

**UPPER BLUE SANITATION DISTRICT
BRECKENRIDGE, COLORADO**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

**UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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**UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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
Ear Picard – Chief Plant Operator
Wally Esquibe – 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, 2020

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, 2020. 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 2020 by \$103,258,495 (*net position*), which is an increase of \$2,150,487 from the prior year. Of this amount \$36,169,797 (*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 \$8,747,855 in 2020 versus 2019 revenues of \$9,053,659. There was a decrease in 2020 revenues in the amount of \$305,804. The main decrease from 2019 was due to a decrease in Investment Earnings in the amount of \$423,731.

In 2020, there was operating income from operations in the amount of \$6,334,744 and other income in the amount of \$2,413,111. The District's total operating revenues increased in 2020 by \$300,714 from 2019. The main increase in 2020 operating revenue was the increase in Sewer User Charges in the amount of \$372,970. Investment Earnings decreased in 2020 by \$423,731 from 2019. 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. Capital contributions from Plant Investment Fees in the amount of \$2,166,620 for 2020 and \$2,332,554 for 2019.

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 2020. 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 2020 by \$2,150,487 to \$103,258,495 and in 2019 by \$2,331,736 to \$101,108,008. This was the result of an increase in current assets in the amount of \$3,109,319 in 2020.

Cash, Cash equivalents and investments of the District at December 31, 2020 totaled \$36,485,194, which represents 34.71% of the District's total assets, and at December 31, 2019 Cash, Cash equivalents and investments totaled \$33,330,268 which represents 32.35% of the District's total assets.

The District's Capital assets, net of accumulated depreciation, at December 31, 2020 totaled \$67,007,110, which represents 63.75% of the District's total assets as of December 31, 2020; and at December 31, 2019 Capital assets, net of accumulated depreciation totaled \$68,011,846, which represents 66.01% of the District's total assets as of December 31, 2019.

Net Position

A summary of District's net position at December 31, 2020 is as follows:

Condensed Statement of Net Position

Condensed Statement of Net Position		
	2020	2019
Current Assets	\$ 38,011,784	\$ 34,902,465
Non Current Assets		
Capital Assets - Net	67,007,110	68,011,846
Other	88,107	120,023
Total Assets	105,107,001	103,034,334
Current Liabilities	884,095	858,810
Non Current Liabilities - Loan Payable	964,411	1,067,516
Total Liabilities	1,848,506	1,926,326
Net Position		
Net Investment in Capital Assets	65,930,698	66,833,519
Restricted	1,158,000	1,165,000
Unrestricted	36,169,797	33,109,489
Total Net Position	\$ 103,258,495	\$ 101,108,008

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

Condensed Statement of Activities		
	2020	2019
Revenues		
Program Revenues:		
Charges for Services	\$ 6,334,744	\$ 6,034,030
Capital Grants and Contributions	2,249,915	2,432,702
Total Program Revenues	<u>8,584,659</u>	<u>8,466,732</u>
General Revenues		
Investment Earnings	163,196	586,927
Total Revenues	<u>8,747,855</u>	<u>9,053,659</u>
Expenses		
Wastewater Operations	<u>6,597,368</u>	<u>6,721,923</u>
Change in Net Position	2,150,487	2,331,736
Net Position, Beginning	101,108,008	98,776,272
Net Position, Ending	<u>\$ 103,258,495</u>	<u>\$ 101,108,008</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 2020, before depreciation, was approximately \$610,368 more than 2019 operating income. The increase in operating income in 2020 was due to an increase in the 2020 operating revenue in the amount of \$300,711 and a decrease in operating expenses in the amount of \$122,547. The net operating income for 2019, before depreciation was approximately \$213,551 less than 2018 operating income.

Non-operating revenues and Capital Contributions for 2020 were approximately \$604,510 less than 2019. This was a result of a decrease in investment earnings in the amount of \$123,731 and a decrease in Capital Contributions in the amount of \$165,934. Non-operating revenues and Capital Contributions for 2019 were approximately \$1,599,024 less than 2018.

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 were less than budgeted revenues by \$101,145 in 2020. Actual revenues exceeded budgeted revenues by \$811,483 in 2019. Plant Investment Fees exceeded the budgeted amount by \$166,620 in 2020. Plant Investment Fees exceeded the budgeted amount by \$532,554 in 2019.

Actual expenditures were approximately \$4,508,726 less than budgeted in 2020 and \$3,563,281 less than budgeted in 2019. Significant variations to budget are as follows:

- Administrative expenses were approximately \$331,260 less than budgeted in 2020 and approximately \$112,499 less than budgeted in 2019.
- Plant expenses were approximately \$368,747 less than budgeted in 2020 mainly due to Iowa Hill, Farmers Korner and South Blue utilities, and Iowa Hill equipment repair, and Farmers Korner sludge hauling expenses being less than budgeted. For 2019 plant expenses were approximately \$275,538 less than budgeted mainly due to Iowa Hill, Farmers Korner and South Blue utilities, and Farmers Korner equipment repair expenses being less than budgeted.
- Replacement capital expenditures were approximately \$1,675,818 less than budgeted in 2020 and approximately \$1,445,088 less than budgeted in 2019.
- Capital outlay for 2020 was approximately \$2,070,451 less than budgeted and approximately \$1,755,040 less than budgeted in 2019. See discussion below.

Capital Assets

Replacement Capital

In Collections, repairs and line replacement projects were undertaken to help address infiltration and inflow problems. French Creek service line cleaning project was completed. Telemetry was upgraded and a vac truck was replaced.

At the Farmers Korner plant, the District replaced the north plant lighting, non-potable water lines, polymer and moyno pumps. railing for the digester and rehabbed the flow EQ. tube settlers and sludge bay door.

At the Iowa Hill plant the District replaced non-potable water lines and rehabbed the odor control.

New Capital

In Collections, the District did some miscellaneous system upgrades and Reg 22 site app for lift stations.

At Farmers Korner the District upgraded the north plant circulation fans, south plant DO meter, A-basin/digester, re-routed WAS meter and added sample ports for testing.

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 12/31/19	Additions	Deletions	Balance 12/31/20
Capital Assets Not Being Depreciated: and Improvements	\$ 319,323	\$ 147,540	\$ -	\$ 466,863
Capital Assets Being Depreciated:				
Buildings	164,045	-	-	164,045
Treatment Plants	80,381,121	508,038	-	80,889,159
Upper Blue River System	9,294,559	-	-	9,294,559
Sewer Lines and Mains	17,929,836	500,672	-	18,430,508
Equipment and Vehicles	2,187,518	232,909	-	2,420,427
Employee Housing	1,151,054	252,542	-	1,403,596
Total Capital Assets Being Depreciated	<u>111,308,233</u>	<u>1,524,291</u>	<u>-</u>	<u>112,832,424</u>
Accumulated Depreciation:				
Buildings	(27,567)	(6,356)	-	(33,923)
Treatment Plants	(30,478,674)	(1,948,583)	-	(32,427,257)
Upper Blue River System	(2,511,307)	(194,182)	-	(2,705,489)
Sewer Lines and Mains	(8,147,783)	(418,741)	-	(8,566,524)
Equipment and Vehicles	(2,009,994)	(96,031)	-	(2,106,025)
Employee Housing	(437,840)	(22,583)	-	(460,423)
Total Accumulated Depreciation	<u>(44,115,710)</u>	<u>(2,676,436)</u>	<u>-</u>	<u>(46,792,146)</u>
Capital Assets Being Depreciated, net	<u>67,192,523</u>	<u>(1,152,275)</u>	<u>-</u>	<u>66,040,247</u>
Total Capital Assets	<u>\$ 68,011,846</u>	<u>\$ (1,004,735)</u>	<u>\$ -</u>	<u>\$ 67,007,110</u>

Long-Term Debt

A principal payment of \$101,073 was made during 2020 and \$99,082 during 2019 on the CWRPDA note along with \$22,027 in 2020 and \$24,035 in 2019 in interest.

	Balance 12/31/2019	Advances	Payments	Balance 12/31/2020	Current Portion	Interest Expense
Notes Payable: 2010 CWRPDA	\$ 1,168,590	\$ -	\$ 101,074	\$ 1,067,516	\$ 103,105	\$ 22,027

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.

Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental AICPA Quality Center
and Private Company Practices 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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

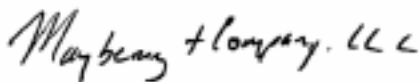
Other Matters

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.



Englewood, Colorado
June 23, 2021

BASIC FINANCIAL STATEMENTS

UPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

STATEMENT OF NET POSITION
December 31, 2020
(With Comparative Totals for December 31, 2019)

	2020	2019
ASSETS		
Current Assets		
Cash and Equivalents	\$ 16,949,838	\$ 13,925,460
Investments	19,535,336	19,404,808
Accounts Receivable	55,617	79,069
Accrued Interest Receivable	138	10,284
Prepaid Expenses	175,591	180,711
Restricted Cash & Investments	<u>1,295,244</u>	<u>1,302,133</u>
Total Current Assets	<u>38,011,782</u>	<u>34,902,465</u>
Noncurrent Assets		
Capital Assets, not being depreciated	966,863	819,323
Capital Assets, being depreciated (net)	66,040,247	67,192,523
Notes and Other Receivables	<u>88,107</u>	<u>120,023</u>
Total Noncurrent Assets	<u>67,095,217</u>	<u>68,131,869</u>
Total Assets	<u>105,107,001</u>	<u>103,034,334</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	371,986	374,463
Retainage Payable	30,000	30,828
Unearned Revenue	64,829	59,817
Accrued Compensated Absences	166,285	144,008
Accrued Interest Payable	8,896	9,738
Deposits and Escrow Balances	1,750	1,750
Deposits and Escrow Balances - Restricted Resources	<u>137,244</u>	<u>137,133</u>
Current Portion - Notes Payable	<u>103,105</u>	<u>101,073</u>
Total Current Liabilities	<u>884,095</u>	<u>858,810</u>
Noncurrent Notes Payable	<u>961,711</u>	<u>1,057,516</u>
Total Liabilities	<u>1,848,506</u>	<u>1,926,326</u>
NET POSITION		
Net Investment in Capital Assets	65,930,698	66,833,519
Restricted:		
For Operations and Maintenance Reserve	1,158,000	1,155,000
Unrestricted	<u>35,169,797</u>	<u>33,109,489</u>
Total Net Position	<u>\$ 103,258,495</u>	<u>\$ 101,108,008</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, 2020

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

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
User Charges	\$ 6,208,819	\$ 5,835,849
Inspection Fees	6,000	7,600
Line Extension Fees	82,206	105,713
Rental Income	51,200	48,384
Other Charges	<u>(13,481)</u>	<u>36,484</u>
Total Operating Revenues	<u>6,334,744</u>	<u>6,034,030</u>
OPERATING EXPENSES		
Administrative	2,270,128	2,346,355
Operating - Iowa Hill	103,457	266,283
Operating - Farmers Korner	1,311,049	1,110,504
Operating - South Blue	51,846	45,675
Operating - Collection System	162,393	239,710
Depreciation Expense	<u>2,676,468</u>	<u>2,789,361</u>
Total Operating Expenses	<u>6,575,341</u>	<u>6,697,888</u>
Income (Loss) from Operations	<u>(240,597)</u>	<u>(663,858)</u>
NONOPERATING INCOME (EXPENSE)		
Investment Earnings	163,196	586,927
Inclusion Fees	83,295	100,148
Interest Expense	<u>(22,027)</u>	<u>(24,035)</u>
Total Nonoperating Income (Expense)	<u>224,464</u>	<u>663,040</u>
CAPITAL CONTRIBUTIONS		
Plant Investment Fees	<u>2,160,620</u>	<u>2,332,354</u>
Change in Net Position	2,150,487	2,331,736
NET POSITION, Beginning	<u>101,108,008</u>	<u>98,776,272</u>
NET POSITION, Ending	<u><u>\$ 103,258,495</u></u>	<u><u>\$ 101,108,008</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, 2020

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

	2020	2019
Cash Flows from Operating Activities:		
Cash Receipts from Customers	\$ 6,303,318	\$ 6,007,379
Cash Payments to Suppliers	(2,129,002)	(2,711,735)
Cash Payments to Employees	(1,744,352)	(1,763,482)
Net Cash Flows from Operating Activities	<u>2,469,305</u>	<u>1,512,103</u>
Cash Flows from Capital and Related Financing Activities:		
Plant Investment Fees	2,100,020	2,312,054
Inclusion Fees	83,295	100,148
Acquisition and Construction of Capital Assets	(1,072,559)	(1,007,843)
Principal Paid on Loans	(101,073)	(99,082)
Change in D & M Reserve	7,000	(22,000)
Interest Paid on Loans	(22,803)	(24,801)
Net Cash Flows from Capital and Related Financing Activities	<u>460,412</u>	<u>678,913</u>
Cash Flows from Investing Activities:		
Proceeds from Sale (Purchases) of Investments - net	(130,059)	(1,388,585)
Payments (Advances) on Notes Receivable - net	31,910	41,012
Investment Earnings	173,342	589,032
Net Cash Flows from Investing Activities	<u>74,599</u>	<u>(758,541)</u>
Net Increase (Decrease) in Cash and Equivalents	3,024,378	1,452,538
CASH AND EQUIVALENTS, Beginning	<u>13,925,460</u>	<u>12,472,922</u>
CASH AND EQUIVALENTS, Ending	<u><u>\$ 16,949,838</u></u>	<u><u>\$ 13,925,460</u></u>
Reconciliation of Income (Loss) from Operations to Net Cash Flows from Operations:		
Cash Flows from Operations:		
Income (Loss) from Operations	\$ (240,597)	\$ (603,858)
Adjustments required to reconcile operating income (loss) to net cash flows from operations		
Depreciation	2,676,408	2,469,301
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	33,452	30,242
(Increase) Decrease in Prepaid Expenses	5,120	(12,941)
Increase (Decrease) in Accounts Payable	(2,477)	(270,945)
Increase (Decrease) in Unearned Revenue	5,012	(11,990)
Increase (Decrease) in Accrued Compensated Absences	22,277	17,199
Increase (Decrease) in Debts and Escrow Balances	110	(44,890)
Total Adjustments	<u>2,729,902</u>	<u>2,196,021</u>
Net Cash Flows from Operating Activities	<u><u>\$ 2,469,305</u></u>	<u><u>\$ 1,512,103</u></u>

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

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

DECEMBER 31, 2020

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, 2020

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 2020.

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, 2020

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, 2020 statement of net position as follows:

Cash Deposits and On Hand	\$ 16,245,082
Investments	19,535,355
Total Cash and Investments	<u>\$ 37,780,438</u>
Cash and Equivalents	\$ 16,343,838
Investments	19,535,355
Restricted Cash and Investments	1,205,244
Total Cash and Investments	<u>\$ 37,780,438</u>

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

DECEMBER 31, 2020

Note 2: CASH AND INVESTMENTS (Continued)

CASH DEPOSITS

At December 31, 2020, the District's cash deposits had bank and carrying balances as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDC Insured	\$ 250,000	\$ 250,000
FDIC Collateralized (Not in the District's Name)	18,426,575	17,894,887
Petty Cash		210
Total Cash Balances	<u>\$ 18,676,575</u>	<u>\$ 18,245,087</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, 2020, 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, 2020

Note 2: CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

At December 31, 2020, the District had invested in the Colorado Local Government Liquidity 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 cost 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. The District has placed limits on the maximum percentage of various instruments in the portfolio based on type ranging from 50% to 100% of the total portfolio. Investments in any one financial institution generally may not exceed 50% 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, 2020

Note 2: CASH AND INVESTMENTS (Continued)

RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments for the operations and maintenance reserve for 2020 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	\$ 137,271
CWRPDA O&M Reserves	<u>1,158,000</u>
Total Restricted Cash and Investments	<u>\$ 1,295,244</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 3.25%. The District had 7 outstanding notes with a value of \$58,107 at year end and recognized \$3,695 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.

District Employee Housing Assistance

During 2019, the District entered into a note receivable agreement with an employee in the amount of \$30,000. The note bears interest at 3% per annum and requires 240 monthly payments of \$166.38 commencing in August 2021 with the note maturing in August 2041.

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

DECEMBER 31, 2020

Note 4: CAPITAL ASSETS

Summaries of changes to capital assets for 2020 are as follows:

	<u>Balance 12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/20</u>
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 819,323	\$ 147,540	\$ -	\$ 966,863
Capital Assets Being Depreciated:				
Buildings	157,075	-	-	161,015
Treatment Plants	80,581,121	506,038	-	81,089,189
Upper Blue River System	9,294,759	-	-	9,294,559
Sewer Lines and Mains	17,929,836	530,672	-	18,460,508
Equipment and Vehicles	2,187,618	232,909	-	2,420,527
Employee Housing	1,151,054	252,542	-	1,403,596
Total Capital Assets Being Depreciated	<u>111,308,233</u>	<u>1,521,161</u>	<u>-</u>	<u>112,832,724</u>
Accumulated Depreciation:				
Buildings	(27,667)	(6,356)	-	(34,033)
Treatment Plants	(30,978,619)	(1,938,533)	-	(32,917,182)
Upper Blue River System	(2,514,307)	(194,782)	-	(2,708,489)
Sewer Lines and Mains	(8,747,783)	(478,791)	-	(9,226,574)
Equipment and Vehicles	(2,009,991)	(96,001)	-	(2,105,996)
Employee Housing	(437,840)	(22,553)	-	(460,403)
Total Accumulated Depreciation	<u>(44,115,710)</u>	<u>(2,676,156)</u>	<u>-</u>	<u>(46,792,177)</u>
Capital Assets Being Depreciated, net	<u>67,192,523</u>	<u>(1,152,275)</u>	<u>-</u>	<u>66,040,247</u>
Total Capital Assets	<u>\$ 68,011,846</u>	<u>\$ (1,004,735)</u>	<u>\$ -</u>	<u>\$ 67,007,110</u>

Depreciation expense for the year ended December 31, 2020 was \$2,676,466.

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, 2020

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, 2020.

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, 2020.

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, 2020

Note 6: LONG TERM DEBT

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

	Balance 12/31/2019	Advances	Payments	Balance 12/31/2020	Current Portion	Interest Expense
Notes Payable:						
2010 CWRPDA	\$ 1,158,590	\$ -	\$ 101,074	\$ 1,057,516	\$ 103,105	\$ 22,927

The District has one outstanding loan with the Colorado Water Resources and Power Development Authority. In 2010, the District entered into a loan agreement to complete the Farmers Korner facility expansion. The loan contains 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 7). The District was in compliance with the covenants and requirements of the loan agreements at December 31, 2020.

A schedule of future loan payments is as follows:

Fiscal Year	Principal	Interest	Total
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	111,648	12,294	123,942
2026-2030	530,847	26,694	557,541
Totals	\$ 1,067,516	\$ 109,935	\$ 1,177,451

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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>
2021	<u>\$ 1,625</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 \$58,536, \$57,882, and \$53,689, for 2020, 2019 and 2018, respectively.

Covered and total payroll for 2020, 2019 and 2018 was \$1,170,720, \$1,157,640, and \$1,007,304, 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 2020, the total employee contributions were \$87,374 with the District matching \$25,198.

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, 2020

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	\$ 8,747,875	\$ 5,693,704
GAAP Basis Adjustments:		
Capital Replacement	-	(737,182)
Capital Outlay	-	(904,545)
Debt Service Principle	-	(102,073)
Depreciation Expense	-	<u>2,676,168</u>
GAAP Basis	<u>\$ 8,747,855</u>	<u>\$ 6,597,368</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, 2020. 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, 2020

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.

Operating revenues	\$ 6,334,712
Other revenue	215,751
Capital contributions	<u>2,166,620</u>
Total revenue	<u>8,747,853</u>
Operating expenses	(6,575,311)
Less: Depreciation	<u>2,575,768</u>
Adjusted operating expenses	<u>(3,898,873)</u>
Net revenue	<u>4,848,980</u>
Total debt service	
2010 CWRP/DA	174,942
Required rate	<u>110%</u>
Net revenue required	<u>535,837</u>
Excess (deficit)	<u>\$ 4,313,143</u>

Note 11: FUTURE USES OF NET POSITION

Through the adoption of the 2021 budget, the District has appropriated \$2,771,684 of net position available at December 31, 2020 to fund fiscal year 2021 operations.

In addition, the District has set aside funds as of December 31, 2020 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 2020 to ensure that adequate reserves are available to meet these projected costs. As of 2020, the capital outlay reserve set aside totaled \$18,000,000.

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, 2020

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

	2020			2019 Actual
	Final Budget	Actual	Variance Pos (Neg)	
REVENUES				
User Charges	\$ 5,090,000	\$ 5,208,819	\$ 118,819	\$ 5,835,849
Inspection Fees	8,000	5,000	(2,000)	7,500
Inclusion Fees	75,000	83,295	8,295	100,148
Line Extension Fees	50,000	82,205	32,205	105,713
Other Charges	24,000	(13,481)	(37,481)	35,484
Investment Earnings	557,000	153,195	(393,804)	585,927
Plant Investment Fees	2,000,000	2,155,520	155,520	2,332,554
Rental Income	45,000	51,200	5,200	48,384
Total Revenues	8,849,000	8,747,855	(101,145)	9,053,559
EXPENDITURES				
Administrative				
Personnel Services	2,005,887	1,755,528	240,259	1,780,580
Office Administration	170,500	181,058	(10,558)	155,405
Legal and Other Professional	185,500	100,475	85,024	172,543
Board Expenses	11,000	9,855	1,144	5,900
Insurance	155,000	131,295	24,705	144,545
Building Maintenance	20,000	35,822	(15,822)	25,375
Employee Housing	15,000	12,585	5,314	14,585
Other Administrative Expenses	32,500	32,305	194	35,720
Total Administrative	2,501,387	2,270,127	331,250	2,345,355
Operating - Iowa Hill				
Utilities	95,000	29,557	55,333	124,204
Repairs	120,000	38,702	81,298	95,895
Chemicals and Other Supplies	45,000	24,033	20,967	205,517
Biomonitoring	5,000	1,945	4,055	17,235
Permits & Fees	8,000	7,529	471	7,529
Other Operating Expenses	3,000	1,581	1,419	14,802
Total Operating - Iowa Hill	278,000	103,457	174,543	455,283
Operating - Farmers Korner				
Utilities	545,000	408,815	135,185	399,159
Repairs	155,000	147,855	17,144	80,842
Chemicals and Other Supplies	435,500	492,854	(57,354)	355,877
Biomonitoring	7,800	3,211	4,589	5,832
Permits & Fees	32,500	15,784	15,715	15,712
Silage Hauling & Land Application	215,000	174,792	40,208	189,355
Site Monitoring	23,000	13,951	9,049	13,155
Other Operating Expenses	50,000	53,755	(3,754)	40,541
Total Operating - Farmers Korner	1,483,800	1,311,049	172,751	1,110,504

See the accompanying Independent Auditors' Report

(Continued)

LIPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL

For the Year Ended December 31, 2020

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

(Continued)

	2020			2019 Actual
	Final Budget	Actual	Variance Pos (Neg)	
EXPENDITURES (continued)				
Operating - South Blue				
Utilities	50,000	37,874	12,126	34,857
Repairs	2,500	988	1,512	180
Chemicals and Other Supplies	1,000	287	713	591
Permits & Fees	3,800	975	2,824	2,825
Site Monitoring	8,000	9,592	(1,592)	7,122
Other Operating Expenses	8,000	2,130	5,870	-
Total Operating - South Blue	73,300	51,847	21,453	45,575
Operating - Collection System				
Utilities	20,000	13,482	6,518	12,304
Repairs	159,000	115,225	42,774	197,917
Inspection Expenses	5,000	1,525	3,475	833
Other Operating Expenses	40,000	31,150	8,840	28,555
Total Operating - Collection System	224,000	162,393	61,607	239,710
Capital Replacement	2,443,000	757,182	1,685,818	1,094,912
Capital Outlay	2,975,000	904,549	2,070,451	384,950
Debt Service				
Debt Service Principal	97,130	101,073	(3,943)	99,082
Interest Expense	25,813	22,027	4,786	24,035
Total Debt Service	123,943	123,100	843	123,117
Total Expenses	10,202,430	5,593,704	4,608,726	5,811,515
Change in Net Position - Budget Basis	(1,353,430)	3,054,151	4,407,581	3,242,143
GAAP Basis Adjustments				
Capital Replacement	-	757,182	757,182	1,094,912
Capital Outlay	-	904,549	904,549	384,950
Debt Service Principal	-	101,073	101,073	99,082
Depreciation Expense	-	(2,575,458)	(2,575,458)	(2,489,351)
Net GAAP Basis Adjustments	-	(903,554)	(903,554)	(910,407)
Change in Net Position - GAAP Basis	\$ (1,353,430)	2,150,487	\$ 3,503,917	2,331,736
NET POSITION, Beginning		101,108,008		98,775,272
NET POSITION, Ending		\$ 103,258,495		\$ 101,108,008

See the accompanying Independent Auditor's Report