

**UPPER BLUE SANITATION DISTRICT
BRECKENRIDGE, COLORADO**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

**UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2014

ROSTER OF OFFICIALS

BOARD OF DIRECTORS

Michael Turek – Board President
Barrie Stimson – Board Vice President
Allyn Mosher – Board Secretary/Treasurer
Patricia Theobald – Member
Kenneth Trausch – Member

KEY EMPLOYEES

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

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FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

UPPER BLUE SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Required Supplementary Information (RSI) December 31, 2014

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, 2014. 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 2014 by \$79,631,128 (*net position*), which is an increase of \$3,159,710 from the prior year. Of this amount \$17,830,110 (*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 \$9,176,553 in 2014 versus 2013 revenues of \$7,483,274. There was an increase in 2014 revenues in the amount of \$1,693,279. The main increase from 2014 was due to an increase in Plant Investment Fees in the amount of 1,570,645, Inclusion Fees in the amount of \$63,851, Sewer User Charges in the amount of \$52,739 and Line Extension Fees in the amount of \$25,147.

The District's total operating revenues increased in 2014 by \$61,277 from 2013. The main increase in 2014 operating revenue was in increase in Sewer User Charges in the amount of \$52,739 and Line Extension Fees in the amount of \$25,147. Investment Earnings decreased in 2014 by \$2,494 from 2013 mainly due to the low interest rates currently available. In 2013, there was operating income from operations in the amount of \$5,409,933 and other income in the amount of \$2,073,341. Capital contributions from Plant Investment Fees in the amount of \$3,557,122 for 2014 and \$1,986,477 for 2013.

Using the Basic Financial Statements

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

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

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

The Statement of Activities presents information showing how the District's net position changed during 2014. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows.

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

The District has the following governmental funds:

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

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

Government-Wide Financial Statements

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

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

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

Business-Type Activities:

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

Financial Analysis of the District as a Whole

Net Position increased in 2014 by \$3,159,710 to \$79,631,128 and in 2013 by \$1,760,693 to \$76,471,418. This was the result of an increase in current assets in the amount of 1,714,588.

Cash, Cash equivalents and investments of the District at December 31, 2014 totaled \$17,743,725, which represents 19.97% of the District's total assets, and at December 31, 2013 Cash, Cash equivalents and investments totaled \$16,073,518 which represents 18.57% of the District's total assets.

The District's Capital assets, net of accumulated depreciation, at December 31, 2014 totaled \$69,249,165, which represents 77.95% of the District's total assets as of December 31, 2014; and at December 31, 2013 Capital assets, net of accumulated depreciation totaled \$68,982,640, which represents 79.68% of the District's total assets as of December 31, 2013.

Net Position

A summary of District's net position at December 31, 2014 is as follows:

Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>
Current Assets	\$ 18,157,948	\$ 16,443,360
Non Current Assets		
Cash and Investments	1,033,000	963,000
Capital Assets - Net	69,249,165	68,982,639
Other	395,103	182,180
Total Assets	<u>88,835,216</u>	<u>86,571,179</u>
Current Liabilities	1,818,794	1,750,457
Non Current Liabilities - Loan Payable	7,385,294	8,349,304
Total Liabilities	<u>9,204,088</u>	<u>10,099,761</u>
Net Position		
Net Investment in Capital Assets	60,768,018	59,548,366
Restricted	1,033,000	963,000
Unrestricted	17,830,110	15,960,052
Total Net Position	<u>\$ 79,631,128</u>	<u>\$ 76,471,418</u>

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

Condensed Statement of Activities		
	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 5,471,210	\$ 5,409,933
Capital Grants and Contributions	3,676,550	2,042,054
Total Program Revenues	<u>9,147,760</u>	<u>7,451,987</u>
General Revenues		
Investment Earnings	28,793	31,287
Total Revenues	<u>9,176,553</u>	<u>7,483,274</u>
Expenses		
Wastewater Operations	<u>6,016,843</u>	<u>5,722,581</u>
Change in Net Position	3,159,710	1,760,693
Net Position, Beginning	76,471,418	74,710,725
Net Position, Ending	<u>\$ 79,631,128</u>	<u>\$ 76,471,418</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 2014, before depreciation, was approximately \$88,906 less than 2013 operating income. The decrease in operating income in 2014 was due to an increase in the 2014 operating expenses, in the amount of \$322,717. The net operating income for 2013, before depreciation was approximately \$166,862 less than 2012 operating income.

Non-operating revenues and Capital Contributions for 2014 were approximately \$1,660,457 more than 2013. This was a result of an increase in Capital Contributions in the amount of \$1,570,645. Non-operating revenues and Capital Contributions for 2013 were approximately \$190,462 less than 2012.

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 \$3,073,553 in 2014. Actual revenues exceeded budgeted revenues by \$1,693,700 in 2013. Plant Investment Fees exceeded the budgeted amount by \$2,857,122 in 2014. Plant Investment Fees exceeded the budgeted amount by \$1,586,477 in 2013.

Actual expenditures were approximately \$1,359,744 less than budgeted in 2014 and \$1,111,405 less than budgeted in 2013. Significant variations to budget are as follows:

- Administrative expenses were approximately \$259,174 less than budgeted in 2014 and approximately \$170,663 less than budgeted in 2013.
- Plant expenses were approximately \$92,137 less than budgeted in 2014 mainly due to utilities, Iowa Hill equipment repairs & Chemicals, and sludge hauling expenses being less than budgeted. For 2013 plant expenses were approximately \$223,468 less than budgeted mainly due to utilities, equipment repairs and sludge hauling expenses being less than budgeted.
- Replacement capital expenditures were approximately \$776,172 less than budgeted in 2014 and approximately \$ 694,953 less than budgeted in 2013.
- Capital outlay for 2014 was approximately \$220,305 less than budgeted and approximately \$10,543 less than budgeted in 2013. See discussion below.

Capital Assets

Replacement Capital

Repairs and line replacement projects were undertaken to help address infiltration and inflow problems.

At the Farmers Korner old plant the District did some centrifuge rehabilitation and replaced the hydronumatic tank bladder.

At the Iowa Hill plant the District refurbished BAF's, densadeg and filters, repaired the odor control system and replaced the laboratory dishwasher.

New Capital

In Collections, the District continued the extension of central sewer in the Blue Rock Springs subdivision in the Town of Blue River and spent \$1,414,708. Future sewer line extensions are planned for the Town of Blue River in 2015.

At the Farmers Korner old plant the District added a spare VFD influent pump, actuating lift and landscaping.

At the Iowa Hill plant the District had a nitrogen removal study conducted for the upcoming State Regulation 35.

The District depreciates its capital assets. See Note 1 of Notes to Financial Statements-summary of Significant Account Policies-Capital Assets on page 9 and Note 3 of Notes to Financial Statements-Capital Assets on page 13.

The following is a summary of capital asset activity:

	Balance 12/31/13	Additions	Deletions	Balance 12/31/14
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 793,350	\$ 24,832	\$ -	\$ 818,182
Capital Assets Being Depreciated:				
Buildings	138,162	-	-	138,162
Treatment Plants	77,108,828	605,496	-	77,714,324
Upper Blue River System	4,321,429	1,390,375	-	5,711,804
Sewer Lines and Mains	13,858,598	36,330	-	13,894,928
Equipment and Vehicles	1,547,972	392,932	(126,278)	1,814,626
Employee Housing	1,038,191	-	-	1,038,191
Total Capital Assets Being Depreciated	<u>98,013,180</u>	<u>2,425,133</u>	<u>(126,278)</u>	<u>100,312,035</u>
Accumulated Depreciation:				
Buildings	(2,763)	(2,763)	-	(5,526)
Treatment Plants	(20,348,925)	(1,628,499)	-	(21,977,424)
Upper Blue River System	(1,578,876)	(104,618)	-	(1,683,494)
Sewer Lines and Mains	(6,142,559)	(311,299)	-	(6,453,858)
Equipment and Vehicles	(1,439,310)	(115,497)	126,278	(1,428,529)
Employee Housing	(311,457)	(20,764)	-	(332,221)
Total Accumulated Depreciation	<u>(29,823,890)</u>	<u>(2,183,440)</u>	<u>126,278</u>	<u>(31,881,052)</u>
Capital Assets Being Depreciated, net	<u>68,189,290</u>	<u>241,693</u>	<u>-</u>	<u>68,430,983</u>
Total Capital Assets	<u>\$ 68,982,640</u>	<u>\$ 266,525</u>	<u>\$ -</u>	<u>\$ 69,249,165</u>

Long-Term Debt

A principal payment of \$941,170 was made during 2014 and \$913,365 during 2013 on the CWRPDA notes along with \$332,715 and \$361,170 respectively in interest. In 2005, the District entered into a second loan agreement to finance the construction of the pump-back system. In 2007, the Board of Directors decided not to continue to pursue the pump-back and the CWRPDA agreed to allow the funds to be used to expand the facilities at Farmers Korner. See Notes to Financial Statements, Note 5-Long Term Debt on pages 13 & 14 and the Schedule of Debt Service Requirements to Maturity on page 14.

	Balance 12/31/13	Advances	Payments	Balance 12/31/14	Current Portion
Notes Payable:					
1997 CWRPDA	\$ 2,100,919	\$ -	\$ 486,472	\$ 1,614,447	\$ 502,510
2005 CWRPDA	5,455,000	-	365,000	5,090,000	370,000
2010 CWRPDA	1,734,555	-	89,698	1,644,857	91,500
Total Long-Term Debt	\$ 9,290,474	\$ -	\$ 941,170	\$ 8,349,304	\$ 964,010

The Future of the District

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

Request for Information

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

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

Board of Directors
Upper Blue Sanitation District
Breckenridge, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the Upper Blue Sanitation District, as of and for the year ended December 31, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information – Management Discussion and Analysis

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

Other Information

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

Holscher, Maybury + Company, LLC

Englewood, Colorado
June 29, 2015

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BASIC FINANCIAL STATEMENTS

UPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

STATEMENT OF NET POSITION
December 31, 2014
(With Comparative Totals for December 31, 2013)

	2014	2013
ASSETS		
Current Assets		
Cash and Equivalents	\$ 14,103,527	\$ 12,433,522
Investments	3,640,198	3,639,996
Accounts Receivable	52,732	47,182
Prepaid Expenses	191,255	170,924
Restricted Cash & Investments	170,236	151,736
Total Current Assets	18,157,948	16,443,360
Noncurrent Assets		
Capital Assets, not being depreciated	818,182	793,350
Capital Assets, being depreciated (net)	68,430,983	68,189,289
Notes and Other Receivables	395,103	182,180
Restricted Cash & Investments	1,033,000	963,000
Total Noncurrent Assets	70,677,268	70,127,819
Total Assets	88,835,216	86,571,179
LIABILITIES		
Current Liabilities		
Accounts Payable	408,135	332,036
Retainage Payable	17,855	59,474
Accrued Compensated Absences	124,965	120,992
Accrued Interest Payable	131,843	143,799
Deposits and Escrow Balances	1,750	1,250
Deposits and Escrow Balances - Restricted Resources	170,236	151,736
Current Portion - Notes Payable	964,010	941,170
Total Current Liabilities	1,818,794	1,750,457
Noncurrent Notes Payable	7,385,294	8,349,304
Total Liabilities	9,204,088	10,099,761
NET POSITION		
Net Investment in Capital Assets	60,768,018	59,548,366
Restricted:		
For Operations and Maintenance Reserve	1,033,000	963,000
Unrestricted	17,830,110	15,960,052
Total Net Position	\$ 79,631,128	\$ 76,471,418

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, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
User Charges	\$ 5,286,516	\$ 5,233,777
Inspection Fees	8,700	8,200
Line Extension Fees	91,373	66,226
Rental Income	42,000	45,000
Other Charges	<u>42,621</u>	<u>56,730</u>
Total Operating Revenues	<u>5,471,210</u>	<u>5,409,933</u>
OPERATING EXPENSES		
Administrative	1,894,826	1,922,974
Operating - Iowa Hill	96,121	77,455
Operating - Farmers Korner	1,278,888	1,184,788
Operating - Collection System	230,854	165,289
Depreciation Expense	<u>2,183,439</u>	<u>2,010,905</u>
Total Operating Expenses	<u>5,684,128</u>	<u>5,361,411</u>
Income (Loss) from Operations	<u>(212,918)</u>	<u>48,522</u>
NONOPERATING INCOME (EXPENSE)		
Investment Earnings	28,793	31,287
Inclusion Fees	119,428	55,577
Interest Expense	<u>(332,715)</u>	<u>(361,170)</u>
Total Nonoperating Income (Expense)	<u>(184,494)</u>	<u>(274,306)</u>
CAPITAL CONTRIBUTIONS		
Plant Investment Fees	<u>3,557,122</u>	<u>1,986,477</u>
Change in Net Position	3,159,710	1,760,693
NET POSITION, Beginning	<u>76,471,418</u>	<u>74,710,725</u>
NET POSITION, Ending	<u>\$ 79,631,128</u>	<u>\$ 76,471,418</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, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	2014	2013
Cash Flows from Operating Activities:		
Cash Receipts from Customers	\$ 5,484,660	\$ 5,446,598
Cash Payments to Suppliers	(1,996,452)	(1,715,743)
Cash Payments to Employees	(1,486,115)	(1,471,099)
Net Cash Flows from Operating Activities	2,002,093	2,259,756
Cash Flows from Capital and Related Financing Activities:		
Plant Investment Fees	3,557,122	1,986,477
Inclusion Fees	119,428	55,577
Acquisition and Construction of Capital Assets	(2,449,965)	(1,105,404)
Principal Paid on Loans	(941,170)	(913,365)
Increase in O & M Reserve	(70,000)	(26,000)
Interest Paid on Loans	(344,671)	(372,949)
Net Cash Flows from Capital and Related Financing Activities	(129,256)	(375,664)
Cash Flows from Investing Activities:		
Proceeds from Sale (Purchases) of Investments	(18,702)	4,257
Payments (Advances) on Notes Receivable	(212,923)	30,337
Investment Earnings	28,793	31,287
Net Cash Flows from Investing Activities	(202,832)	65,881
Net Increase (Decrease) in Cash and Equivalents	1,670,005	1,949,973
CASH AND EQUIVALENTS, Beginning	12,433,522	10,483,549
CASH AND EQUIVALENTS, Ending	\$ 14,103,527	\$ 12,433,522
Reconciliation of Income (Loss) from Operations to Net		
Cash Flows from Operations:		
Income (Loss) from Operations	\$ (212,918)	\$ 48,522
Adjustments required to reconcile operating income (loss) to net cash flows from operations		
Depreciation	2,183,439	2,010,905
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(5,550)	41,405
(Increase) Decrease in Prepaid Expenses	(20,330)	(2,084)
Increase (Decrease) in Accounts Payable	34,479	166,540
Increase (Decrease) in Unearned Revenue	-	(34,232)
Increase (Decrease) in Accrued Compensated Absences	3,973	(792)
Increase (Decrease) in Deposits and Escrow Balances	19,000	29,492
Total Adjustments	2,215,011	2,211,234
Net Cash Flows from Operating Activities	\$ 2,002,093	\$ 2,259,756

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

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

DECEMBER 31, 2014

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

The District applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents, and the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units.

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

Basis of Accounting

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

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

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

DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Cash and Equivalents

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

Investments

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

Capital Assets

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

Comparative Information

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

Budgets

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

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

DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets (Continued)

An amendment to budget through supplemental appropriation is subject to approval of the Board of Directors at a public hearing and the filing of the approved supplemental appropriation with the State of Colorado. There were no budget amendments in 2014.

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

Compensated Absences

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

Use of Estimates in the Preparation of Financial Statements

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

Equity

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

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

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

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

DECEMBER 31, 2014

Note 2: CASH AND INVESTMENTS

Cash deposits and investments are comprised of and are allocated on the December 31, 2014 statement of net position as follows:

Cash Deposits and On Hand	\$ 15,306,763
Investments	<u>3,640,198</u>
Total Cash and Investments	<u>\$ 18,946,961</u>
Cash and Equivalents	\$ 14,103,527
Investments	3,640,198
Restricted Cash and Investments	<u>1,203,236</u>
Total Cash and Investments	<u>\$ 18,946,961</u>

CASH DEPOSITS

At December 31, 2014, the District's cash deposits had bank and carrying balances as follows:

	Bank Balance	Carrying Balance
FDIC Insured	\$ 500,000	\$ 500,000
PDPA Collateralized (Not in the District's Name)	14,989,849	14,806,563
Petty Cash	<u>-</u>	<u>200</u>
Total Cash Balances	<u>\$ 15,489,849</u>	<u>\$ 15,306,763</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, 2014, are deemed to be exposed to custodial credit risk.

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

DECEMBER 31, 2014

Note 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS

Colorado statutes specify in which investment instruments the units of a local government may invest:

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

The District had the following investments as of December 31, 2014:

	Fair Value	Weighted Avg. Maturity in Years	% Of Portfolio	Rating
Local Government Pools	\$ 3,640,198	-	100.0%	AAA _m

At December 31, 2014, 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.

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.

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

DECEMBER 31, 2014

Note 2: CASH AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law permits investments in guaranteed federal agency securities without restrictions since such securities are considered to have minimal credit risk. In order to minimize credit risk, the District's investments have been limited to guaranteed federal agency securities and local government investment pools. In addition, the District has adopted policies to limit the percentage that can be invested in U.S. Agency securities and certificates of deposit.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entities investment in a single issuer. The District has adopted limitations in the amount of investment that can be held by any one institution for U.S. Agency securities, certificates of deposit, money market funds and local government investment pools.

RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments for the operations and maintenance reserve for 2014 represent an amount equal to three months of 2015 budgeted operating expenses as required by the 1997, 2005, and 2010 loan agreements with the Colorado Water Resources and Power Development Authority (CWRPDA) (see Note 5). These monies, per agreement with CWRPDA, can be used for emergency operating purposes, if necessary. The District has also restricted funds it has on deposit in escrow per developer agreements. The amount held in construction retainage escrow ultimately belongs to the contractor and a retainage payable account has been established to offset this amount.

Developer Escrow Balances	\$ 170,236
CWRPDA O&M Reserves	<u>1,033,000</u>
Total Restricted Cash and Investments	<u>\$ 1,203,236</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 19 outstanding notes with a value of \$395,103 at year end and recognized \$13,171 of interest on the notes. There was \$2,610 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, 2014

Note 4: CAPITAL ASSETS

Summaries of changes to capital assets for 2014 are as follows:

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/14</u>
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 793,350	\$ 24,832	\$ -	\$ 818,182
Capital Assets Being Depreciated:				
Buildings	138,162	-	-	138,162
Treatment Plants	77,108,828	605,496	-	77,714,324
Upper Blue River System	4,321,429	1,390,375	-	5,711,804
Sewer Lines and Mains	13,858,598	36,330	-	13,894,928
Equipment and Vehicles	1,547,972	392,932	(126,278)	1,814,626
Employee Housing	1,038,191	-	-	1,038,191
Total Capital Assets Being Depreciated	<u>98,013,180</u>	<u>2,425,133</u>	<u>(126,278)</u>	<u>100,312,035</u>
Accumulated Depreciation:				
Buildings	(2,763)	(2,763)	-	(5,526)
Treatment Plants	(20,348,925)	(1,628,499)	-	(21,977,424)
Upper Blue River System	(1,578,876)	(104,618)	-	(1,683,494)
Sewer Lines and Mains	(6,142,559)	(311,299)	-	(6,453,858)
Equipment and Vehicles	(1,439,310)	(115,497)	126,278	(1,428,529)
Employee Housing	(311,457)	(20,764)	-	(332,221)
Total Accumulated Depreciation	<u>(29,823,890)</u>	<u>(2,183,440)</u>	<u>126,278</u>	<u>(31,881,052)</u>
Capital Assets Being Depreciated, net	<u>68,189,290</u>	<u>241,693</u>	<u>-</u>	<u>68,430,983</u>
Total Capital Assets	<u>\$ 68,982,640</u>	<u>\$ 266,525</u>	<u>\$ -</u>	<u>\$ 69,249,165</u>

Depreciation expense for the year ended December 31, 2014 was \$2,183,440.

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

DECEMBER 31, 2014

Note 5: COMMITMENTS AND CONTIGENCIES

Prepaid Plant Investment Fees

The District has received prepaid plant investment fees for approximately 65 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.

Tax, Spending, and Debt Limitations

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

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

Note 6: LONG TERM DEBT

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

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

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

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

DECEMBER 31, 2014

Note 6: LONG TERM DEBT (Continued)

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

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, 2014.

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

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>	<u>Interest</u>
	<u>12/31/13</u>	<u>Advances</u>	<u>Payments</u>	<u>12/31/14</u>	<u>Portion</u>	<u>Expense</u>
Notes Payable:						
1997 CWRPDA	\$ 2,571,354	\$ -	\$ 486,472	\$ 2,084,882	\$ 502,510	\$ 130,468
2005 CWRPDA	5,810,000	-	365,000	5,445,000	370,000	195,422
2010 CWRPDA	<u>1,822,485</u>	<u>-</u>	<u>89,698</u>	<u>1,732,787</u>	<u>91,500</u>	<u>35,279</u>
Total Long-Term Debt	<u>\$ 10,203,839</u>	<u>\$ -</u>	<u>\$ 941,170</u>	<u>\$ 9,262,669</u>	<u>\$ 964,010</u>	<u>\$ 361,169</u>

A schedule of future loan payments is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 964,010	\$ 411,110	\$ 1,285,376
2016	1,002,579	376,198	1,394,915
2017	1,062,914	315,502	1,387,806
2018	492,130	260,908	1,375,121
2019	499,082	247,155	1,378,777
2020-2024	2,676,095	926,126	4,342,351
2025-2029	1,591,137	164,285	3,521,157
2030	<u>61,358</u>	<u>614</u>	<u>433,797</u>
Totals	<u>\$ 8,349,305</u>	<u>\$ 2,701,898</u>	<u>\$ 15,119,300</u>

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

DECEMBER 31, 2014

Note 7: BENEFIT PLANS

Money Purchase Pension Plan

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 \$49,328, \$50,175, and \$48,780, for 2014, 2013 and 2012, respectively.

Covered and total payroll for 2014, 2013 and 2012 was \$996,474, \$1,009,489, and \$975,594, , 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 2014, the total contributions were \$22,977.

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

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

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

	Revenues	Expenditures
Budgetary Basis	\$ 9,176,553	\$ 7,188,097
GAAP Basis Adjustments		
Capital Replacement	-	(943,828)
Capital Outlay	-	(1,469,695)
Debt Service Principal	-	(941,170)
Depreciation Expense	-	2,183,439
GAAP Basis	\$ 9,176,553	\$ 6,016,843

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

DECEMBER 31, 2014

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, 2014. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years. The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 10: RATE MAINTENANCE

The 1997 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.

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

Gross operating revenue	\$ 5,471,211
Other revenue	<u>3,705,342</u>
Total revenue	9,176,553
Operations and maintenance expense	<u>(3,500,688)</u>
Net revenue	<u>5,675,865</u>
Total debt service	
1997 CWRPDA	568,804
2005 CWRPDA	592,695
2010 CWRPDA	<u>123,942</u>
	1,285,441
Required rate	<u>110%</u>
Net revenue required	<u>1,413,985</u>
Excess (deficit)	<u>\$ 4,261,880</u>

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

DECEMBER 31, 2014

Note 11: FUTURE USES OF NET POSITION

Through the adoption of the 2015 budget, the District has appropriated \$2,122,130 of net position available at December 31, 2014 to fund fiscal year 2015 operations.

In addition, the District has set aside funds as of December 31, 2014 to fund future plant improvements that are anticipated to address pending nutrient standards. As included in the 2013 Master Plan, the District intends to set aside \$2,000,000 of net position each year from 2012 through 2017 to insure that adequate reserves are available to meet these projected costs. As of 2014, the set-aside totaled \$6,000,000.

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, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

	<u>2014</u>			<u>2013</u> <u>Actual</u>
	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Pos (Neg)</u>	
REVENUES				
User Charges	\$ 5,240,000	\$ 5,286,516	\$ 46,516	\$ 5,233,777
Inspection Fees	7,000	8,700	1,700	8,200
Inclusion Fees	30,000	119,428	89,428	55,577
Line Extension Fees	25,000	91,373	66,373	66,226
Other Charges	29,000	42,621	13,621	56,730
Investment Earnings	27,000	28,793	1,793	31,287
Plant Investment Fees	700,000	3,557,122	2,857,122	1,986,477
Rental Income	<u>45,000</u>	<u>42,000</u>	<u>(3,000)</u>	<u>45,000</u>
Total Revenues	<u>6,103,000</u>	<u>9,176,553</u>	<u>3,073,553</u>	<u>7,483,274</u>
EXPENDITURES				
Admininstrative				
Personnel Services	1,651,000	1,490,088	160,912	1,470,307
Office Administration	153,000	112,379	40,621	126,495
Legal and Other Professional	119,000	107,933	11,067	132,029
Board Expenses	21,000	6,000	15,000	6,000
Insurance	129,000	133,273	(4,273)	122,765
Building Maintenance	30,000	14,439	15,561	14,934
Employee Housing	25,000	9,234	15,766	20,400
Other Administrative Expenses	<u>26,000</u>	<u>21,480</u>	<u>4,520</u>	<u>30,044</u>
Total Administrative	<u>2,154,000</u>	<u>1,894,826</u>	<u>259,174</u>	<u>1,922,974</u>
Operating - Iowa Hill				
Utilities	75,000	46,254	28,746	39,468
Repairs	80,000	28,968	51,032	16,753
Chemicals and Other Supplies	28,000	14,695	13,305	14,856
Permits & Fees	7,000	6,090	910	6,090
Other Operating Expenses	<u>2,000</u>	<u>114</u>	<u>1,886</u>	<u>288</u>
Total Operating - Iowa Hill	<u>192,000</u>	<u>96,121</u>	<u>95,879</u>	<u>77,455</u>
Operating - Farmers Korner				
Utilities	575,000	488,367	86,633	465,766
Repairs	75,000	145,702	(70,702)	87,133
Chemicals and Other Supplies	385,000	406,144	(21,144)	401,458
Biomonitoring	7,000	5,771	1,229	4,243
Permits & Fees	27,500	15,149	12,351	15,882
Sludge Hauling & Land Application	160,000	146,297	13,703	136,252
Site Monitoring	30,000	28,934	1,066	30,167
Other Operating Expenses	<u>49,000</u>	<u>42,524</u>	<u>6,476</u>	<u>43,887</u>
Total Operating - Farmers Korner	<u>1,308,500</u>	<u>1,278,888</u>	<u>29,612</u>	<u>1,184,788</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, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

(Continued)

	2014			2013 Actual
	Final Budget	Actual	Variance Pos (Neg)	
EXPENDITURES (continued)				
Operating - Collection System				
Utilities	25,000	24,000	1,000	21,949
Repairs	134,000	162,933	(28,933)	110,180
Inspection Expenses	3,500	5,403	(1,903)	-
Other Operating Expenses	<u>35,000</u>	<u>38,518</u>	<u>(3,518)</u>	<u>33,160</u>
Total Operating - Collection System	<u>197,500</u>	<u>230,854</u>	<u>(33,354)</u>	<u>165,289</u>
Capital Replacement	<u>1,720,000</u>	<u>943,828</u>	<u>776,172</u>	<u>784,283</u>
Capital Outlay	<u>1,690,000</u>	<u>1,469,695</u>	<u>220,305</u>	<u>318,424</u>
Debt Service				
Debt Service Principal	941,170	941,170	-	913,365
Interest Expense	<u>344,671</u>	<u>332,715</u>	<u>11,956</u>	<u>361,170</u>
Total Debt Service	<u>1,285,841</u>	<u>1,273,885</u>	<u>11,956</u>	<u>1,274,535</u>
Total Expenses	<u>8,547,841</u>	<u>7,188,097</u>	<u>1,359,744</u>	<u>5,727,748</u>
Change in Net Position - Budget Basis	<u>(2,444,841)</u>	<u>1,988,456</u>	<u>4,433,297</u>	<u>1,755,526</u>
GAAP Basis Adjustments				
Capital Replacement	-	943,828	943,828	784,283
Capital Outlay	-	1,469,695	1,469,695	318,424
Debt Service Principal	-	941,170	941,170	913,365
Depreciation Expense	-	<u>(2,183,439)</u>	<u>(2,183,439)</u>	<u>(2,010,905)</u>
Net GAAP Basis Adjustments	<u>-</u>	<u>1,171,254</u>	<u>1,171,254</u>	<u>5,167</u>
Change in Net Position - GAAP Basis	<u>\$ (2,444,841)</u>	<u>3,159,710</u>	<u>\$ 5,604,551</u>	<u>1,760,693</u>
NET POSITION, Beginning		<u>76,471,418</u>		<u>74,710,725</u>
NET POSITION, Ending		<u>\$ 79,631,128</u>		<u>\$ 76,471,418</u>

See the accompanying Independent Auditors' Report