide financial statements. Both provide long and short-term information about the District's overall financial status.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during 2016. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail. The governmental fund statements tell how general District services were financed in the short term as well as what remains for future spending.

The District has the following governmental funds:

The District operates as a proprietary fund. Proprietary Fund statements offer short and long-term financial information about the activities that the District operates as a business enterprise.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private businesses. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it may have changed. The change in net position is important because it shows the reader whether, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of various factors, some financial, some not. Non-financial factors include facility conditions and state or federal required programs.

In the Statement of Net Position and the Statement of Activities, the District's proprietary fund is shown as a business-type activity.

Business-Type Activities:

The District's business-type activities consist of its sewer operations. The District provides sanitary sewer services using owned facilities throughout its service area. The District's sewer operations are supported primarily by charges for sewer services and by system expansion and plant investment fees.

Financial Analysis of the District as a Whole

Net Position increased in 2016 by \$4,459,522 to \$90,151,112 and in 2015 by \$6,060,462 to \$85,691,590. This was the result of a decrease in the long term loan payable in the amount of \$5,017,914 in 2016.

Cash, Cash equivalents and investments of the District at December 31, 2016 totaled \$23,214,209, which represents 25.07% of the District's total assets, and at December 31, 2015 Cash, Cash equivalents and investments totaled \$24,018,151 which represents 25.57% of the District's total assets.

The District's Capital assets, net of accumulated depreciation, at December 31, 2016 totaled \$67,676,395 , which represents 73.08% of the District's total assets as of December 31, 2016; and at December 31, 2015 Capital assets, net of accumulated depreciation totaled \$68,256,422, which represents 72.67% of the District's total assets as of December 31, 2015.

Net Position

A summary of District's net position at December 31, 2016 is as follows:

Condensed Statement of Net Position

Condensed Statement of Net Position		
	2016	2015
Current Assets	\$ 23,588,932	\$ 24,331,812
Non Current Assets		
Cash and Investments	1,030,000	1,036,000
Capital Assets - Net	67,676,395	68,256,422
Other	306,033	303,490
Total Assets	<u>92,601,360</u>	<u>93,927,724</u>
Current Liabilities	1,085,447	1,853,419
Non Current Liabilities - Loan Payable	1,364,801	6,382,715
Total Liabilities	<u>2,450,248</u>	<u>8,236,134</u>
Net Position		
Net Investment in Capital Assets	66,204,211	60,752,339
Restricted	1,030,000	1,036,000
Unrestricted	22,916,901	23,903,251
Total Net Position	<u>\$ 90,151,112</u>	<u>\$ 85,691,590</u>

The following summarizes the District's change in net position during the year:

Condensed Statement of Activities		
	2016	2015
Revenues		
Program Revenues:		
Charges for Services	\$ 5,746,211	\$ 5,602,169
Capital Grants and Contributions	4,960,953	6,599,683
Total Program Revenues	<u>10,707,164</u>	<u>12,201,852</u>
General Revenues		
Investment Earnings	36,090	30,863
Total Revenues	<u>10,743,254</u>	<u>12,232,715</u>
Expenses		
Wastewater Operations	<u>6,263,876</u>	<u>6,086,848</u>
Change in Net Position	<u>4,479,378</u>	<u>6,145,867</u>
Net Position, Beginning	85,691,590	79,545,723
Prior Period Adjustment	(19,856)	-
Net Position, Beginning (Restated)	<u>85,671,734</u>	<u>79,545,723</u>
Net Position, Ending	<u>\$ 90,151,112</u>	<u>\$ 85,691,590</u>

Reporting the District's Most Significant Funds

The analysis of the District's major fund immediately follows the government-wide statements. Fund financial reports provide detailed information about the District's major fund. The District's major fund is its Proprietary Fund.

Net operating income for 2016, before depreciation, was approximately \$95,152 less than 2015 operating income. The decrease in operating income in 2016 was due to an increase in the 2016 operating expenses in the amount of \$365,524. The net operating income for 2015, before depreciation was approximately \$103,661 more than 2014 operating income.

Non-operating revenues and Capital Contributions for 2016 were approximately \$1,445,007 less than 2015. This was a result of a decrease in Capital Contributions in the amount of \$1,527,415. Non-operating revenues and Capital Contributions for 2015 were approximately \$2,955,004 more than 2014.

The District's policy is not to impose property taxes. The District may have large fund balances from time-to-time, but those funds are allocated to new capital projects and replacement capital projects. Those capital projects are identified in the District's ten year financial master plan.

Budget and Actual Comparisons

Actual revenues exceeded budgeted revenues by \$2,168,254 in 2016. Actual revenues exceeded budgeted revenues by \$5,770,716 in 2015. Plant Investment Fees exceeded the budgeted amount by \$1,538,727 in 2016. Plant Investment Fees exceeded the budgeted amount by \$5,066,142 in 2015.

Actual expenditures were approximately \$1,216,714 more than budgeted in 2016 and \$2,526,014 less than budgeted in 2015. Significant variations to budget are as follows:

- Administrative expenses were approximately \$319,020 less than budgeted in 2016 and approximately \$408,969 less than budgeted in 2015.
- Plant expenses were approximately \$55,298 less than budgeted in 2016 mainly due to Iowa Hill and Farmers Korner utilities, Farmers Korner Chemicals, and sludge hauling expenses being less than budgeted. For 2015 plant expenses were approximately \$191,753 less than budgeted mainly due to utilities, Iowa Hill equipment repairs & Chemicals, and sludge hauling expenses being less than budgeted.
- Replacement capital expenditures were approximately \$1,504,387 less than budgeted in 2016 and approximately \$772,043 less than budgeted in 2015.
- Capital outlay for 2016 was approximately \$1,626,505 less than budgeted and approximately \$1,107,754 less than budgeted in 2015. See discussion below.

Capital Assets

Replacement Capital

In Collections, repairs and line replacement projects were undertaken to help address infiltration and inflow problems. The main sewer interceptor was cleaned and inspected.

At the Farmers Korner plant the District did some centrifuge drive rehabilitation, the south plant blower soft starts and backwash pumps were replaced, and the non-potable water lines in the north plant were replaced.

At the Iowa Hill plant the District did some rehabilitation on the generator, blower replacement, plant flooring replacement along with sealant on the floor, carpet replacement in the administration office, and turbidity/PH meter replacement.

New Capital

In Collections, the District continued the extension of central sewer in the Coronet Subdivision in the Town of Blue River in the amount of \$121,169.40. Future sewer line extensions are planned for the Town of Blue River in 2017. A new push camera was purchased along with software for the TV camera.

At the Farmers Korner plant the District added new telemetry scada.

At the Iowa Hill plant the District designed nitrogen removal for the new nutrient regulations.

The District depreciates its capital assets. See Note 1 of Notes to Financial Statements-summary of Significant Account Policies-Capital Assets on page 7 and Note 4 of Notes to Financial Statements-Capital Assets on page 12.

The following is a summary of capital asset activity:

	<u>Balance</u>			<u>Balance</u>
	<u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/16</u>
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 818,182	\$ 1,141	\$ -	\$ 819,323
Capital Assets Being Depreciated:				
Buildings	138,162	15,741	-	153,903
Treatment Plants	78,048,496	701,939	-	78,750,435
Upper Blue River System	6,324,339	140,586	-	6,464,925
Sewer Lines and Mains	14,010,758	916,901	-	14,927,659
Equipment and Vehicles	1,947,345	25,942	-	1,973,287
Employee Housing	<u>1,038,191</u>	<u>-</u>	<u>-</u>	<u>1,038,191</u>
Total Capital Assets Being Depreciated	<u>101,507,291</u>	<u>1,801,109</u>	<u>-</u>	<u>103,308,400</u>
Accumulated Depreciation:				
Buildings	(8,290)	(4,337)	-	(12,627)
Treatment Plants	(23,644,756)	(1,749,132)	-	(25,393,888)
Upper Blue River System	(1,806,221)	(128,776)	-	(1,934,997)
Sewer Lines and Mains	(6,748,166)	(335,404)	-	(7,083,570)
Equipment and Vehicles	(1,508,633)	(143,864)	-	(1,652,497)
Employee Housing	<u>(352,985)</u>	<u>(20,764)</u>	<u>-</u>	<u>(373,749)</u>
Total Accumulated Depreciation	<u>(34,069,051)</u>	<u>(2,382,277)</u>	<u>-</u>	<u>(36,451,328)</u>
Capital Assets Being Depreciated, net	<u>67,438,240</u>	<u>(581,168)</u>	<u>-</u>	<u>66,857,072</u>
Total Capital Assets	<u>\$ 68,256,422</u>	<u>\$ (580,027)</u>	<u>\$ -</u>	<u>\$ 67,676,395</u>

Long-Term Debt

A principal payment of \$5,925,277 was made during 2016 and \$964,010 during 2015 on the CWRPDA notes along with \$114,418 in 2016 and \$302,914 in 2015 in interest. In 2005, the District entered into a second loan agreement to finance the construction of the pump-back system. In 2007, the Board of Directors decided not to continue to pursue the pump-back and the CWRPDA agreed to allow the funds to be used to expand the facilities at Farmers Korner.

The District fully paid the CWRPDA 1997 and 2005 loans in April 2016. See Notes to Financial Statements, Note 6-Long Term Debt on pages 14 & 15 and the Schedule of Debt Service Requirements to Maturity on page 15.

	Balance 12/31/15	Advances	Payments	Balance 12/31/16	Current Portion	Interest Expense
Notes Payable:						
1997 CWRPDA	\$ 1,111,937	\$ -	\$ 1,111,937	\$ -	\$ -	\$ 21,360
2005 CWRPDA	4,720,000	-	4,720,000	-	-	63,250
2010 CWRPDA	1,553,357	-	93,340	1,460,017	95,216	29,808
Total Long-Term Debt	\$ 7,385,294	\$ -	\$ 5,925,277	\$ 1,460,017	\$ 95,216	\$ 114,418

The Future of the District

New water quality regulations in the State of Colorado could require the District to modify the treatment plants within five to eight years. The new regulations could require capital treatment additions which could cost the District approximately 40 million dollars. The District has reserved funds in the ten year master plan for the new water quality regulations.

Request for Information

The financial report is designed to provide information for regulatory reporting to federal and state agencies and those with an interest in the District's finances. Questions concerning this or any additional information should be addressed to Andrew Carlberg, District Manager, Upper Blue Sanitation District, PO Box 1216, 1605 Airport Road, Breckenridge, CO 80424-1216.

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

Board of Directors
Upper Blue Sanitation District
Breckenridge, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the Upper Blue Sanitation District, as of and for the year ended December 31, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Upper Blue Sanitation District, as of December 31, 2016, and the changes in financial position, and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Upper Blue Sanitation District's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information – Management Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages i-viii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedule listed as other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Holscher, Maybury + Company, LLC

Englewood, Colorado
June 7, 2017

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BASIC FINANCIAL STATEMENTS

UPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

STATEMENT OF NET POSITION
December 31, 2016
(With Comparative Totals for December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Equivalents	\$ 19,562,588	\$ 20,376,845
Investments	3,651,621	3,641,306
Accounts Receivable	35,337	13,668
Prepaid Expenses	158,150	147,907
Restricted Cash & Investments	181,236	152,086
Total Current Assets	<u>23,588,932</u>	<u>24,331,812</u>
Noncurrent Assets		
Capital Assets, not being depreciated	819,323	818,182
Capital Assets, being depreciated (net)	66,857,072	67,438,240
Notes and Other Receivables	306,033	303,490
Restricted Cash & Investments	1,030,000	1,036,000
Total Noncurrent Assets	<u>69,012,428</u>	<u>69,595,912</u>
Total Assets	<u>92,601,360</u>	<u>93,927,724</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	660,910	461,538
Accrued Compensated Absences	124,709	116,677
Accrued Interest Payable	12,167	118,789
Deposits and Escrow Balances	1,750	1,750
Deposits and Escrow Balances - Restricted Resources	181,236	152,086
Current Portion - Notes Payable	95,216	1,002,579
Total Current Liabilities	<u>1,085,447</u>	<u>1,853,419</u>
Noncurrent Notes Payable	<u>1,364,801</u>	<u>6,382,715</u>
Total Liabilities	<u>2,450,248</u>	<u>8,236,134</u>
NET POSITION		
Net Investment in Capital Assets	66,204,211	60,752,339
Restricted:		
For Operations and Maintenance Reserve	1,030,000	1,036,000
Unrestricted	22,916,901	23,903,251
Total Net Position	<u>\$ 90,151,112</u>	<u>\$ 85,691,590</u>

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

UPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
User Charges	\$ 5,466,844	\$ 5,360,536
Inspection Fees	11,300	12,000
Line Extension Fees	175,595	141,277
Rental Income	33,300	37,720
Other Charges	<u>59,172</u>	<u>50,636</u>
Total Operating Revenues	<u>5,746,211</u>	<u>5,602,169</u>
OPERATING EXPENSES		
Administrative	1,922,480	1,873,741
Operating - Iowa Hill	461,547	157,653
Operating - Farmers Korner	1,064,470	1,288,200
Operating - South Blue	36,285	-
Operating - Collection System	282,400	208,394
Depreciation Expense	<u>2,382,276</u>	<u>2,255,946</u>
Total Operating Expenses	<u>6,149,458</u>	<u>5,783,934</u>
Income (Loss) from Operations	<u>(403,247)</u>	<u>(181,765)</u>
NONOPERATING INCOME (EXPENSE)		
Investment Earnings	36,090	30,863
Inclusion Fees	422,226	533,541
Interest Expense	<u>(114,418)</u>	<u>(302,914)</u>
Total Nonoperating Income (Expense)	<u>343,898</u>	<u>261,490</u>
CAPITAL CONTRIBUTIONS		
Plant Investment Fees	<u>4,538,727</u>	<u>6,066,142</u>
Change in Net Position	<u>4,479,378</u>	<u>6,145,867</u>
NET POSITION, Beginning	85,691,590	79,545,723
Prior Period Adjustment	<u>(19,856)</u>	<u>-</u>
NET POSITION, Beginning (As Restated)	<u>85,671,734</u>	<u>79,545,723</u>
NET POSITION, Ending	<u>\$ 90,151,112</u>	<u>\$ 85,691,590</u>

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

UPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash Receipts from Customers	\$ 5,763,151	\$ 5,623,083
Cash Payments to Suppliers	(2,069,785)	(2,083,825)
Cash Payments to Employees	(1,520,092)	(1,467,272)
Net Cash Flows from Operating Activities	<u>2,173,274</u>	<u>2,071,986</u>
Cash Flows from Capital and Related Financing Activities:		
Plant Investment Fees	4,538,727	6,066,142
Inclusion Fees	422,226	541,853
Acquisition and Construction of Capital Assets	(1,802,249)	(1,263,203)
Principal Paid on Loans	(5,925,277)	(964,010)
Change in O & M Reserve	6,000	(3,000)
Interest Paid on Loans	(221,040)	(315,968)
Net Cash Flows from Capital and Related Financing Activities	<u>(2,981,613)</u>	<u>4,061,814</u>
Cash Flows from Investing Activities:		
Proceeds from Sale (Purchases) of Investments	(39,465)	17,043
Payments (Advances) on Notes Receivable	(2,543)	91,612
Investment Earnings	36,090	30,863
Net Cash Flows from Investing Activities	<u>(5,918)</u>	<u>139,518</u>
Net Increase (Decrease) in Cash and Equivalents	(814,257)	6,273,318
CASH AND EQUIVALENTS, Beginning	<u>20,376,845</u>	<u>14,103,527</u>
CASH AND EQUIVALENTS, Ending	<u>\$ 19,562,588</u>	<u>\$ 20,376,845</u>
Reconciliation of Income (Loss) from Operations to Net		
Cash Flows from Operations:		
Income (Loss) from Operations	<u>\$ (403,247)</u>	<u>\$ (181,765)</u>
Adjustments required to reconcile operating income (loss) to net cash flows from operations		
Depreciation	2,382,276	2,255,946
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(21,669)	39,064
(Increase) Decrease in Prepaid Expenses	(10,244)	43,348
Increase (Decrease) in Accounts Payable	179,517	(58,168)
Increase (Decrease) in Accrued Compensated Absences	8,032	(8,289)
Increase (Decrease) in Deposits and Escrow Balances	29,150	(18,150)
Total Adjustments	<u>2,576,521</u>	<u>2,253,751</u>
Net Cash Flows from Operating Activities	<u>\$ 2,173,274</u>	<u>\$ 2,071,986</u>
Schedule of Non-Cash Transactions:		
During the 2015 fiscal year, the District determined that the rate inclusion fees for Blue River inclusion fees did not coincide with actual costs and reduced those fees retroactive to 2008. The District recorded a payable for this amount as of December 31, 2015. The 2016 amount shown is the amount of interest credits granted.	<u>\$ 19,856</u>	<u>\$ 93,718</u>

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

**UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Upper Blue Sanitation District (the District) is a Colorado governmental unit operating in accordance with Colorado statute. The District was established to provide sewer treatment services to properties located within its boundaries. The significant accounting policies utilized are detailed below.

Financial Reporting Entity

Pursuant to the GASB Codification, the District applies the criteria outlined commencing at Section 2100.119, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents, and the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units.

The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to: fiscal dependency, imposition of will, legal standing, and the primary recipient of services. Based on these criteria, the District has no includable component units. The District is also not included in the financial statements of any other entity.

Basis of Accounting

Enterprise fund accounting is utilized in accordance with accounting principles generally accepted in the United States of America. Enterprise funds recognize revenues and expenses on the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when incurred.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Accounting (Continued)

The District follows the provisions of Governmental Accounting Standards Board (*GASB*) *Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*. *Statement No. 34* establishes standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted.

Cash and Equivalents

For purposes of the statement of cash flows, the District treats all demand and money market bank accounts as cash and equivalents.

Investments

The District records investments at fair value. Gains or losses on the sale of investments are recognized when the investment is sold.

Capital Assets

Assets are stated at cost; developers cost, or estimated fair market value at the time of dedication. The capitalization threshold for capital assets is \$5,000. Depreciation is computed using the straight-line method over the asset's estimated useful life ranging from five to fifty years. Depreciation begins in the year following completion for assets under construction.

Comparative Information

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. This information may have been reclassified from its original presentation for comparative purposes.

Budgets

Each fall the Board of Directors adopts a budget and appropriates funds for the following calendar year. Unused appropriations lapse at year-end.

**UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets (Continued)

An amendment to budget through supplemental appropriation is subject to approval of the Board of Directors at a public hearing and the filing of the approved supplemental appropriation with the State of Colorado. There were no budget amendments in 2016.

The basis of these budgets is non-GAAP, in that revenues and expenditures are budgeted on the modified accrual basis of accounting. This budgetary basis includes plant investment fees as revenues (contributed capital for GAAP), and expenditures include loan principal paid and capital outlay, but exclude depreciation.

Compensated Absences

The District allows employees to accumulate unused vacation, sick leave and compensatory time up to specified maximum limits. The District accrues such benefits in the period in which they are earned.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the period. Actual results could differ from those estimates.

Equity

Equity is classified as net position and displayed in three components:

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets". This net position is available for future operations or distributions.

It is the District's policy to fund operations through the most restricted available equity first.

**UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

Note 2: CASH AND INVESTMENTS

Cash deposits and investments are comprised of and are allocated on the December 31, 2016 statement of net position as follows:

Cash Deposits and On Hand	\$ 20,773,824
Investments	<u>3,651,621</u>
Total Cash and Investments	<u>\$ 24,425,445</u>
Cash and Equivalents	\$ 19,562,588
Investments	3,651,621
Restricted Cash and Investments	<u>1,211,236</u>
Total Cash and Investments	<u>\$ 24,425,445</u>

CASH DEPOSITS

At December 31, 2016, the District's cash deposits had bank and carrying balances as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Collateralized (Not in the District's Name)	20,526,521	20,523,624
Petty Cash	<u>-</u>	<u>200</u>
Total Cash Balances	<u>\$ 20,776,521</u>	<u>\$ 20,773,824</u>

Custodial Credit Risk – Deposits

Deposits are exposed to custodial credit risk (the risk that, in the event of the failure of a depository financial institution, the government would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party), if they are not covered by depository insurance and are collateralized with securities held by the pledging financial institution, except for deposits collateralized by certain types of collateral pools including a single financial institution collateral pool where the fair value of the pool is equal to or exceeds all uninsured public deposits held by the financial institution (e.g. deposits insured by The Public Deposit Protection Act, (PDPA)). Accordingly, none of the District's deposits at December 31, 2016, are deemed to be exposed to custodial credit risk.

**UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

Note 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS

Credit Risk

Eligible investments shall conform to state law and may include any of the following:

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

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2016 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Weighted Avg. Maturity (Yrs)</u>	<u>Rating</u>
Local Govt Pool - Colotrust	\$ -	\$ 3,651,621	\$ -	\$ 3,651,621	N/A	AAA
Total Investments	\$ -	\$ 3,651,621	\$ -	\$ 3,651,621	N/A	

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

- Investment Pools – Valued at the proportionate share of ownership of the quoted market prices of the underlying assets.

At December 31, 2016, the District had invested in the Colorado Local Government Liquid, Asset Trust (COLOTRUST), a local government investment pool. As an Investment pool, COLOTRUST operates under the Colorado Revised Statutes (2476-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST invests in securities that are specified by the Colorado Revised Statutes (2475-601). Authorized securities included US Treasuries, US Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). COLOTRUST operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. COLOTRUST is rated AAA by the Standard & Poor's Corporation. A designated custodial bank provides banking services and trust custody for securities held on behalf of the participating governments in COLOTRUST. The custodian's internal records identify

**UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

the investments owned by the participating governments.
Note 2: CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptance of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to decline in fair value due to rising interest rates, the District's investment policy requires that the majority of its investments have a maturity date of 1 year or less.

Concentration of Credit Risk

Investments must be in accordance with Colorado statutes and no more than 80% of the total portfolio may be invested in any single type of investment. Investments in any one financial institution may not exceed 30% of the District's portfolio unless the investments are obligations of the United States Government.

RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments for the operations and maintenance reserve for 2016 represent an amount equal to three months of 2017 budgeted operating expenses as required by the 1997, 2005, and 2010 loan agreements with the Colorado Water Resources and Power Development Authority (CWRPDA) (see Note 5). These monies, per agreement with CWRPDA, can be used for emergency operating purposes, if necessary. The District has also restricted funds it has on deposit in escrow per developer agreements. The amount held in construction retainage escrow ultimately belongs to the contractor and a retainage payable account has been established to offset this amount.

Developer Escrow Balances	\$ 181,236
CWRPDA O&M Reserves	<u>1,030,000</u>
Total Restricted Cash and Investments	<u>\$ 1,211,236</u>

**UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

Note 3: NOTES RECEIVABLE

The District provides financing related to new system connections. The property owner must sign a promissory note for the amount of the financed fees. The promissory notes generally require 32 quarterly payments and can be prepaid at any time and bear interest at 5.25%. The District had 18 outstanding notes with a value of \$306,033 at year end and recognized \$16,776 of interest on the notes. There was \$15,311 of outstanding required loan payments at year-end. The District has not recorded an allowance against the outstanding balance.

Note 4: CAPITAL ASSETS

Summaries of changes to capital assets for 2016 are as follows:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/16</u>
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 818,182	\$ 1,141	\$ -	\$ 819,323
Capital Assets Being Depreciated:				
Buildings	138,162	15,741	-	153,903
Treatment Plants	78,048,496	701,939	-	78,750,435
Upper Blue River System	6,324,339	140,586	-	6,464,925
Sewer Lines and Mains	14,010,758	916,901	-	14,927,659
Equipment and Vehicles	1,947,345	25,942	-	1,973,287
Employee Housing	<u>1,038,191</u>	<u>-</u>	<u>-</u>	<u>1,038,191</u>
Total Capital Assets Being Depreciated	<u>101,507,291</u>	<u>1,801,109</u>	<u>-</u>	<u>103,308,400</u>
Accumulated Depreciation:				
Buildings	(8,290)	(4,337)	-	(12,627)
Treatment Plants	(23,644,756)	(1,749,132)	-	(25,393,888)
Upper Blue River System	(1,806,221)	(128,776)	-	(1,934,997)
Sewer Lines and Mains	(6,748,166)	(335,404)	-	(7,083,570)
Equipment and Vehicles	(1,508,633)	(143,864)	-	(1,652,497)
Employee Housing	<u>(352,985)</u>	<u>(20,764)</u>	<u>-</u>	<u>(373,749)</u>
Total Accumulated Depreciation	<u>(34,069,051)</u>	<u>(2,382,277)</u>	<u>-</u>	<u>(36,451,328)</u>
Capital Assets Being Depreciated, net	<u>67,438,240</u>	<u>(581,168)</u>	<u>-</u>	<u>66,857,072</u>
Total Capital Assets	<u>\$ 68,256,422</u>	<u>\$ (580,027)</u>	<u>\$ -</u>	<u>\$ 67,676,395</u>

**UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

Note 4: CAPITAL ASSETS (Continued)

Depreciation expense for the year ended December 31, 2016 was \$2,382,277.

Note 5: COMMITMENTS AND CONTIGENCIES

Prepaid Plant Investment Fees

The District has received prepaid plant investment fees for approximately 55 single-family equivalent plant investment connections. The District is not required to repay the fees but is required to provide service without additional cash payment from the property owners. During the fiscal year, the District converted 10.73 prepaid connections to active connections.

Summit County Fee Credit

The District received a water right decree in 1997 that contained various provisions and a stipulation that Summit County could reopen the decree upon the occurrence of certain events. In July 2015, the District entered into an agreement granting the County \$1,000,000 in credits towards future Inclusion Fees and Plant Investment Fees assessed by the District for County-sponsored or supported public or public/private projects within Summit County in exchange for an agreement from the County to never exercise its right to reopen the decree. The County utilized \$528,810 in April 2016, and has remaining credit of \$471,190 as of December 31, 2016.

Blue River Inclusion Fees – Prior Period Restatement

Pursuant to Resolution 5 Series 2015, the Board of Directors has determined that the estimated administrative costs were too high related to the inclusion of the Town of Blue River property. The District should have utilized a PIF rate of \$5,622 instead of the \$7,700 actually charged. The District has agreed to refund the difference to affected property owners, adjust outstanding loans to reflect the revised rate, and refund any excess interest charged on repaid loans. The District determined that as of December 31, 2015, there was \$93,717 of excess inclusion fees charged included the balance in accounts payable. The related interest portion of the refund has been calculated as of December 31, 2016, and has restated the beginning net position by \$19,857. These amounts were either refunded or applied to outstanding note balances subsequent to the end of the fiscal year.

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 5: **COMMITMENTS AND CONTIGENCIES** (Continued)

Tax, Spending, and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10 percent of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes, after consultation with legal counsel, it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including interpretation of qualification as an Enterprise will require judicial interpretation.

Note 6: **LONG TERM DEBT**

The District has three outstanding loans with the Colorado Water Resources and Power Development Authority. In 1997, the District entered into a loan agreement to partially finance a wastewater treatment expansion project, and in 2005, the District entered into a second loan agreement that was to be used to finance the construction of a pump-back system. However due to the Board canceling the pump-back project these funds were diverted to facility expansion at the Farmers Korner treatment plant. In 2010, the District entered into a third loan agreement to complete the Farmers Korner facility expansion. The loans contain various covenants and a revenue pledge.

Among the covenants are rate maintenance provisions, operations and maintenance reserve requirements *and provisions against providing free service or capacity to any person, firm, corporation, public agency or instrumentality.*

The 1997 loan requires semiannual payments through September 2017 with interest at an effective rate of approximately 4.53 percent. The District has the option to repay the loan in whole or in part, in minimum increments of \$100,000, upon prior written notice. Additionally, prepayments shall be subject to repayment of certain administrative fees and a redemption premium as determined by the Authority. This loan was fully repaid in April 2016 in lieu of a potential refunding.

The 2005 loan requires semiannual payments through August 2026 with interest at an effective rate of approximately 3.48 percent. The District has the option to repay the loan in whole or in part, in minimum increments of \$100,000, upon prior written notice. Additionally, prepayments shall be subject to repayment of certain administrative fees and a redemption premium as determined by the Authority. This loan was fully repaid in April 2016 in lieu of a potential refunding.

UPPER BLUE SANITATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 6: LONG TERM DEBT (Continued)

The 2010 loan requires semiannual payments through February 2030 with interest at an effective rate of approximately 2 percent. The District has the option to repay the loan in whole or in part upon prior written notice.

The District has pledged the revenue from the operation and use of the wastewater treatment facilities and other legally available revenue, after the payment of operation and maintenance expenses of the system, for the repayment of the above loans. The loan agreements contain restrictive covenants and requirements, including a rate covenant (See Note 9) and maintenance of a three-month operating reserve for the 1997 loan (See Note 2). The District was in compliance with the covenants and requirements of the loan agreements at December 31, 2016.

The following is an analysis of changes in long-term debt:

	Balance 12/31/15	Advances	Payments	Balance 12/31/16	Current Portion	Interest Expense
Notes Payable:						
1997 CWRPDA	\$ 1,111,937	\$ -	\$ 1,111,937	\$ -	\$ -	\$ 21,360
2005 CWRPDA	4,720,000	-	4,720,000	-	-	63,250
2010 CWRPDA	1,553,357	-	93,340	1,460,017	95,216	29,808
Total Long-Term Debt	\$ 7,385,294	\$ -	\$ 5,925,277	\$ 1,460,017	\$ 95,216	\$ 114,418

A schedule of future loan payments is as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 95,216	\$ 28,727	\$ 123,943
2018	97,130	26,813	123,943
2019	99,082	24,860	123,942
2020	101,073	22,869	123,942
2021	103,105	20,837	123,942
2022-2026	547,457	72,255	619,712
2027-2030	416,954	16,844	433,798
Totals	\$ 1,460,017	\$ 213,205	\$ 1,673,222

**UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

Note 7: BENEFIT PLANS

Money Purchase Pension Plan – Defined Contribution

The District maintains an Internal Revenue Code Section 401(a) money purchase plan for all full-time employees. The assets of this plan are not reflected in the financial statements because they are not subject to any creditors of the District.

This plan is a single employer, defined contribution pension plan. The District contributes 5 percent of each participating employee's salary. Total contributions (including application of forfeitures) were \$52,032, \$48,869, and \$49,328, for 2016, 2015 and 2014, respectively.

Covered and total payroll for 2016, 2015 and 2014 was \$992,111, \$993,766, and \$996,474, respectively. Employer contributions vest at a rate of 20% per year of service with employees fully vested after five years.

Beginning in 2011, the District contributes an additional 2.5% of each employee's salary into the 401 (a) based upon their optional contribution to the District's 457 plan. In 2016, the total contributions were \$59,807.

District contributions for plan members who leave employment before they are fully vested are used to reduce the District's current period contribution requirement. There is no liability for benefits under the plan beyond the District's matching payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

Note 8: RECONCILIATION OF PROPRIETARY (GAAP) REVENUES AND EXPENSES TO BUDGETARY REVENUES AND EXPENDITURES

The District prepares its budget annually. The following reconciliation is presented to reconcile the annual budgeted revenues and expenditures to the GAAP basis financial statements.

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary Basis	\$ 10,743,254	\$ 11,607,985
GAAP Basis Adjustments		
Capital Replacement	-	(1,298,613)
Capital Outlay	-	(502,495)
Debt Service Principal	-	(5,925,277)
Depreciation Expense	-	2,382,276
GAAP Basis	<u>\$ 10,743,254</u>	<u>\$ 6,263,876</u>

**UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

Note 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years. The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 10: RATE MAINTENANCE

The 2010 Colorado Water Resources and Power Development Authority loan agreement requires that Net Revenues shall represent a sum equal to 110% of the amount necessary to pay when due the principal and interest on the loan and any parity debt coming due.

Gross operating revenue	\$ 5,746,212
Other revenue	458,316
Capital contributions	<u>4,538,727</u>
Total revenue	6,204,528
Oper. and maint. exp. Exc. depreciation	<u>(3,767,182)</u>
Net revenue	<u>2,437,346</u>
Total debt service	
2010 CWRPDA	<u>123,942</u>
	123,942
Required rate	<u>110%</u>
Net revenue required	<u>136,337</u>
Excess (deficit)	<u>\$ 2,301,009</u>

**UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

Note 11: FUTURE USES OF NET POSITION

Through the adoption of the 2017 budget, the District has appropriated \$2,224,838 of net position available at December 31, 2016 to fund fiscal year 2017 operations.

In addition, the District has set aside funds as of December 31, 2016 to fund future plant improvements that are anticipated to address pending nutrient standards. As included in the 2013 Master Plan, the District intends to set aside \$2,000,000 of net position each year from 2012 through 2017 to insure that adequate reserves are available to meet these projected costs. As of 2016, the set-aside totaled \$10,000,000.

As these amounts are internally allocated, they do not meet the requirements to be shown as restricted net position on the Statement of Net Position.

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OTHER SUPPLEMENTARY INFORMATION

UPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN NET POSITION - BUDGET AND ACTUAL

For the Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016			2015 Actual
	Final Budget	Actual	Variance Pos (Neg)	
REVENUES				
User Charges	\$ 5,400,000	\$ 5,466,844	\$ 66,844	\$ 5,360,536
Inspection Fees	7,000	11,300	4,300	12,000
Inclusion Fees	30,000	422,226	392,226	533,541
Line Extension Fees	50,000	175,595	125,595	141,277
Other Charges	25,000	59,172	34,172	50,636
Investment Earnings	33,000	36,090	3,090	30,863
Plant Investment Fees	3,000,000	4,538,727	1,538,727	6,066,142
Rental Income	30,000	33,300	3,300	37,720
Total Revenues	8,575,000	10,743,254	2,168,254	12,232,715
EXPENDITURES				
Administrative				
Personnel Services	1,770,000	1,528,124	241,876	1,458,983
Office Administration	153,500	134,499	19,001	131,000
Legal and Other Professional	79,000	55,703	23,297	53,533
Board Expenses	14,000	6,167	7,833	5,900
Insurance	152,000	129,249	22,751	142,354
Building Maintenance	20,000	28,165	(8,165)	32,407
Employee Housing	25,000	12,978	12,022	17,355
Other Administrative Expenses	28,000	27,595	405	32,209
Total Administrative	2,241,500	1,922,480	319,020	1,873,741
Operating - Iowa Hill				
Utilities	200,000	144,688	55,312	47,338
Repairs	80,000	133,665	(53,665)	55,944
Chemicals and Other Supplies	149,000	154,332	(5,332)	44,819
Biomonitoring	10,000	9,136	864	-
Permits & Fees	8,000	6,370	1,630	6,171
Other Operating Expenses	10,000	13,356	(3,356)	3,381
Total Operating - Iowa Hill	457,000	461,547	(4,547)	157,653
Operating - Farmers Korner				
Utilities	460,000	381,474	78,526	446,431
Repairs	90,000	80,099	9,901	62,956
Chemicals and Other Supplies	360,000	335,582	24,418	498,896
Biomonitoring	7,000	3,068	3,932	4,535
Permits & Fees	22,500	13,431	9,069	16,662
Sludge Hauling & Land Application	185,000	174,378	10,622	172,115
Site Monitoring	30,000	39,924	(9,924)	37,607
Other Operating Expenses	49,000	36,514	12,486	48,998
Total Operating - Farmers Korner	1,203,500	1,064,470	139,030	1,288,200

See the accompanying Independent Auditors' Report

(Continued)

UPPER BLUE SANITATION DISTRICT

Breckenridge, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN NET POSITION - BUDGET AND ACTUAL

For the Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

(Continued)

	2016			2015 Actual
	Final Budget	Actual	Variance Pos (Neg)	
EXPENDITURES (continued)				
Operating - South Blue				
Utilities	32,000	22,349	9,651	-
Repairs	1,500	3,302	(1,802)	-
Chemicals and Other Supplies	2,000	4,644	(2,644)	-
Permits & Fees	5,000	2,315	2,685	-
Site Monitoring	1,500	3,675	(2,175)	-
Total Operating - South Blue	<u>42,000</u>	<u>36,285</u>	<u>5,715</u>	-
Operating - Collection System				
Utilities	28,000	20,385	7,615	21,560
Repairs	131,000	223,470	(92,470)	163,645
Inspection Expenses	3,500	1,084	2,416	380
Other Operating Expenses	35,000	37,461	(2,461)	22,809
Total Operating - Collection System	<u>197,500</u>	<u>282,400</u>	<u>(84,900)</u>	<u>208,394</u>
Capital Replacement	<u>2,803,000</u>	<u>1,298,613</u>	<u>1,504,387</u>	<u>636,957</u>
Capital Outlay	<u>2,129,000</u>	<u>502,495</u>	<u>1,626,505</u>	<u>626,246</u>
Debt Service				
Debt Service Principal	1,033,181	5,925,277	(4,892,096)	964,010
Interest Expense	284,590	114,418	170,172	302,914
Total Debt Service	<u>1,317,771</u>	<u>6,039,695</u>	<u>(4,721,924)</u>	<u>1,266,924</u>
Total Expenses	<u>10,391,271</u>	<u>11,607,985</u>	<u>(1,216,714)</u>	<u>6,058,115</u>
Change in Net Position - Budget Basis	<u>(1,816,271)</u>	<u>(864,731)</u>	<u>951,540</u>	<u>6,174,600</u>
GAAP Basis Adjustments				
Capital Replacement	-	1,298,613	1,298,613	636,957
Capital Outlay	-	502,495	502,495	626,246
Debt Service Principal	-	5,925,277	5,925,277	964,010
Depreciation Expense	-	(2,382,276)	(2,382,276)	(2,255,946)
Net GAAP Basis Adjustments	<u>-</u>	<u>5,344,109</u>	<u>5,344,109</u>	<u>(28,733)</u>
Change in Net Position - GAAP Basis	<u>\$ (1,816,271)</u>	<u>4,479,378</u>	<u>\$ 6,295,649</u>	<u>6,145,867</u>
NET POSITION, Beginning		85,691,590		79,545,723
Prior Period Adjustment		<u>(19,856)</u>		-
NET POSITION, Beginning (As Restated)		<u>85,671,734</u>		<u>79,545,723</u>
NET POSITION, Ending		<u>\$ 90,151,112</u>		<u>\$ 85,691,590</u>

See the accompanying Independent Auditors' Report