

**UPPER BLUE SANITATION DISTRICT
BRECKENRIDGE, COLORADO**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

**UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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**UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

ROSTER OF OFFICIALS

BOARD OF DIRECTORS

Allyn Mosher – Board President
Jason Hart – Board Vice President
Signe Stimson – Board Secretary/Treasurer
Rick Orwig – Member
Robin Theobald – 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 SANITATON DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Required Supplementary Information (RSI) December 31, 2019

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, 2019. 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 2019 by \$101,108,008 (*net position*), which is an increase of \$2,331,736 from the prior year. Of this amount \$33,109,489 (*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 \$9,053,659 in 2019 versus 2018 revenues of \$10,617,156. There was a decrease in 2019 revenues in the amount of \$1,563,497. The main decrease from 2018 was due to a decrease in Plant Investment Fees in the amount of \$1,738,804.

In 2019, there was operating income from operations in the amount of \$6,034,030 and other income in the amount of \$3,019,629. The District's total operating revenues increased in 2019 by \$37,495 from 2018. The main increase in 2019 operating revenue was the increase in Sewer User Charges in the amount of \$103,360. Investment Earnings increased in 2019 by \$177,338 from 2018. In 2018, there was operating income from operations in the amount of \$5,996,535 and other income in the amount of \$4,620,621. Capital contributions from Plant Investment Fees in the amount of \$2,332,554 for 2019 and \$4,071,358 for 2018.

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 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 2019. 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 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 2019 by \$2,331,736 to \$101,108,008 and in 2018 by \$4,018,343 to \$98,776,272. This was the result of an increase in current assets in the amount of \$2,843,721 in 2019.

Cash, Cash equivalents and investments of the District at December 31, 2019 totaled \$33,330,268, which represents 32.35% of the District's total assets, and at December 31, 2018 Cash, Cash equivalents and investments totaled \$30,444,249 which represents 30.07% of the District's total assets.

The District's Capital assets, net of accumulated depreciation, at December 31, 2019 totaled \$68,011,846, which represents 66.01% of the District's total assets as of December 31, 2019; and at December 31, 2018 Capital assets, net of accumulated depreciation totaled \$69,021,336, which represents 68.18% of the District's total assets as of December 31, 2018.

Net Position

A summary of District's net position at December 31, 2019 is as follows:

Condensed Statement of Net Position

Condensed Statement of Net Position		
	2019	2018
Current Assets	\$ 34,902,465	\$ 32,058,744
Non Current Assets		
Capital Assets - Net	68,011,846	69,021,336
Other	120,023	161,035
Total Assets	<u>103,034,334</u>	<u>101,241,115</u>
Current Liabilities	858,810	1,296,253
Non Current Liabilities - Loan Payable	1,067,516	1,168,590
Total Liabilities	<u>1,926,326</u>	<u>2,464,843</u>
Net Position		
Net Investment in Capital Assets	66,833,519	67,743,100
Restricted	1,165,000	1,143,000
Unrestricted	33,109,489	29,890,172
Total Net Position	<u>\$ 101,108,008</u>	<u>\$ 98,776,272</u>

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

Condensed Statement of Activities		
	2019	2018
Revenues		
Program Revenues:		
Charges for Services	\$ 6,034,030	\$ 5,996,535
Capital Grants and Contributions	2,432,702	4,211,032
Total Program Revenues	<u>8,466,732</u>	<u>10,207,567</u>
General Revenues		
Investment Earnings	586,927	409,589
Total Revenues	<u>9,053,659</u>	<u>10,617,156</u>
Expenses		
Wastewater Operations	<u>6,721,923</u>	<u>6,598,813</u>
Change in Net Position	2,331,736	4,018,343
Net Position, Beginning	98,776,272	94,757,929
Net Position, Ending	<u>\$ 101,108,008</u>	<u>\$ 98,776,272</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 2019, before depreciation, was approximately \$213,551 less than 2018 operating income. The decrease in operating income in 2019 was due to an increase in the 2019 operating expenses in the amount of \$251,046. The net operating income for 2018, before depreciation was approximately \$134,341 less than 2017 operating income.

Non-operating revenues and Capital Contributions for 2019 were approximately \$1,599,024 less than 2018. This was a result of a decrease in Capital Contributions in the amount of \$1,738,804. Non-operating revenues and Capital Contributions for 2018 were approximately \$420,727 less than 2017.

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 \$811,483 in 2019. Actual revenues exceeded budgeted revenues by \$1,835,156 in 2018. Plant Investment Fees exceeded the budgeted amount by \$532,554 in 2019. Plant Investment Fees exceeded the budgeted amount by \$1,321,358 in 2018.

Actual expenditures were approximately \$3,563,281 less than budgeted in 2019 and \$3,151,867 less than budgeted in 2018. Significant variations to budget are as follows:

- Administrative expenses were approximately \$112,499 less than budgeted in 2019 and approximately \$259,948 less than budgeted in 2018.
- Plant expenses were approximately \$275,538 less than budgeted in 2019 mainly due to Iowa Hill, Farmers Korner and South Blue utilities, and Farmers Korner equipment repair expenses being less than budgeted. For 2018 plant expenses were approximately \$147,455 less than budgeted mainly due to Iowa Hill and Farmers Korner utilities, Iowa Hill chemicals, and sludge hauling expenses being less than budgeted.
- Replacement capital expenditures were approximately \$1,445,088 less than budgeted in 2019 and approximately \$508,626 less than budgeted in 2018.
- Capital outlay for 2019 was approximately \$1,755,040 less than budgeted and approximately \$2,235,174 less than budgeted in 2018. See discussion below.

Capital Assets

Replacement Capital

In Collections, repairs and line replacement projects were undertaken to help address infiltration and inflow problems such as Whispering Pines/Eldorado manhole inserts/ring/covers, repair pipe penetrations @ Cucumber lift station, Mountain View pump, VOB lift station control panel, Warrior's Mark slip line and clean/TV 25,000 feet.

At the Farmers Korner plant the District rehabbed chemical feed pumps, repaired west plant roof, replaced the south plant decking/digester and rebuilt the centrifuge gear box.

At the Iowa Hill plant the District replaced a pump and air compressor.

At the South Blue plant the District replaced a pump.

New Capital

In Collections, the District added the Cucumber Gulch lift station and an emergency response trailer/van.

At Farmers Korner the District upgraded the lab.

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:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 819,323	\$ -	\$ -	\$ 819,323
Capital Assets Being Depreciated:				
Buildings	153,903	10,142	-	164,045
Treatment Plants	80,190,583	390,538	-	80,581,121
Upper Blue River System	9,288,377	6,182	-	9,294,559
Sewer Lines and Mains	17,101,665	828,171	-	17,929,836
Equipment and Vehicles	2,055,643	131,975	-	2,187,618
Employee Housing	1,038,191	112,863	-	1,151,054
Total Capital Assets Being Depreciated	109,828,362	1,479,871	-	111,308,233
Accumulated Depreciation:				
Buildings	(21,302)	(6,365)	-	(27,667)
Treatment Plants	(29,118,774)	(1,859,845)	-	(30,978,619)
Upper Blue River System	(2,320,126)	(194,181)	-	(2,514,307)
Sewer Lines and Mains	(7,831,493)	(315,790)	-	(8,147,283)
Equipment and Vehicles	(1,919,378)	(90,615)	-	(2,009,994)
Employee Housing	(415,276)	(22,564)	-	(437,840)
Total Accumulated Depreciation	(41,626,349)	(2,489,360)	-	(44,115,710)
Capital Assets Being Depreciated, net	68,202,013	(1,009,489)	-	67,192,523
Total Capital Assets	\$ 69,021,336	\$ (1,009,489)	\$ -	\$ 68,011,846

Long-Term Debt

A principal payment of \$99,082 was made during 2019 and \$97,130 during 2018 on the CWRPDA note along with \$24,035 in 2019 and \$26,003 in 2018 in interest.

	Balance 12/31/2018	Advances	Payments	Balance 12/31/2019	Current Portion	Interest Expense
Notes Payable:						
2010 CWRPDA	\$ 1,267,672	\$ -	\$ 99,082	\$ 1,168,590	\$ 101,073	\$ 24,035

In July 2018, the District entered into a software and equipment lease agreement. The lease requires 36 monthly payments of \$1,625 commencing December 1, 2018. The lease has been calculated at a 5.00% interest rate.

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.

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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.

Mayberry & Company, LLC

Englewood, Colorado
September 4, 2020

BASIC FINANCIAL STATEMENTS

UPPER BLUE SANITATION DISTRICT

Breckenridge, Colorado

STATEMENT OF NET POSITION**December 31, 2019****(With Comparative Totals for December 31, 2018)**

	2019	2018
ASSETS		
Current Assets		
Cash and Equivalents	\$ 13,925,460	\$ 12,472,922
Investments	19,404,808	17,971,327
Accounts Receivable	79,069	109,310
Accrued Interest Receivable	10,284	12,388
Prepaid Expenses	180,711	167,768
Restricted Cash & Investments	1,302,133	1,325,029
Total Current Assets	<u>34,902,465</u>	<u>32,058,744</u>
Noncurrent Assets		
Capital Assets, not being depreciated	819,323	819,323
Capital Assets, being depreciated (net)	67,192,523	68,202,013
Notes and Other Receivables	120,023	161,035
Total Noncurrent Assets	<u>68,131,869</u>	<u>69,182,371</u>
Total Assets	<u>103,034,334</u>	<u>101,241,115</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	374,463	645,405
Retainage Payable	30,828	158,801
Unearned Revenue	59,817	71,813
Accrued Compensated Absences	144,008	126,809
Accrued Interest Payable	9,738	10,564
Deposits and Escrow Balances	1,750	1,750
Deposits and Escrow Balances - Restricted Resources	137,133	182,029
Current Portion - Notes Payable	101,073	99,082
Total Current Liabilities	<u>858,810</u>	<u>1,296,253</u>
Noncurrent Notes Payable	<u>1,067,516</u>	<u>1,168,590</u>
Total Liabilities	<u>1,926,326</u>	<u>2,464,843</u>
NET POSITION		
Net Investment in Capital Assets	66,833,519	67,743,100
Restricted:		
For Operations and Maintenance Reserve	1,165,000	1,143,000
Unrestricted	33,109,489	29,890,172
Total Net Position	<u>\$ 101,108,008</u>	<u>\$ 98,776,272</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, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
OPERATING REVENUES		
User Charges	\$ 5,835,849	\$ 5,732,489
Inspection Fees	7,600	9,400
Line Extension Fees	105,713	166,909
Rental Income	48,384	42,900
Other Charges	<u>36,484</u>	<u>44,837</u>
Total Operating Revenues	<u>6,034,030</u>	<u>5,996,535</u>
OPERATING EXPENSES		
Administrative	2,346,355	2,095,790
Operating - Iowa Hill	466,283	508,394
Operating - Farmers Korner	1,110,504	1,101,009
Operating - South Blue	45,675	53,142
Operating - Collection System	239,710	199,146
Depreciation Expense	<u>2,489,361</u>	<u>2,615,329</u>
Total Operating Expenses	<u>6,697,888</u>	<u>6,572,810</u>
Income (Loss) from Operations	<u>(663,858)</u>	<u>(576,275)</u>
NONOPERATING INCOME (EXPENSE)		
Investment Earnings	586,927	409,589
Inclusion Fees	100,148	139,674
Interest Expense	<u>(24,035)</u>	<u>(26,003)</u>
Total Nonoperating Income (Expense)	<u>663,040</u>	<u>523,260</u>
CAPITAL CONTRIBUTIONS		
Plant Investment Fees	<u>2,332,554</u>	<u>4,071,358</u>
Change in Net Position	2,331,736	4,018,343
NET POSITION, Beginning	<u>98,776,272</u>	<u>94,757,929</u>
NET POSITION, Ending	<u><u>\$ 101,108,008</u></u>	<u><u>\$ 98,776,272</u></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, 2019

(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
Cash Flows from Operating Activities:		
Cash Receipts from Customers	\$ 6,007,379	\$ 5,937,492
Cash Payments to Suppliers	(2,711,735)	(2,358,785)
Cash Payments to Employees	(1,763,481)	(1,619,338)
Net Cash Flows from Operating Activities	<u>1,532,163</u>	<u>1,959,369</u>
Cash Flows from Capital and Related Financing Activities:		
Plant Investment Fees	2,332,554	4,071,358
Inclusion Fees	100,148	139,674
Acquisition and Construction of Capital Assets	(1,607,843)	(2,177,399)
Principal Paid on Loans	(99,082)	(97,130)
Change in O & M Reserve	(22,000)	(67,000)
Interest Paid on Loans	(24,861)	(26,812)
Net Cash Flows from Capital and Related Financing Activities	<u>678,916</u>	<u>1,842,691</u>
Cash Flows from Investing Activities:		
Proceeds from Sale (Purchases) of Investments	(1,388,585)	(10,260,029)
Payments (Advances) on Notes Receivable	41,012	44,004
Investment Earnings	589,032	397,202
Net Cash Flows from Investing Activities	<u>(758,541)</u>	<u>(9,818,823)</u>
Net Increase (Decrease) in Cash and Equivalents	1,452,538	(6,016,763)
CASH AND EQUIVALENTS, Beginning	<u>12,472,922</u>	<u>18,489,685</u>
CASH AND EQUIVALENTS, Ending	<u><u>\$ 13,925,460</u></u>	<u><u>\$ 12,472,922</u></u>
Reconciliation of Income (Loss) from Operations to Net		
Cash Flows from Operations:		
Income (Loss) from Operations	\$ (663,858)	\$ (576,275)
Adjustments required to reconcile operating income (loss) to net cash flows from operations		
Depreciation	2,489,361	2,615,329
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	30,241	(39,720)
(Increase) Decrease in Prepaid Expenses	(12,943)	(7,694)
Increase (Decrease) in Accounts Payable	(270,945)	(12,686)
Increase (Decrease) in Unearned Revenue	(11,996)	4,827
Increase (Decrease) in Accrued Compensated Absences	17,199	(262)
Increase (Decrease) in Deposits and Escrow Balances	(44,896)	(24,150)
Total Adjustments	<u>2,196,021</u>	<u>2,535,644</u>
Net Cash Flows from Operating Activities	<u><u>\$ 1,532,163</u></u>	<u><u>\$ 1,959,369</u></u>

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

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

DECEMBER 31, 2019

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.

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.

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

DECEMBER 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2019.

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.

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Note 2: CASH AND INVESTMENTS

Cash deposits and investments are comprised of and are allocated on the December 31, 2019 statement of net position as follows:

Cash Deposits and On Hand	\$ 15,227,593
Investments	19,404,808
Total Cash and Investments	<u>\$ 34,632,401</u>
Cash and Equivalents	\$ 13,925,460
Investments	19,404,808
Restricted Cash and Investments	1,302,133
Total Cash and Investments	<u>\$ 34,632,401</u>

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 2: CASH AND INVESTMENTS (Continued)

CASH DEPOSITS

At December 31, 2019, the District's cash deposits had bank and carrying balances as follows:

	Bank Balance	Carrying Balance
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Collateralized (Not in the District's Name)	15,479,174	14,977,393
Petty Cash	-	200
Total Cash Balances	<u>\$ 15,729,174</u>	<u>\$ 15,227,593</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, 2019, are deemed to be exposed to custodial credit risk.

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

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

DECEMBER 31, 2019

Note 2: CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

At December 31, 2019, 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 the investments owned by the participating governments. This investment is reported at amortized costs which approximates fair value.

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.

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 2: CASH AND INVESTMENTS (Continued)

RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments for the operations and maintenance reserve for 2019 represent an amount equal to three months of 2019 budgeted operating expenses as required by the 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	\$ 137,133
CWRPDA O&M Reserves	<u>1,165,000</u>
Total Restricted Cash and Investments	<u>\$ 1,302,133</u>

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 13 outstanding notes with a value of \$90,023 at year end and recognized \$7,058 of interest on the notes. There was \$1,488 of outstanding required loan payments at year-end. The District has not recorded an allowance against the outstanding balance.

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 4: CAPITAL ASSETS

Summaries of changes to capital assets for 2019 are as follows:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 819,323	\$ -	\$ -	\$ 819,323
Capital Assets Being Depreciated:				
Buildings	153,903	10,142	-	164,045
Treatment Plants	80,190,583	390,538	-	80,581,121
Upper Blue River System	9,288,377	6,182	-	9,294,559
Sewer Lines and Mains	17,101,665	828,171	-	17,929,836
Equipment and Vehicles	2,055,643	131,975	-	2,187,618
Employee Housing	<u>1,038,191</u>	<u>112,863</u>	<u>-</u>	<u>1,151,054</u>
Total Capital Assets Being Depreciated	<u>109,828,362</u>	<u>1,479,871</u>	<u>-</u>	<u>111,308,233</u>
Accumulated Depreciation:				
Buildings	(21,302)	(6,365)	-	(27,667)
Treatment Plants	(29,118,774)	(1,859,845)	-	(30,978,619)
Upper Blue River System	(2,320,126)	(194,181)	-	(2,514,307)
Sewer Lines and Mains	(7,831,493)	(315,790)	-	(8,147,283)
Equipment and Vehicles	(1,919,378)	(90,615)	-	(2,009,994)
Employee Housing	<u>(415,276)</u>	<u>(22,564)</u>	<u>-</u>	<u>(437,840)</u>
Total Accumulated Depreciation	<u>(41,626,349)</u>	<u>(2,489,360)</u>	<u>-</u>	<u>(44,115,710)</u>
Capital Assets Being Depreciated, net	<u>68,202,013</u>	<u>(1,009,489)</u>	<u>-</u>	<u>67,192,523</u>
Total Capital Assets	<u>\$ 69,021,336</u>	<u>\$ (1,009,489)</u>	<u>\$ -</u>	<u>\$ 68,011,846</u>

Depreciation expense for the year ended December 31, 2019 was \$2,489,361.

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 2018 fiscal year, the District converted 10.73 prepaid connections to active connections. There are 44.27 prepaid single-family equivalent connections remaining.

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

DECEMBER 31, 2019

Note 5: COMMITMENTS AND CONTIGENCIES (Continued)

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, 2019.

Town of Breckenridge Fee Credit

The District received a water right decree in 1997 that contained various provisions and a stipulation that the Town of Breckenridge could reopen the decree upon the occurrence of certain events. In July 2018, the District entered into an agreement granting the Town \$970,000 in credits towards future Inclusion Fees and Plant Investment Fees assessed by the District for Town-sponsored or supported public or public/private projects within the Town in exchange for an agreement from the Town to never exercise its right to reopen the decree. The Town utilized \$500,429 in December 2019 and has remaining credit of \$469,571 as of December 31, 2019.

TABOR Amendment

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.

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 6: LONG TERM DEBT

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

	Balance 12/31/2018	Advances	Payments	Balance 12/31/2019	Current Portion	Interest Expense
Notes Payable:						
2010 CWRPDA	<u>\$ 1,267,672</u>	<u>\$ -</u>	<u>\$ 99,082</u>	<u>\$ 1,168,590</u>	<u>\$ 101,073</u>	<u>\$ 24,035</u>

The District has one outstanding loan with the Colorado Water Resources and Power Development Authority. 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 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, 2019.

A schedule of future loan payments is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 101,073	\$ 22,869	\$ 123,943
2021	103,105	20,837	123,942
2022	105,177	18,765	123,942
2023	107,291	16,651	123,942
2024	109,448	14,494	123,942
2025-2029	581,137	38,575	619,712
2030	<u>61,359</u>	<u>615</u>	<u>309,856</u>
Totals	<u>\$ 1,168,590</u>	<u>\$ 132,806</u>	<u>\$ 1,549,279</u>

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

DECEMBER 31, 2019

Note 6: LONG TERM DEBT (Continued)

Operating Lease

In July 2018, the District entered into a SCADA software and equipment lease agreement with Browns Hill Engineering and Controls, LLC. The lease requires 36 monthly payments of \$1,625 commencing December 1, 2018. As this lease is primarily related to providing technology to allow the engineering firm to remotely monitor the District's system and is not related to useful life of the underlying assets, the District considers the lease to be an operating lease and codes the payments to contracted repairs. A schedule of future lease payments is as follows:

<u>Fiscal Year</u>	<u>Total</u>
2020	\$ 19,500
2021	17,875
Totals	<u>\$ 37,375</u>

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 \$57,882, \$53,689, and \$53,155, for 2019, 2018 and 2017, respectively.

Covered and total payroll for 2019, 2018 and 2017 was \$1,157,640, \$1,007,304, and \$1,032,438, 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 2019, the total employee contributions were \$88,611 with the District matching \$25,259.

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.

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

DECEMBER 31, 2019

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	\$ 9,053,659	\$ 5,811,516
GAAP Basis Adjustments		
Capital Replacement	-	(1,094,912)
Capital Outlay	-	(384,960)
Debt Service Principal	-	(99,082)
Depreciation Expense	-	<u>2,489,361</u>
GAAP Basis	<u>\$ 9,053,659</u>	<u>\$ 6,721,923</u>

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, 2019. 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.

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

DECEMBER 31, 2019

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	\$ 6,034,030
Other revenue	687,075
Capital contributions	<u>2,332,554</u>
Total revenue	<u>9,053,659</u>
Operating expenses	(6,697,888)
Less: Depreciation	<u>2,489,361</u>
Adjusted operating expenses	<u>(4,208,527)</u>
Net revenue	<u>4,845,132</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>\$ 4,708,795</u>

Note 11: FUTURE USES OF NET POSITION

Through the adoption of the 2020 budget, the District has appropriated \$1,353,430 of net position available at December 31, 2019 to fund fiscal year 2020 operations.

In addition, the District has set aside funds as of December 31, 2019 to fund future plant improvements that are anticipated to address pending nutrient standards. As included in the 2013 Master Plan, the District set aside \$2,000,000 of net position each year from 2012 through 2019 to ensure that adequate reserves are available to meet these projected costs. As of 2019, the set-aside totaled \$16,000,000.

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.

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, 2019****(With Comparative Totals for the Year Ended December 31, 2018)**

	2019			2018
	Final Budget	Actual	Variance Pos (Neg)	Actual
REVENUES				
User Charges	\$ 5,838,176	\$ 5,835,849	\$ (2,327)	\$ 5,732,489
Inspection Fees	10,000	7,600	(2,400)	9,400
Inclusion Fees	100,000	100,148	148	139,675
Line Extension Fees	50,000	105,713	55,713	166,909
Other Charges	34,000	36,484	2,484	44,836
Investment Earnings	365,000	586,927	221,927	409,589
Plant Investment Fees	1,800,000	2,332,554	532,554	4,071,358
Rental Income	45,000	48,384	3,384	42,900
Total Revenues	<u>8,242,176</u>	<u>9,053,659</u>	<u>811,483</u>	<u>10,617,156</u>
EXPENDITURES				
Administrative				
Personnel Services	1,945,605	1,780,680	164,925	1,619,076
Office Administration	164,500	166,405	(1,905)	160,380
Legal and Other Professional	135,000	172,643	(37,643)	113,485
Board Expenses	6,000	5,900	100	6,000
Insurance	136,249	144,946	(8,697)	128,242
Building Maintenance	20,000	25,376	(5,376)	25,994
Employee Housing	19,000	14,685	4,315	10,479
Other Administrative Expenses	32,500	35,720	(3,220)	32,134
Total Administrative	<u>2,458,854</u>	<u>2,346,355</u>	<u>112,499</u>	<u>2,095,790</u>
Operating - Iowa Hill				
Utilities	246,000	124,204	121,796	195,497
Repairs	110,000	95,896	14,104	64,630
Chemicals and Other Supplies	225,000	206,617	18,383	191,231
Biomonitoring	31,000	17,235	13,765	31,558
Permits & Fees	8,000	7,529	471	7,529
Other Operating Expenses	18,000	14,802	3,198	17,949
Total Operating - Iowa Hill	<u>638,000</u>	<u>466,283</u>	<u>171,717</u>	<u>508,394</u>
Operating - Farmers Korner				
Utilities	460,000	399,169	60,831	413,371
Repairs	120,000	80,842	39,158	82,964
Chemicals and Other Supplies	340,000	365,877	(25,877)	353,058
Biomonitoring	7,000	5,832	1,168	3,150
Permits & Fees	17,500	15,712	1,788	15,427
Sludge Hauling & Land Application	180,000	189,366	(9,366)	170,460
Site Monitoring	23,000	13,165	9,835	28,125
Other Operating Expenses	45,000	40,541	4,459	34,454
Total Operating - Farmers Korner	<u>1,192,500</u>	<u>1,110,504</u>	<u>81,996</u>	<u>1,101,009</u>

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, 2019

(With Comparative Totals for the Year Ended December 31, 2018)

(Continued)

	2019			2018
	Final Budget	Actual	Variance Pos (Neg)	Actual
EXPENDITURES (continued)				
Operating - South Blue				
Utilities	48,000	34,857	13,143	37,629
Repairs	2,500	180	2,320	1,677
Chemicals and Other Supplies	1,000	691	309	991
Permits & Fees	3,000	2,825	175	2,925
Site Monitoring	8,000	7,122	878	3,004
Other Operating Expenses	5,000	-	5,000	6,916
Total Operating - South Blue	67,500	45,675	21,825	53,142
Operating - Collection System				
Utilities	20,000	12,304	7,696	12,278
Repairs	149,000	197,917	(48,917)	149,340
Inspection Expenses	5,000	833	4,167	-
Other Operating Expenses	40,000	28,656	11,344	37,528
Total Operating - Collection System	214,000	239,710	(25,710)	199,146
Capital Replacement	2,540,000	1,094,912	1,445,088	1,276,374
Capital Outlay	2,140,000	384,960	1,755,040	1,059,826
Debt Service				
Debt Service Principal	97,130	99,082	(1,952)	97,130
Interest Expense	26,813	24,035	2,778	26,003
Total Debt Service	123,943	123,117	826	123,133
Total Expenses	9,374,797	5,811,516	3,563,281	6,416,814
Change in Net Position - Budget Basis	(1,132,621)	3,242,143	4,374,764	4,200,342
GAAP Basis Adjustments				
Capital Replacement	-	1,094,912	1,094,912	1,276,374
Capital Outlay	-	384,960	384,960	1,059,826
Debt Service Principal	-	99,082	99,082	97,130
Depreciation Expense	-	(2,489,361)	(2,489,361)	(2,615,329)
Net GAAP Basis Adjustments	-	(910,407)	(910,407)	(181,999)
Change in Net Position - GAAP Basis	\$ (1,132,621)	2,331,736	\$ 3,464,357	4,018,343
NET POSITION, Beginning		98,776,272		94,757,929
NET POSITION, Ending		\$ 101,108,008		\$ 98,776,272

See the accompanying Independent Auditors' Report