

Upper Blue Sanitation District
Board of Directors Meeting
Thursday May 8, 2014 @ 5:30 PM

I. ROLL CALL:

Mr. Robin Theobald called the meeting to order at 5:30 PM, as his last act as President of the Upper Blue Sanitation District Board of Directors. Mr. Ken Trausch, Mr. Allyn Mosher, Mrs. Patricia Theobald, Mr. Barrie Stimson answered "present" at roll call, and Mr. Michael Turek was present via the telephone.

Mr. Stimson noted for the record the Board members that were present at the meeting.

Mr. Andrew Carlberg and Mrs. Marjorie Borsina attended as well.

Swearing In of New Board Members:

Mr. Allyn Mosher, Mr. Barrie Stimson and Mrs. Patricia Theobald recited the Oath of Office and were sworn in as new Board members.

Election of Officers:

Mrs. Theobald made a motion to nominate Mr. Michael Turek to be President of the Upper Blue Sanitation District Board of Directors. Mr. Mosher seconded the motion. The motion was passed unanimously by the Board. Mr. Turek Abstained.

Mr. Turek made a motion to nominate Mr. Barrie Stimson to be Vice-President of the Upper Blue Sanitation District Board of Directors. Mrs. Theobald seconded the motion. The motion was passed unanimously by the Board. Mr. Stimson abstained.

Mr. Trausch made a motion to nominate Mr. Mosher to be Secretary/Treasurer of the Upper Blue Sanitation District Board of Directors. Mrs. Theobald seconded the motion. The motion was passed unanimously by the Board. Mr. Mosher abstained.

II. MINUTES:

April 10, 2014 minutes: Mr. Trausch made a motion to approve the April 10, 2014 Board of Directors meeting minutes. Mr. Mosher seconded the motion. The motion was passed unanimously by the Board.

III. PUBLIC HEARINGS:

IV. PUBLIC COMMENT:

V. BILLS:

The bills were reviewed and discussed by the Board of Directors.

Mr. Mosher made a motion to approve the bills as submitted. Mr. Trausch seconded the motion. Mr. Stimson asked the Board for a roll call and the motion was passed unanimously by the Board.

VI. FINANCIAL REPORT:

The Financial report was discussed by the Board of Directors.

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VII. MONTHLY REPORTS:

B. Plant and Collection:

The Plant and Collection reports were discussed by the Board of Directors during the work session. The plant report stated that Glacier Construction is still working on some warranty items. The major warranty issue has been the HSI high speed turbo blowers, which have been undergoing stress tests by staff.

C. Manager Report:

The Manager's report was discussed by the Board of Directors during the work session.

-New Water Right Application:

The Board held a Special meeting on March 25, 2014. Several town representatives attended the meeting. The Board previously sent a letter to the Breckenridge Town Council and Mr. Tim Gagen confirming the discussions from the March 25, 2014 Special meeting. Mr. Porzak responded and addressed some issues. The Board will be sending another letter to the Breckenridge Town Council and Mr. Tim Gagen in an attempt to reach a consensus between the two Boards.

-Sewer Service to Blue Rock Springs:

The plans for the Blue Rock Springs line extension have been out for two weeks and the bid opening was May 2, 2014. The award of the Blue Rock Springs line extension contract will be discussed during the New Business section of this meeting. The Site Application for the Health Department has been completed and is currently under review by local authorities. The Site Application will be submitted to the Health Department the third week of May.

The District has scheduled informational meetings for residents of Blue Rock Springs. Two people were present at the May 7, 2014 meeting and there will be another meeting on May 14, 2014. A meeting is scheduled with the Town of Blue River council representatives on May 20, 2014.

-Infiltration/Inflow:

Mr. Carlberg reported that staff has been spending a significant amount of time identifying and repairing infiltration & inflow problems. Mr. Carlberg explained to the Board that infiltration is water coming into the sewer system from the ground; and inflow is water coming into the sewer system through the manholes. Due to the heavy snow fall last winter and recent warmer weather the District is not able to keep up with the infiltration/inflow repairs. Therefore, Snowbridge has been helping the District with patches and sealing service lines at the main sewer line. The Board discussed the infiltration & inflow that the District is seeing due to spring run-off.

-Iowa Hill Repairs:

Mr. Carlberg reported that the District is progressing with the repair and upgrade plans for the Iowa Hill plant in order for the plant to be back on line by December 2014. The odor control fans were rebuilt on May 5, 2014. It has been determined that the Iowa Hill clarifiers need more rehabilitation than originally thought. Therefore, the bid opening was postponed so that the additional work that needs to be done on the clarifiers could be included in the bid.

-Water Quality Hearing:

Mr. Carlberg said that the District will be participating in the Upper Blue Basin's Water Quality Hearing in June. There could be a chance that the standards for Segment 1 of the Blue River could be modified for the South Blue, which might have an impact on the District's discharge limits for the South Blue plant. Mr. Carlberg said that he would keep the Board up to date.

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-Reg 31 for Iowa Hill:

Mr. Carlberg said that due to the likelihood of Reg 31 being imposed on Segment 1A of the Blue River which would impact the Iowa Hill plant he would like to begin a review of the technologies available to meet the new regulations. Mr. Carlberg said that he would like to retain Hatch-Mott to perform a study to help prepare the District for the nutrient regulations that could be imposed on the Iowa Hill plant.

Mr. Trausch made a motion for the District to retain Hatch-Mott to perform the Iowa Hill Nutrient Study with a limit of not to exceed \$75,000. Mr. Mosher seconded the motion. The motion was passed unanimously by the Board.

VIII. OLD BUSINESS:

IX. NEW BUSINESS:

C. Award of Contract – Blue Rock Springs Line Extension:

Mr. Carlberg reported that the bid opening for the Blue Rock Springs line extension was held on May 2, 2014 at 10:00 AM. Mr. Carlberg said that we thought that we would have at least three contractors interested in the job but only one contractor submitted a bid. Stan Miller, Inc. was the sole bidder in the amount of \$1,258,807.93. The engineer estimated that the job would cost \$1,228,030 and Mr. Carlberg said that he had estimated the job would cost \$1,300,000. Mr. Carlberg said that he and the engineer reviewed the bid and concluded that the bid presented by Stan Miller, Inc. is reasonable and fair. Mr. Carlberg recommended that the Board accept the bid from Stan Miller, Inc. in the amount of \$1,258,807.93.

Mr. Mosher made a motion to award the Blue Rock Springs line extension contract to Stan Miller, Inc. for the amount of \$1,258,807.93. Mrs. Theobald seconded the motion. Mr. Stimson asked the Board for a roll call and the motion was passed unanimously by the Board.

D. Maggie Placer Line Extension Agreement:

Mr. Carlberg reported that a line extension agreement had been submitted for the Maggie Placer development. The line extension fee has been paid along with the required letter of credit. Performance Bonds will be submitted once Maggie Placer has awarded the project to a contractor.

Mr. Mosher made a motion to approve the Maggie Placer Line Extension Agreement. Mr. Trausch seconded the motion. Mr. Stimson asked the Board for a roll call and the motion was passed unanimously by the Board.

X. CORRESPONDENCE:

Mr. Carlberg reported to the Board that Katie Girtman had submitted a letter to the District regarding her service account. The Girtman's Declaration of Restrictive Covenants had expired as of the October 1, 2013 billing. The Girtman's received bills for the 10/1/2013, 1/1/2014 and 4/1/2014 quarterly billing in the amount of \$171.60, but only paid \$93.60 which was the quarterly amount when the Declaration of Restrictive Covenants was in place. The Girtman's renewed their Declaration of Restrictive Covenants on 4/29/14. On 4/29/14 the Girtman's requested that the District make the Declaration of Restrictive Covenants retroactive to the 10/1/2013 billing. District staff explained to the Girtman's that it is the District's policy to adjust the billing in the quarter that the Declaration of Restrictive Covenants is submitted. The Girtman's found that policy to be unacceptable and are appealing to the District's Board of Directors. The Board discussed the Girtman's request and unanimously agreed to deny the Girtman's request based on the fact that the District's policy is to adjust the quarterly billing only for the quarter that the Declaration of Restrictive Covenants is submitted, not for prior quarters. Mr. Carlberg said that he would send the Girtman's a letter informing them of the Board's decision.

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XI. ADJOURN:

Mr. Trausch made a motion to adjourn the meeting at 6:16 PM. Mr. Mosher seconded the motion. The motion was passed unanimously by the Board.



Mr. Michael Turek, President

Mr. Allyn T. Mosher, Secretary

Memorandum

To: Andy Carlberg

From: Marjorie Borsina

Date: June 6, 2014

Re: Financial Update

-The District's Financial Records are in good order.

-We have not received all of the May 2014 bills. Therefore, the May 2014 Financial Statements are a preliminary draft for your review.

-The 2013 audit with Holscher, Mayberry & Company, LLC was conducted during the week of April 21, 2014. I have included in the Board packet a copy of the Final Draft of the 2013 audited financial statements. Mr. Tim Mayberry from Holscher, Mayberry & Company, LLC will make the audit presentation to the Board at the June 12, 2014 Board meeting.

Marjorie

Upper Blue Sanitation District
Comparative Balance Sheet-UNAUDITED DRAFT
May 31, 2014 and May 31, 2013

	<u>2014</u>	<u>2013</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Current Assets:</u>			
Petty Cash	\$200	\$200	-
Checking-Wells Fargo Bank	13,680,551	10,929,893	2,750,658
Cash-Centennial Bank Money Market	250,881	-	250,881
ColoTrust Prime	3,640,086	3,639,759	327
Total Cash and Equivalents	17,571,718	14,569,852	3,001,866
Investments			
FK Construction Retainage Escrow	-	-	-
Cert. of Deposit & Treasuries	2,002,954	2,011,684	(8,730)
Total Investments	2,002,954	2,011,684	(8,730)
Other Current Assets			
Receivables-Utility + Spec. Assessments	53,270	45,733	7,537
Developer/Contractor Escrow	170,236	122,244	47,992
Interest Receivable & Market Adjustments	-	-	-
Notes Receivable	169,914	198,185	(28,271)
Prepaid Expenses	89,814	80,366	9,448
Loan Issuance Costs (Net)	-	-	-
Total Other Assets	483,234	446,528	36,706
Total Current Assets:	20,057,906	17,028,064	3,029,842
Property Plant and Equipment:			
Land	721,070	721,070	-
Easements	94,356	69,583	24,773
Sewer Lines	13,858,598	13,368,225	490,373
Treatment Plants	76,792,362	75,663,825	1,128,537
Office Equipment	210,830	210,830	-
Other Machines & Equipment	459,772	459,772	-
Autos & Trucks	877,370	821,984	55,386
IH Administration Building	138,162	-	138,162
Upper Blue System Costs	4,321,429	3,587,750	733,679
Telemetry	316,466	102,075	214,391
Employee Housing	1,038,191	1,038,191	-
Total Property Plant and Equipment :	98,828,606	96,043,305	2,785,301
Less Accumulated Depreciation	(29,823,891)	(26,155,166)	(3,668,725)
Net Property Plant and Equipment :	69,004,715	69,888,139	(883,424)
Total Assets:	89,062,621	86,916,203	2,146,418

Liabilities

	<u>2014</u>	<u>2013</u>	<u>Increase</u> <u>(Decrease)</u>
Current Liabilities:			
Accounts Payable	371,191	82,488	288,703
Construction/Developer Escrow	170,236	122,244	47,992
Earned Employee Benefits	120,992	121,784	(792)
Unearned User Fees	440,375	438,105	2,270
Interest Payable	143,799	155,577	(11,778)
Loan Payable (Current Portion)	941,170	913,365	27,805
Retainage Payable-Construction in Progress	11,610	-	11,610
Retainage Payable-Blue River	47,863	49,063	(1,200)
Employee Housing Deposit Payable	1,250	1,250	-
Total Current Liabilities:	2,248,486	1,883,876	364,610
Long Term Liabilities:			
Loan Payable	8,349,304	10,203,839	(1,854,535)
Total Long Term Liabilities:	8,349,304	9,290,474	(941,170)
Total Liabilities	10,597,790	11,174,350	(576,560)
Net Assets			
Invested in Capital Assets, Net of Related Debt	59,593,250	59,548,366	44,884
Unrestricted Net Assets	14,871,581	14,193,487	678,094
Unrestricted Net Assets - Nutrient Reserve	4,000,000	2,000,000	2,000,000
Total Contributed Capital	78,464,831	75,741,853	2,722,978
Total Liabilities and Equity	89,062,621	86,916,203	2,146,418

Upper Blue Sanitation District
Monthly Financial Statement-UNAUDITED DRAFT
May 31, 2014

	2014	2014	2014	2014	2014
	<u>May</u>	<u>Year To Date</u>	<u>Approved Budget</u>	<u>Uncollected</u>	<u>% Uncol/Col</u>
Operating Revenue					
Sewer User Fees	440,109	2,195,536	5,240,000	3,044,464	58
Tap Inspection Fees	400	2,500	7,000	4,500	64
Miscellaneous Revenue	0	235	1,000	765	77
Camper Dump Fees	0	0	3,000	3,000	100
Late Fees	618	(5,292)	25,000	30,292	121
Line Extension Fees	3,930	11,772	25,000	13,228	53
Rental Income	3,750	18,750	45,000	26,250	58
Total Operating Revenue	448,807	2,223,501	5,346,000	3,122,499	58
Miscellaneous Revenue					
Interest on Loan Payments	432	3,900	9,000	5,100	57
Plant Investment Fees	89,197	1,980,483	700,000	(1,280,483)	(183)
Inclusion Fees	0	8,100	30,000	21,900	73
Interest on Investments	1,255	6,184	18,000	11,816	66
Transfer from Reserve	0	0	0	0	0
Total Miscellaneous Revenue	90,884	1,998,667	757,000	(1,246,767)	(165)
Total Revenue	539,691	4,222,168	6,103,000	1,880,832	31

Administration Expense	2014 May	2014 Year to Date	2014 Approved Budget	2014 Available	2014 % Available
Payroll & Employee Benefits					
Salaries	89,634	424,708	1,177,000	752,292	64
Overtime	2,226	8,146	45,000	36,854	82
FICA-Admn	5,661	26,663	74,000	47,337	64
Medicare-Admin	1,324	6,236	19,000	12,764	67
401K Contributions	6,060	29,717	80,000	50,283	63
Worker's Compensation Insurance	1,676	8,742	19,000	10,258	54
Health Insurance	18,143	87,250	237,000	149,750	63
Total	124,724	591,462	1,651,000	1,059,538	64
Office Supplies	0	906	4,500	3,594	80
Telephone	1,901	7,695	17,000	9,305	55
Business Expenses	2,073	8,628	45,000	36,372	81
Bank Service Fees - Admin	0	176	5,000	4,824	96
Legal Counsel	12,007	46,322	50,000	3,678	7
Education	0	4,213	25,000	20,787	83
Audit & Accounting	0	6,200	9,000	2,800	31
Legal Publications	377	5,044	12,000	6,956	58
Board Members	500	2,500	6,000	3,500	58
Elections	0	0	15,000	15,000	100
Computer Expenses	57	12,367	25,000	12,633	51
Copy Machine & Supply	0	0	1,000	1,000	100
Postage & Meter Rent	0	7,014	13,000	5,986	46
Insurance - General	11,052	55,211	128,000	72,789	57
Insurance - Deductible	0	0	1,000	1,000	100
Engineering	0	8,208	60,000	51,792	86
Tools	0	2,048	3,500	1,452	41
Radios	0	0	0	0	0
Vehicle Expense	0	0	1,000	1,000	100
Dues & Memberships	0	2,965	7,000	4,035	58
Safety	0	691	5,000	4,309	86
Summit Water Quality	0	14,021	15,000	979	7
Building Maintenance	112	4,950	30,000	25,050	84
Employee Housing Maintenance	0	3,607	20,000	16,393	82
Employee Housing Utilities	0	2,344	5,000	2,656	53
Total Administration	152,803	786,572	2,154,000	1,367,428	63
Iowa Hill Plant Expenses					
Utilities					
Gas	1,381	7,965	15,000	7,035	47
Electric	2,829	11,592	60,000	48,408	81
Freight	0	0	2,000	2,000	100
Equipment Repairs	1,419	2,153	60,000	57,847	96
Chemicals	0	0	10,000	10,000	100
Contracted Repairs	3,040	9,587	20,000	10,413	52
Laboratory Supplies	1,323	7,422	15,000	7,578	51
Biomonitoring	0	0	0	0	0
Discharge Permit	0	0	7,000	7,000	100
Supplies	27	121	3,000	2,879	96
Total Iowa Hill	10,019	38,840	192,000	153,160	80

	2014 <u>May</u>	2014 <u>Year to Date</u>	2014 <u>Approved Budget</u>	2014 <u>Available</u>	2014 <u>% Available</u>
Farmers Korner Expenses					
Utilities					
Gas	765	43,789	75,000	31,211	42
Electric	34,527	186,421	500,000	313,579	63
Freight	1,936	12,916	35,000	22,084	63
Equipment Repairs	137	16,338	60,000	43,662	73
Chemicals	21,529	163,985	375,000	211,015	56
Supplies	338	1,657	10,000	8,343	83
Contracted Repairs	16,245	23,550	15,000	(8,550)	(57)
Dumpster Charges	995	4,975	14,000	9,025	64
Biomonitoring	0	1,436	7,000	5,564	79
Discharge Permit	0	0	25,000	25,000	100
Composting	8,204	40,137	105,000	64,863	62
Site Monitoring	782	9,544	30,000	20,456	68
Sludge Hauling Costs	0	19,350	55,000	35,650	65
State Health Fees	0	0	2,500	2,500	100
Total Farmers Korner	85,458	524,098	1,308,500	784,402	60
Collection Expenses					
Utilities	2,091	10,771	25,000	14,229	57
Vehicle Expense	0	13,926	35,000	21,074	60
Line Cleaner Expenses	43	43	5,000	4,957	99
Manhole Repairs/Line Repairs	10,372	31,474	120,000	88,526	74
Equipment Repairs	14	6,407	9,000	2,593	29
CCTV Expense	68	68	3,500	3,432	98
Total Collection	12,588	62,689	197,500	134,811	68
Total Operating Expenditures	260,868	1,412,199	3,852,000	2,439,801	271
Net Cash from Operations	187,939	811,302	1,494,000	682,698	
Replacement Capital					
Administration	0	0	65,000	65,000	100
Plant:					
IH	888	14,025	445,000	430,975	97
FK	0	0	210,000	210,000	100
Upper Blue	0	0	25,000	25,000	100
Collection			550,000	550,000	100
Misc	6,008	24,326	0	(24,326)	0
Vehicle	49,982	124,016	425,000	300,984	71
Total Replacement Capital	56,878	162,367	1,720,000	1,557,633	91
Non Operating Expenses					
Bond Principal	0	227,125	941,170	714,045	76
Bond Interest	0	172,559	344,671	172,112	50
Total Non Operating	0	399,684	1,285,841	886,157	69

May Financial Statement Cont.

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	2014 <u>May</u>	2014 <u>Year to Date</u>	2014 <u>Approved Budget</u>	2014 <u>Available</u>	2014 <u>% Available</u>
Capital Outlay					
Plant:					
IH	0	0	85,000	85,000	100
FK	3,915	17,302	55,000	37,698	69
Upper Blue	0	0	40,000	40,000	100
Collection	28,132	85,562	1,500,000	1,414,438	94
Administration	0	0	10,000	10,000	100
Total Capital Outlay	<u>32,047</u>	<u>102,864</u>	<u>1,690,000</u>	<u>1,587,136</u>	<u>94</u>
Total Expenses	<u>349,793</u>	<u>2,077,114</u>	<u>8,547,841</u>	<u>6,470,727</u>	<u>76</u>
Total Revenue - Total Expenses	<u>189,898</u>	<u>2,145,054</u>	<u>(2,444,841)</u>		

Upper Blue Sanitation District
Comparative Financial Statement-UNAUDITED DRAFT
May 31, 2014 vs. May 31, 2013

	2014	2013	2014	2013	Increase
	<u>May</u>	<u>May</u>	<u>Year To Date</u>	<u>Year to Date</u>	<u>(Decrease)</u>
Operating Revenue					
Sewer User Fees	440,109	438,317	2,195,536	2,185,852	9,684
Tap Inspection Fees	400	1,100	2,500	3,100	(600)
Miscellaneous Revenue	0	0	235	7,791	(7,556)
Camper Dump Fees	0	732	0	732	(732)
Late Fees	618	357	(5,292)	9,303	(14,595)
Line Extension Fees	3,930	0	11,772	0	11,772
Rental Income	3,750	3,750	18,750	18,750	0
Total Operating Revenue	448,807	444,256	2,223,501	2,225,528	(2,027)
Miscellaneous Revenue					
Interest on Loan Payments	432	504	3,900	4,024	(124)
Plant Investment Fees	89,197	282,997	1,980,483	781,457	1,199,026
Inclusion Fees	0	0	8,100	1,200	6,900
Interest on Investments	1,255	1,898	6,184	9,553	(3,369)
Transfer from Reserve	0	0	0	0	0
Total Miscellaneous Reven	90,884	285,399	1,998,667	796,234	1,202,557
Total Revenue	539,691	729,655	4,222,168	3,021,762	1,200,406

Administration Expense	2014 May	2013 May	2014 Year to Date	2013 Year to Date	Increase (Decrease)
Payroll & Employee Benefits					
Salaries	89,634	84,150	424,708	415,103	9,605
Overtime	2,226	1,819	8,146	8,147	(1)
FICA-Admin	5,661	5,245	26,663	25,818	845
Medicare-Admin	1,324	1,227	6,236	6,038	198
401K Contributions	6,060	6,092	29,717	30,312	(595)
Worker's Compensation Insu	1,676	1,373	8,742	6,509	2,233
Health Insurance	18,143	20,086	87,250	100,432	(13,182)
Total	124,724	119,992	591,462	592,359	(897)
Office Supplies	0	67	906	1,355	(449)
Telephone	1,901	1,439	7,695	6,045	1,650
Business Expenses	2,073	5,468	8,628	19,111	(10,483)
Bank Service Fees - Admin	0	0	176	0	176
Legal Counsel	12,007	1,075	46,322	5,371	40,951
Education	0	2,544	4,213	8,177	(3,964)
Audit & Accounting	0	0	6,200	6,000	200
Legal Publications	377	0	5,044	2,375	2,669
Board Members	500	500	2,500	2,500	0
Elections	0	0	0	0	0
Computer Expenses	57	2,335	12,367	14,798	(2,431)
Copy Machine & Supply	0	0	0	0	0
Postage & Meter Rent	0	600	7,014	5,558	1,456
Insurance - General	11,052	10,469	55,211	50,901	4,310
Insurance - Deductible	0	0	0	109	(109)
Engineering	0	7,553	8,208	21,126	(12,918)
Tools	0	0	2,048	985	1,063
Radios	0	0	0	0	0
Vehicle Expense	0	0	0	0	0
Dues & Memberships	0	72	2,965	3,150	(185)
Safety	0	104	691	657	34
Summit Water Quality	0	0	14,021	14,021	0
Building Maintenance	112	1,480	4,950	5,844	(894)
Employee Housing Maintena	0	2,913	3,607	4,350	(743)
Employee Housing Utilities	0	70	2,344	2,154	190
Total Administration	152,803	156,681	786,572	766,946	19,626
Iowa Hill Plant Expenses					
Utilities					
Gas	1,381	1,357	7,965	7,287	678
Electric	2,829	2,318	11,592	13,511	(1,919)
Freight	0	0	0	172	(172)
Equipment Repairs	1,419	0	2,153	362	1,791
Chemicals	0	0	0	0	0
Contracted Repairs	3,040	288	9,587	11,440	(1,853)
Laboratory Supplies	1,323	924	7,422	6,713	709
Biomonitoring	0	0	0	0	0
Discharge Permit	0	0	0	0	0
Supplies	27	357	121	357	(236)
Total Iowa Hill	10,019	5,244	38,840	39,842	(766)

May Comparative Statement Cont.

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	<u>2014</u> <u>May</u>	<u>2013</u> <u>May</u>	<u>2014</u> <u>Year to Date</u>	<u>2013</u> <u>Year to Date</u>	<u>Increase</u> <u>(Decrease)</u>
Farmers Korner					
Utilities					
Gas	765	4,995	43,789	40,248	3,541
Electric	34,527	28,172	186,421	171,533	14,888
Freight	1,936	9,534	12,916	19,570	(6,654)
Equipment Repairs	137	4,599	16,338	31,603	(15,265)
Chemicals	21,529	21,467	163,985	198,897	(34,912)
Supplies	338	412	1,657	2,511	(854)
Contracted Repairs	16,245	1,279	23,550	2,619	20,931
Dumpster Charges	995	995	4,975	4,975	0
Biomonitoring	0	1,413	1,436	2,837	(1,401)
Discharge Permit	0	84	0	237	(237)
Composting	8,204	4,069	40,137	40,137	0
Site Monitoring	782	3,975	9,544	11,277	(1,733)
Sludge Hauling Costs	0	2,475	19,350	24,525	(5,175)
State Health Fees	0	0	0	0	0
Total Farmers Korner	85,458	83,469	524,098	550,969	(26,871)
Collection Expenses					
Utilities	2,091	1,866	10,771	9,766	1,005
Vehicle Expense	0	7,086	13,926	16,307	(2,381)
Line Cleaner Expenses	43	37	43	828	(785)
Manhole Repairs/Line Repair	10,372	3,691	31,474	19,636	11,838
Equipment Repairs	14	290	6,407	1,493	4,914
CCTV Expense	68	0	68	0	68
Total Collection	12,588	12,970	62,689	48,030	14,659
Total Operating Expenditures	260,868	258,364	1,412,199	1,405,787	6,648
Net Cash from Operations	187,939	185,892	811,302	819,741	(8,439)
Replacement Capital					
Administration	0	1,919	0	19,446	(19,446)
Plant					
IH	888	4,853	14,025	16,766	(2,741)
FK	0	11,600	0	31,063	(31,063)
Upper Blue	0	0	0	10,648	(10,648)
Collection		2,549		17,887	(17,887)
Misc	6,008	0	24,326	28,351	(4,025)
Vehicle	49,982	0	124,016	0	124,016
Total Replacement Capital	56,878	20,921	162,367	124,161	38,206
Non Operating Expenses					
CWRPDA Loan Principal	0	0	227,125	221,246	5,879
Loan Interest	0	0	172,559	186,693	(14,134)
Total Non Operating	0	0	399,684	407,939	(8,255)

May Comparative Statement Cont.

Pg. 4
Increase
(Decrease)

	<u>2014</u> <u>May</u>	<u>2013</u> <u>May</u>	<u>2014</u> <u>Year to Date</u>	<u>2013</u> <u>Year to Date</u>	
Capital Outlay					
Plant-IH-CO	0	0	0	0	0
Plant-FK-CO	3,915	3,443	17,302	5,830	11,472
Plant-South Blue-CO	0	0	0	6,474	(6,474)
Collection	28,132	40,443	85,562	40,443	45,119
Administration	0	0	0	0	0
Total Capital Outlay	32,047	43,886	102,864	52,747	50,117
Total Expenses	349,793	323,171	2,077,114	1,990,634	86,716
Revenue Less Expenses	189,898	406,484	2,145,054	1,031,128	1,113,926

CAPITAL 2013	Current Month	Year To Date	Budget
FARMERS KORNER - REPLACEMENT			
10-85-8524			
RAS/WAS Influent Pump	\$0.00	\$0.00	\$60,000.00
Aeration Blower VFD East Plant	\$0.00	\$0.00	\$15,000.00
Lab Countertop	\$0.00	\$0.00	\$5,000.00
Composite Samplers	\$0.00	\$0.00	\$20,000.00
Hydronumatic Tank Bladder	\$0.00	\$0.00	\$10,000.00
Filter Valves and Actuators	\$0.00	\$0.00	\$45,000.00
Lighting Rehabilitation	\$0.00	\$0.00	\$10,000.00
Centrifuge Rehabilitation	\$0.00	\$0.00	\$20,000.00
Miscellaneous Equipment Replace/Repair	\$0.00	\$0.00	\$25,000.00
TOTAL	\$0.00	\$0.00	\$210,000.00
FARMERS KORNER - NEW			
10-95-9540			
Actuating Lift	\$0.00	\$13,387.00	\$15,000.00
Spare VFD Influent Pump	\$3,915.00	\$3,915.00	\$15,000.00
Miscellaneous Equipment Replace/Repair	\$0.00	\$0.00	\$25,000.00
TOTAL	\$3,915.00	\$17,302.00	\$55,000.00
IOWA HILL - REPLACEMENT			
10-85-8522			
Odor Control Repair	\$888.00	\$888.00	\$25,000.00
Rehabilitation-BAF, Densadeg, Filters	\$0.00	\$13,137.50	\$270,000.00
Replace Pneumatic Flow Control Valves	\$0.00	\$0.00	\$25,000.00
Clairifier Rehabilitation	\$0.00	\$0.00	\$75,000.00
Miscellaneous Equipment Replace/Repair	\$0.00	\$0.00	\$50,000.00
TOTAL	\$888.00	\$14,025.50	\$445,000.00
IOWA HILL - NEW			
10-95-9510			
Composite Sampler RAS	\$0.00	\$0.00	\$10,000.00
House Service Water Modifications	\$0.00	\$0.00	\$15,000.00
Miscellaneous Equipment Replace/Repair	\$0.00	\$0.00	\$60,000.00
TOTAL	\$0.00	\$0.00	\$85,000.00
SOUTH BLUE - REPLACEMENT			
10-85-8526			
Miscellaneous Equipment Replace/Repair	\$0.00	\$0.00	\$25,000.00
TOTAL	\$0.00	\$0.00	\$25,000.00
SOUTH BLUE - NEW			
10-95-9590			
SCADA	\$0.00	\$0.00	\$15,000.00
Miscellaneous Equipment Replace/Repair	\$0.00	\$0.00	\$25,000.00
TOTAL	\$0.00	\$0.00	\$40,000.00
COLLECTION - REPLACEMENT			
10-85-8530			
Warriors Mark Repairs			\$250,000.00
Line Repairs	\$6,008.00	\$24,326.00	\$250,000.00
Miscellaneous Line Extensions/Redline	\$0.00	\$0.00	\$50,000.00
TOTAL	\$6,008.00	\$24,326.00	\$550,000.00
COLLECTION - NEW			
10-95-9520			
Blue Rock Springs	\$28,131.61	\$85,561.61	\$1,400,000.00
Miscellaneous	\$0.00	\$0.00	\$100,000.00
TOTAL	\$28,131.61	\$85,561.61	\$1,500,000.00
VEHICLE - RC			
10-85-8550			
Vehicle Replacement	\$49,982.40	\$124,016.02	\$425,000.00
TOTAL	\$49,982.40	\$124,016.02	\$425,000.00

	Current Month	Year To Date	Budget
ADMINISTRATION - REPLACEMENT			
10-85-8510			
Vehicle Replacement	\$0.00	\$0.00	\$40,000.00
Scanning Upgrade	\$0.00	\$0.00	\$15,000.00
Miscellaneous	\$0.00	\$0.00	\$10,000.00
TOTAL	\$0.00	\$0.00	\$65,000.00
ADMINISTRATION - NEW			
10-95-9580			
Miscellaneous	\$0.00	\$0.00	\$10,000.00
TOTAL	\$0.00	\$0.00	\$10,000.00
GRAND TOTALS	\$88,925.01	\$265,231.13	\$3,410,000.00

UPPER BLUE SANITATION DISTRICT
CERTIFICATES OF DEPOSIT
2014

	<u>Centennial</u>	<u>TOTAL</u>
Bal. Forward 1/1/2014	\$1,001,068.87	\$1,001,068.87
Purchase		
January Interest	\$263.25	\$263.25
Redemption		
Bal. 1/31/2014	\$1,001,332.12	\$1,001,332.12
Purchase	\$1,000,000.00	\$1,000,000.00
February Interest	\$281.36	\$281.36
Redemption		
February 28, 2014	\$2,001,613.48	\$2,001,613.48
March Interest	\$451.57	\$451.57
Redemption		
March 31, 2014	\$2,002,065.05	\$2,002,065.05
April Interest	\$444.45	\$444.45
Redemption		
April 30, 2014	\$2,002,509.50	\$2,002,509.50
May Interest	\$444.36	\$444.36
Redemption		
May 31, 2014	\$2,002,953.86	\$2,002,953.86
June Interest		
Purchase		
Redemption		
June 30, 2014		
July Interest		
Purchase		
Redemption		
July 31, 2014		
August Interest		
Purchase		
Interest Paid		
Redemption		
August 31, 2014		
September Interest		
Purchase		
Redemption		
September 30, 2014		
October Interest		
Purchase		
Redemption		
October 31, 2014		
November Interest		
Redemption		
Purchase		
November 30, 2014		
December Interest		
Redemption		
Purchase		
December 31, 2014		

**UPPER BLUE SANITATION DISTRICT
BRECKENRIDGE, COLORADO**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2013**

FINAL DRAFT

**UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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**UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

ROSTER OF OFFICIALS

BOARD OF DIRECTORS

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

KEY EMPLOYEES

Andrew Carlberg – District Manager
Marjorie Borsina – Administrative Assistant
Greg Brown – 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)

FINAL DRAFT

UPPER BLUE SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

December 31, 2013

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, 2013. 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 2013 by \$76,471,418 (*net position*), which is an increase of \$1,760,693 from the prior year. Of this amount \$15,960,052 (*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 \$7,483,274 in 2013 versus 2012 revenues of \$7,763,321. There was a decrease in 2013 revenues in the amount of \$280,047. The main decrease from 2012 was due to a decrease in Plant Investment Fees in the amount of 133,309, Line Extension Fees in the amount of \$50,839 and Inclusion Fees in the amount of \$77,090.

The District's total operating revenues decreased in 2013 by \$65,067 from 2012. The main decrease in 2013 operating revenue was Line Extension Fees in the amount of \$50,839. Investment Earnings decreased in 2013 by \$4,581 from 2012 mainly due to the low interest rates currently available.

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 2013. 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 2013 by \$1,760,693 to \$76,471,418 and in 2012 by \$2,229,065 to \$74,710,725. This was the result of an increase in current assets in the amount of 1,906,395. In 2012, there was operating income from operations in the amount of \$5,475,000 and other income in the amount of \$2,288,321. Capital contributions from Plant Investment Fees in the amount of \$1,986,477 for 2013 and \$2,119,786 for 2012.

Cash, Cash equivalents and investments of the District at December 31, 2013 totaled \$16,073,518, which represents 18.57% of the District's total assets, and at December 31, 2012 Cash, Cash equivalents and investments totaled \$14,122,447 which represents 16.50% of the District's total assets.

The District's Capital assets, net of accumulated depreciation, at December 31, 2013 totaled \$68,982,639, which represents 79.68% of the District's total assets as of December 31, 2013; and at December 31, 2012 Capital assets, net of accumulated depreciation totaled \$69,888,139, which represents 81.67% of the District's total assets as of December 31, 2012.

Net Position

A summary of District's net assets at December 31, 2013 is as follows:

Condensed Statement of Net Position

Condensed Statement of Net Position		
	2013	2012
Current Assets	\$ 16,443,360	\$ 14,536,965
Non Current Assets		
Cash and Investments	963,000	937,000
Capital Assets - Net	68,982,639	69,888,139
Other	182,180	212,517
Total Assets	<u>86,571,179</u>	<u>85,574,621</u>
Current Liabilities	1,750,457	1,573,422
Non Current Liabilities - Loan Payable	8,349,304	9,290,474
Total Liabilities	<u>10,099,761</u>	<u>10,863,896</u>
Net Position		
Net Investment in Capital Assets	59,548,366	59,528,723
Restricted	963,000	937,000
Unrestricted	15,960,052	14,245,002
Total Net Position	<u>\$ 76,471,418</u>	<u>\$ 74,710,725</u>

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

Condensed Statement of Activities		
	2013	2012
Revenues		
Program Revenues:		
Charges for Services	\$ 5,409,933	\$ 5,475,000
Capital Grants and Contributions	2,042,054	2,252,453
Total Program Revenues	<u>7,451,987</u>	<u>7,727,453</u>
General Revenues		
Investment Earnings	31,287	35,868
Total Revenues	<u>7,483,274</u>	<u>7,763,321</u>
Expenses		
Wastewater Operations	<u>5,722,581</u>	<u>5,534,256</u>
Change in Net Position	1,760,693	2,229,065
Net Position, Beginning	74,710,725	72,481,660
Net Position, Ending	<u>\$ 76,471,418</u>	<u>\$ 74,710,725</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 2013, before depreciation, was approximately \$166,862 less than 2012 operating income. The decrease in 2013 was due to a \$50,839 decrease in Line Extension Fees and a decrease in other charges in the amount of \$43,699. In addition, there was an increase in 2013 operating expenses in the amount of \$101,795. The net operating income for 2012, before depreciation was approximately \$235,332 more than 2011 operating income.

Non-operating revenues and Capital Contributions for 2013 were approximately \$190,462 less than 2012. Non-operating revenues and Capital Contributions for 2012 were approximately \$216,699 less than 2011. In 2011, there was a loan credit from Colorado, Water & Power in the amount of \$736,688.

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 \$1,693,700 in 2013. Actual revenues exceeded budgeted revenues by \$1,851,557 in 2012. Plant Investment Fees exceeded the budgeted amount by \$1,586,477 in 2013. Plant Investment Fees exceeded the budgeted amount by \$1,519,786 in 2012.

Actual expenditures were approximately \$1,111,405 less than budgeted in 2013 and \$2,382,950 less than budgeted in 2012. Significant variations to budget are as follows:

- Administrative expenses were approximately \$170,663 less than budgeted in 2013 and approximately \$218,608 less than budgeted in 2012.
- Plant expenses were approximately \$223,468 less than budgeted in 2013 mainly due to utilities, equipment repairs and sludge hauling expenses being less than budgeted. For 2012 plant expenses were approximately \$82,681 less than budgeted mainly due to utilities and sludge hauling expenses being less than budgeted.
- Replacement capital expenditures were approximately \$694,953 less than budgeted in 2013 and approximately \$544,699 less than budgeted in 2012.
- Capital outlay for 2013 was approximately \$10,543 less than budgeted and approximately \$1,527,868 less than budgeted in 2012. See discussion below.

Capital Assets

Replacement Capital

Repairs and line replacement projects were undertaken to help address infiltration and inflow problems. The primary slip lining project was in the Woodmoor subdivision.

At the Farmers Korner old plant the District replaced some pumps, replaced filter valves/actuators & media, refurbished plant lights, replaced the gen set roof and upgraded the SCADA system. In addition, the District upgraded the blowers at the new Farmers Korner plant.

At the Iowa Hill plant the District refurbished BAF's and filters, and upgraded the SCADA system.

The South Blue River plant replaced pumps and blowers.

New Capital

In Collections, the District continued the extension of central sewer in the Ten Mile Vista Subdivision, Breckenridge Park Estates Subdivision and along Highway 9 in Blue River and spent \$239,754. Future sewer line extensions are planned for the Town of Blue River in 2014.

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 12/31/12	Additions	Deletions	Balance 12/31/13
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 790,653	\$ 2,697	\$ -	\$ 793,350
Capital Assets Being Depreciated:				
Buildings	-	138,162	-	138,162
Treatment Plants	76,570,393	538,435	-	77,108,828
Upper Blue River System	4,321,429	-	-	4,321,429
Sewer Lines and Mains	13,460,838	397,760	-	13,858,598
Equipment and Vehicles	1,519,621	28,351	-	1,547,972
Employee Housing	1,038,191	-	-	1,038,191
Total Capital Assets Being Depreciated	96,910,472	1,102,708	-	98,013,180
Accumulated Depreciation:				
Buildings	-	(2,763)	-	(2,763)
Treatment Plants	(18,787,763)	(1,561,163)	-	(20,348,926)
Upper Blue River System	(1,503,048)	(75,828)	-	(1,578,876)
Sewer Lines and Mains	(5,830,762)	(311,797)	-	(6,142,559)
Equipment and Vehicles	(1,400,719)	(38,591)	-	(1,439,310)
Employee Housing	(290,694)	(20,763)	-	(311,457)
Total Accumulated Depreciation	(27,812,986)	(2,010,905)	-	(29,823,891)
Capital Assets Being Depreciated, net	69,097,486	(908,197)	-	68,189,289
Total Capital Assets	\$ 69,888,139	\$ (905,500)	\$ -	\$ 68,982,639

Long-Term Debt

A principal payment of \$913,365 was made during 2013 and \$890,595 during 2012 on the CWRPDA notes along with \$361,170 and \$385,689 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.

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.

FINAL DRAFT

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, 2013, 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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2013. 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, Mayberry & Company, LLC

Englewood, Colorado
May 12, 2014

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FINAL DRAFT

BASIC FINANCIAL STATEMENTS

FINAL DRAFT

UPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

STATEMENT OF NET POSITION
December 31, 2013
(With Comparative Totals for December 31, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and Equivalents	\$ 12,433,522	\$ 10,483,549
Investments	3,639,996	3,638,898
Accounts Receivable	47,182	88,587
Prepaid Expenses	170,924	168,840
Restricted Cash & Investments	151,736	157,091
Total Current Assets	<u>16,443,360</u>	<u>14,536,965</u>
Noncurrent Assets		
Capital Assets, not being depreciated	793,350	790,653
Capital Assets, being depreciated (net)	68,189,289	69,097,486
Notes and Other Receivables	182,180	212,517
Restricted Cash & Investments	963,000	937,000
Total Noncurrent Assets	<u>70,127,819</u>	<u>71,037,656</u>
Total Assets	<u>86,571,179</u>	<u>85,574,621</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	332,037	141,060
Retainage Payable	47,863	49,063
Unearned Revenue	-	34,232
Accrued Compensated Absences	120,992	121,784
Accrued Interest Payable	143,799	155,577
Deposits and Escrow Balances	1,250	1,250
Retainage Payable - Restricted Resources	11,610	34,847
Deposits and Escrow Balances - Restricted Resources	151,736	122,244
Current Portion - Notes Payable	941,170	913,365
Total Current Liabilities	<u>1,750,457</u>	<u>1,573,422</u>
Noncurrent Notes Payable	<u>8,349,304</u>	<u>9,290,474</u>
Total Liabilities	<u>10,099,761</u>	<u>10,863,896</u>
NET POSITION		
Net Investment in Capital Assets	59,548,366	59,528,723
Restricted:		
For Operations and Maintenance Reserve	963,000	937,000
Unrestricted	<u>15,960,052</u>	<u>14,245,002</u>
Total Net Position	<u>\$ 76,471,418</u>	<u>\$ 74,710,725</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, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
User Charges	\$ 5,233,777	\$ 5,202,706
Inspection Fees	8,200	9,800
Line Extension Fees	66,226	117,065
Rental Income	45,000	45,000
Other Charges	<u>56,730</u>	<u>100,429</u>
Total Operating Revenues	<u>5,409,933</u>	<u>5,475,000</u>
OPERATING EXPENSES		
Administrative	1,922,974	1,819,892
Operating - Iowa Hill	77,455	173,774
Operating - Farmers Korner	1,184,788	1,070,624
Operating - Collection System	165,289	184,421
Depreciation Expense	<u>2,010,905</u>	<u>1,899,857</u>
Total Operating Expenses	<u>5,361,411</u>	<u>5,148,568</u>
Income (Loss) from Operations	<u>48,522</u>	<u>326,432</u>
NONOPERATING INCOME (EXPENSE)		
Investment Earnings	31,287	35,868
Inclusion Fees	55,577	132,667
Interest Expense	<u>(361,170)</u>	<u>(385,688)</u>
Total Nonoperating Income (Expense)	<u>(274,306)</u>	<u>(217,153)</u>
CAPITAL CONTRIBUTIONS		
Plant Investment Fees	<u>1,986,477</u>	<u>2,119,786</u>
Change in Net Position	1,760,693	2,229,065
NET POSITION, Beginning	<u>74,710,725</u>	<u>72,481,660</u>
NET POSITION, Ending	<u>\$ 76,471,418</u>	<u>\$ 74,710,725</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, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash Receipts from Customers	\$ 5,446,598	\$ 5,467,374
Cash Payments to Suppliers	(1,715,743)	(3,618,975)
Cash Payments to Employees	(1,471,099)	(1,469,404)
Net Cash Flows from Operating Activities	<u>2,259,756</u>	<u>378,995</u>
Cash Flows from Capital and Related Financing Activities:		
Plant Investment Fees	1,986,477	2,119,786
Inclusion Fees	55,577	132,667
Acquisition and Construction of Capital Assets	(1,105,404)	(1,608,757)
Principal Paid on Loans	(913,365)	(890,595)
Increase in O & M Reserve	(26,000)	(49,000)
Interest Paid on Loans	(372,949)	(394,782)
Net Cash Flows from Capital and Related Financing Activities	<u>(375,664)</u>	<u>(690,681)</u>
Cash Flows from Investing Activities:		
Proceeds from Sale (Purchases) of Investments	4,257	1,266,271
Payments (Advances) on Notes Receivable	30,337	(9,031)
Investment Earnings	31,287	35,868
Net Cash Flows from Investing Activities	<u>65,881</u>	<u>1,293,108</u>
Net Increase (Decrease) in Cash and Equivalents	1,949,973	981,422
CASH AND EQUIVALENTS, Beginning	<u>10,483,549</u>	<u>9,502,127</u>
CASH AND EQUIVALENTS, Ending	<u>\$ 12,433,522</u>	<u>\$ 10,483,549</u>
Reconciliation of Income (Loss) from Operations to Net		
Cash Flows from Operations:		
Income (Loss) from Operations	\$ 48,522	\$ 326,432
Adjustments required to reconcile operating income (loss) to net cash flows from operations		
Depreciation	2,010,905	1,899,857
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	41,405	(15,236)
(Increase) Decrease in Prepaid Expenses	(2,084)	104,285
Increase (Decrease) in Accounts Payable	166,540	(1,944,320)
Increase (Decrease) in Unearned Revenue	(34,232)	7,610
Increase (Decrease) in Accrued Compensated Absences	(792)	367
Increase (Decrease) in Deposits and Escrow Balances	29,492	-
Total Adjustments	<u>2,211,234</u>	<u>52,563</u>
Net Cash Flows from Operating Activities	<u>\$ 2,259,756</u>	<u>\$ 378,995</u>

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

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

DECEMBER 31, 2013

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, 2013

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, 2013

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 2013.

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, 2013

Note 2: CASH AND INVESTMENTS

Cash deposits and investments are comprised of and are allocated on the December 31, 2013 statement of net position as follows:

Cash Deposits and On Hand	\$ 13,548,258
Investments	<u>3,639,996</u>
Total Cash and Investments	<u>\$ 17,188,254</u>

Cash and Equivalents	\$ 12,433,522
Investments	<u>3,639,996</u>
Restricted Cash and Investments	<u>1,114,736</u>
Total Cash and Investments	<u>\$ 17,188,254</u>

CASH DEPOSITS

At December 31, 2013, 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)	13,250,648	13,048,058
Petty Cash	<u>-</u>	<u>200</u>
Total Cash Balances	<u>\$ 13,750,648</u>	<u>\$ 13,548,258</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, 2013, are deemed to be exposed to custodial credit risk.

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

DECEMBER 31, 2013

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, 2013:

	Fair Value	Weighted Avg. Maturity in Years	% Of Portfolio	Rating
Local Government Pools	\$ 3,639,996	-	100.0%	AAAm

At December 31, 2013, 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, 2013

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 2013 represent an amount equal to three months of 2012 budgeted operating expenses as required by the 1997, 2005, and 2010 loan agreements with 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	\$ 151,736
CWRPDA O & M Reserves	<u>963,000</u>
Total Restricted Cash and Investments	<u>\$ 1,114,736</u>

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

DECEMBER 31, 2013

Note 3: CAPITAL ASSETS

Summaries of changes to capital assets for 2013 are as follows:

	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 790,653	\$ 2,697	\$ -	\$ 793,350
Capital Assets Being Depreciated:				
Buildings	-	138,162	-	138,162
Treatment Plants	76,570,393	538,435	-	77,108,828
Upper Blue River System	4,321,429	-	-	4,321,429
Sewer Lines and Mains	13,460,838	397,760	-	13,858,598
Equipment and Vehicles	1,519,621	28,351	-	1,547,972
Employee Housing	1,038,191	-	-	1,038,191
Total Capital Assets Being Depreciated	<u>96,910,472</u>	<u>1,102,708</u>	<u>-</u>	<u>98,013,180</u>
Accumulated Depreciation:				
Buildings	-	(2,763)	-	(2,763)
Treatment Plants	(18,787,763)	(1,561,163)	-	(20,348,926)
Upper Blue River System	(1,503,048)	(75,828)	-	(1,578,876)
Sewer Lines and Mains	(5,830,762)	(311,797)	-	(6,142,559)
Equipment and Vehicles	(1,400,719)	(38,591)	-	(1,439,310)
Employee Housing	(290,694)	(20,763)	-	(311,457)
Total Accumulated Depreciation	<u>(27,812,986)</u>	<u>(2,010,905)</u>	<u>-</u>	<u>(29,823,891)</u>
Capital Assets Being Depreciated, net	<u>69,097,486</u>	<u>(908,197)</u>	<u>-</u>	<u>68,189,289</u>
Total Capital Assets	<u>\$ 69,888,139</u>	<u>\$ (905,500)</u>	<u>\$ -</u>	<u>\$ 68,982,639</u>

Depreciation expense for the year ended December 31, 2013 was \$2,010,905.

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

DECEMBER 31, 2013

Note 4: COMMITMENTS AND CONTINGENCIES

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 5: 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, 2013

Note 5: 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, 2013.

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

	Balance 12/31/12	Advances	Payments	Balance 12/31/13	Current Portion	Interest Expense
Notes Payable:						
1997 CWRPDA	\$ 2,571,354	\$ -	\$ 470,435	\$ 2,100,919	\$ 486,472	\$ 130,468
2005 CWRPDA	5,810,000	-	355,000	5,455,000	365,000	195,422
2010 CWRPDA	1,822,485	-	87,930	1,734,555	89,698	35,280
Total Long-Term Debt	\$ 10,203,839	\$ -	\$ 913,365	\$ 9,290,474	\$ 941,170	\$ 361,170

A schedule of future loan payments is as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 941,170	\$ 446,637	\$ 1,285,376
2015	964,010	411,110	1,394,915
2016	1,002,579	376,198	1,387,806
2017	1,062,914	315,502	1,375,121
2018	492,130	260,908	1,378,777
2019-2023	2,615,729	1,029,258	4,342,351
2024-2028	2,029,686	305,266	3,521,157
2029-2030	182,256	3,657	433,797
Totals	\$ 9,290,474	\$ 3,148,536	\$ 15,119,300

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

DECEMBER 31, 2013

Note 6: 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 \$50,175, \$48,780, and \$47,373, for 2013, 2012 and 2011, respectively.

Covered and total payroll for 2013, 2012 and 2011 was \$1,009,489, \$975,594, and \$950,556, 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 2013 the total contributions were \$22,572.

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 7: 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	\$ 7,483,274	\$ 5,887,545
GAAP Basis Adjustments		
Capital Replacement	-	(793,047)
Capital Outlay	-	(469,457)
Debt Service Principal	-	(913,365)
Depreciation Expense	-	2,010,905
GAAP Basis	<u>\$ 7,483,274</u>	<u>\$ 5,722,581</u>

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

DECEMBER 31, 2013

Note 8: 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, 2013. 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 9: 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	\$ 5,409,933
Other revenue	<u>2,073,341</u>
Total revenue	7,483,274
Operations and maintenance expense	<u>(3,350,506)</u>
Net revenue	<u>4,132,768</u>

Total debt service	
1997 CWRPDA	589,712
2005 CWRPDA	596,895
2010 CWRPDA	<u>123,942</u>
	1,310,549
Required rate	<u>110%</u>
Net revenue required	<u>1,441,604</u>
Excess (deficit)	<u>\$ 2,691,164</u>

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

DECEMBER 31, 2013

Note 10: FUTURE USES OF NET POSITION

Through the adoption of the 2014 budget, the District has appropriated \$2,444,841 of net position available at December 31, 2013 to fund fiscal year 2014 operations.

In addition, the District has set aside funds as of December 31, 2013 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 these amounts are internally allocated, they do not meet the requirements to be shown as restricted net position on the Statement of Net Position.

FINAL DRAFT

OTHER SUPPLEMENTARY INFORMATION

FINAL DRAFT

UPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)**

	2013			2012
	Final Budget	Actual	Variance Pos (Neg)	Actual
REVENUES				
U ser Charges	5,231,574	5,233,777	2,203	5,202,706
Inspection Fees	7,000	8,200	1,200	9,800
Inclusion Fees	30,000	55,577	25,577	132,667
Line Extension Fees	25,000	66,226	41,226	117,065
Other Charges	29,000	56,730	27,730	100,429
Investment Earnings	27,000	31,287	4,287	35,868
Plant Investment Fees	400,000	1,986,477	1,586,477	2,119,786
Rental Income	40,000	45,000	5,000	45,000
Total Revenues	5,789,574	7,483,274	1,693,700	7,763,321
EXPENDITURES				
Admininstrative				
Personnel Services	1,632,637	1,470,397	162,330	1,469,771
Office Administration	123,000	126,495	(3,495)	115,049
Legal and Other Professional	159,000	132,029	26,971	68,774
Board Expenses	6,000	6,000	-	5,921
Insurance	116,000	122,765	(6,765)	110,202
Building Maintenance	17,000	14,934	2,066	15,103
Employee Housing	23,000	20,400	2,600	17,217
Other Administrative Expenses	17,000	30,044	(13,044)	17,855
Total Administrative	2,093,637	1,922,974	170,663	1,819,892
Operating - Iowa Hill				
Utilities	56,000	39,468	16,532	79,932
Repairs	50,000	16,753	33,247	42,963
Chemicals and Other Supplies	28,000	14,856	13,144	37,336
Biomonitoring	-	-	-	2,254
Permits & Fees	7,000	6,090	910	6,090
Other Operating Expenses	2,000	288	1,712	5,199
Total Operating - Iowa Hill	143,000	77,455	65,545	173,774
Operating - Farmers Corner				
Utilities	625,000	465,766	159,234	422,287
Repairs	75,000	87,133	(12,133)	102,013
Chemicals and Other Supplies	365,000	401,458	(36,458)	354,007
Biomonitoring	7,000	4,243	2,757	5,465
Permits & Fees	19,500	15,882	3,618	15,868
Sludge Hauling & Land Application	170,000	136,252	33,748	108,067
Site Monitoring	25,000	30,167	(5,167)	25,429
Other Operating Expenses	39,000	43,887	(4,887)	37,488
Total Operating - Farmers Corner	1,325,500	1,184,788	140,712	1,070,624

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, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

(Continued)

	2013			2012 Actual
	Final Budget	Actual	Variance Pos (Neg)	
EXPENDITURES (continued)				
Operating - Collection System				
Utilities	18,000	21,949	(3,949)	15,339
Repairs	134,000	110,180	23,820	136,705
Inspection Expenses	3,500	-	3,500	4,750
Other Operating Expenses	27,000	33,160	(6,160)	27,627
Total Operating - Collection System	182,500	165,289	17,211	184,421
Capital Replacement	1,488,000	793,047	694,953	165,301
Capital Outlay	480,000	469,457	10,543	1,452,132
Debt Service				
Debt Service Principal	913,365	913,365	-	890,595
Interest Expense	372,948	361,170	11,778	385,688
Total Debt Service	1,286,313	1,274,535	11,778	1,276,283
Total Expenses	6,998,950	5,887,545	1,111,405	6,142,427
Change in Net Position - Budget Basis	(1,209,376)	1,595,729	2,805,105	1,620,894
GAAP Basis Adjustments				
Capital Replacement	-	793,047	793,047	165,301
Capital Outlay	-	469,457	469,457	1,452,132
Debt Service Principal	-	913,365	913,365	890,595
Depreciation Expense	-	(2,010,905)	(2,010,905)	(1,899,857)
Net GAAP Basis Adjustments	-	164,964	164,964	608,171
Change in Net Position - GAAP Basis	<u>\$ (1,209,376)</u>	1,760,693	<u>\$ 2,970,069</u>	2,229,065
NET POSITION, Beginning		74,710,725		72,481,660
NET POSITION, Ending		<u>\$ 76,471,418</u>		<u>\$ 74,710,725</u>

See the accompanying Independent Auditors' Report

DATE: June 6, 2014

TO: Andrew Carlberg, District Manager

FROM: Greg Brown, Chief Plant Operator

SUBJECT: Treatment plant operations for May, 2014.

1. Total influent flow for the Upper Blue Treatment Facilities was 80.3 million gallons for the month of May. The flow for the previous May was 66.6 million gallons. There was a 13.7 million gallon increase (20.6%).
2. Solids loading at Farmer's Korner was up for May from 42,603# to 94,940# (55.1% increase). This increase is a calculated value that is inappropriately high due to the excessively high flow number (80.3 MG). We are being affected by the infiltration/inflow from the high spring runoff this year.
3. There are still some warranty issues that are outstanding and will be addressed by Glacier Construction. No progress has been made in the last month. The following items included are interior paint of the Desedeg, building exterior, and misc. painting items.
4. We are discharging good water that meets all discharge permit requirements. The phosphorus discharge concentration for April is at 0.007 mg/l (ppm).
5. We are beginning the Iowa Hill rehab project. There was a pre-bid meeting for the concrete and painting project to the Desedeg and filters on April 29, 2014. The bid-opening was May 29, 2014. Clarifier drive systems were added to the bid. The low bid was \$434,400 from Aslan Construction. The odor control fans rebuild is completed.
6. I am retiring. Letter attached.


Greg

cc: file

DATE: June 6, 2014

TO: Andrew Carlberg, District Manager, and Board of Directors

FROM: Greg Brown, Chief Plant Operator

SUBJECT: Retirement

I am retiring from my position of Chief Plant Operator with the Upper Blue Sanitation District on August 15, 2014.

I want to thank the Board, Andy, and the entire staff for giving me the opportunity of being a part of the best organization in the world for 39 years.

The District has provided me with the most gratifying employment possible. The District has given my family and me the greatest support imaginable throughout the years.

Sincerely,



Greg T. Brown, Chief Plant Operator

cc:file
/gtb

PLANT STATISTICS - FARMERS KORNER

MONTH	FLOW (MG)			PHOS (LBS)			INF SS (LBS)			SLUDGE (TONS)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
JAN	41.4	57.4	54.9	1.8	13.2	3.2	201554	104118	74790	43.2	75.4	59.9
FEB	38.1	52.3	50.0	2.9	10.7	6.7	123132	73437	79210	35.0	54.2	61.0
MAR	60.6	52.6	60.4	14.5	9.5	10.6	172780	60641	86743	66.1	64.6	69.0
APR	45.9	40.3	64.2	11.0	6.8	6.4	149764	54588	82592	21.5	47.7	21.1
MAY	38.9	66.6	80.3	4.8	8.0	5.0	86021	42603	94940	31.1	26.4	52.7
JUN	35.7	43.4		5.8	4.7		72201	60953		39.0	38.4	
JUL	52.5	52.6		10.6	7.8		131823	67996		54.9	53.0	
AUG	46.6	54.7		8.0	7.1		155732	71829		62.5	31.2	
SEP	34.4	40.9		8.4	4.0		59961	53147		24.5	31.1	
OCT	30.3	35.6		5.2	4.9		58517	78505		36.0	26.9	
NOV	34.9	36.0		8.4	3.4		96343	52500		15.8	44.0	
DEC	49.1	51.7		10.8	4.3		67806	110099		20.4	58.5	
TOTAL	508.4	584.1	309.8	92.2	84.4	31.9	1375634	830416	418275	450.0	551.4	263.7

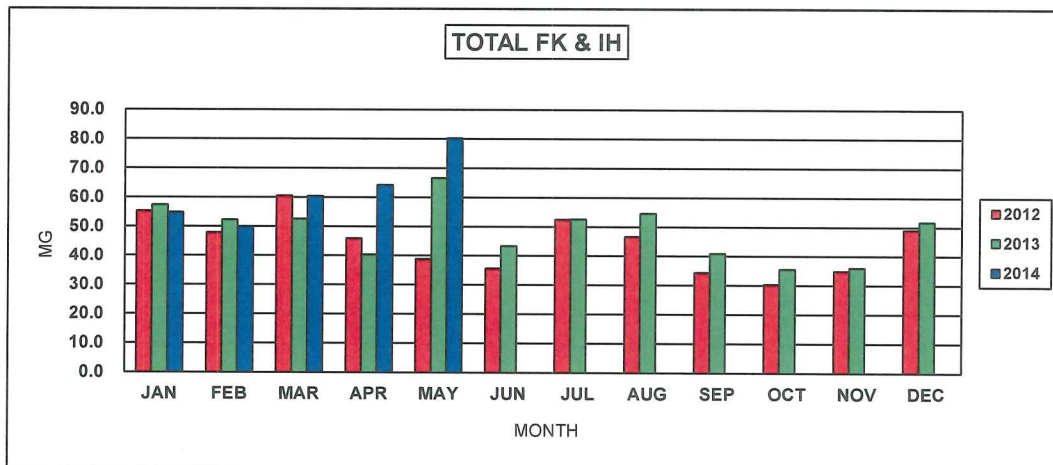
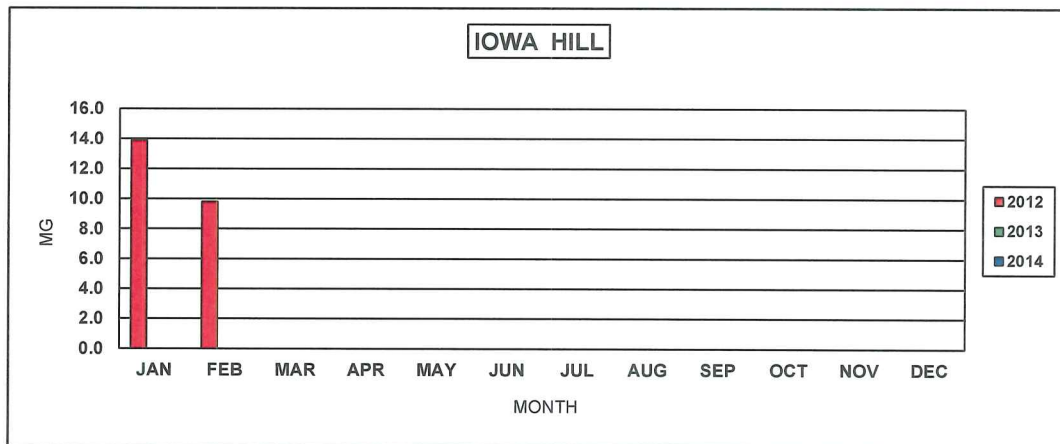
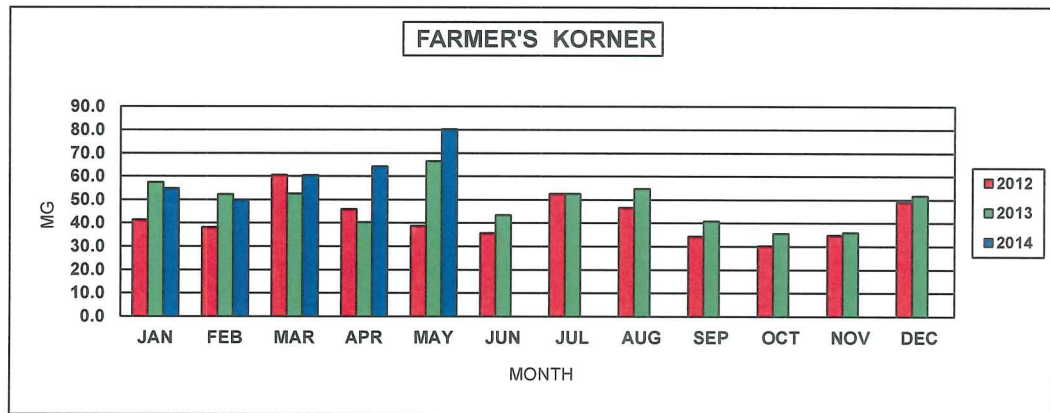
PLANT STATISTICS - IOWA HILL

MONTH	EFF FLOW (MG)			EFF PHOS (LBS)			INF SS (LBS)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
JAN	13.9	0.0	0.0	4.2	0.0	0.0	36828	0	0
FEB	9.8	0.0	0.0	2.4	0.0	0.0	29021	0	0
MAR	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
APR	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
MAY	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
JUN	0.0	0.0		0.0	0.0		0	0	
JUL	0.0	0.0		0.0	0.0		0	0	
AUG	0.0	0.0		0.0	0.0		0	0	
SEP	0.0	0.0		0.0	0.0		0	0	
OCT	0.0	0.0		0.0	0.0		0	0	
NOV	0.0	0.0		0.0	0.0		0	0	
DEC	0.0	0.0		0.0	0.0		0	0	
TOTAL	23.7	0.0	0.0	6.6	0.0	0.0	65849	0	0

PLANT STATISTICS - TOTAL

MONTH	EFF FLOW (MG)			EFF PHOS (LBS)			INF SS (LBS)			SLUDGE (TONS)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
JAN	55.3	57.4	54.9	6.0	13.2	3.2	238382	104118	74790	43.2	75.4	59.9
FEB	47.9	52.3	50.0	5.3	10.7	6.7	152153	73437	79210	35.0	54.2	61.0
MAR	60.6	52.6	60.4	14.5	9.5	10.6	172780	60641	86743	66.1	64.6	69.0
APR	45.9	40.3	64.2	11.0	6.8	6.4	149764	54588	82592	21.5	47.7	21.1
MAY	38.9	66.6	80.3	4.8	8.0	5.0	86021	42603	94940	31.1	26.4	52.7
JUN	35.7	43.4	0.0	5.8	4.7	0.0	72201	60953	0	39.0	38.4	0.0
JUL	52.5	52.6	0.0	10.6	7.8	0.0	131823	67996	0	54.9	53.0	0.0
AUG	46.6	54.7	0.0	8.0	7.1	0.0	155732	71829	0	62.5	31.2	0.0
SEP	34.4	40.9	0.0	8.4	4.0	0.0	59961	53147	0	24.5	31.1	0.0
OCT	30.3	35.6	0.0	5.2	4.9	0.0	58517	78505	0	36.0	26.9	0.0
NOV	34.9	36.0	0.0	8.4	3.4	0.0	96343	52500	0	15.8	44.0	0.0
DEC	49.1	51.7	0.0	10.8	4.3	0.0	67806	110099	0	20.4	58.5	0.0
TOTAL	532.1	584.1	309.8	98.8	84.4	31.9	1441483	830416	418275	450.0	551.4	263.7

FACILITY FLOW



Memo: Collection System Report for May, 2014

To: Andy Carlberg – District Manager

From: Wally Esquibel – Collection System Foreman

Date: June 5, 2014

1. No backups to report for the month of May, 2014
2. District personnel, to date, have cleaned 9,930 feet of sewer. We will continue our line cleaning schedule through the end of summer and fall.
3. The following lift stations have been cleaned including amperage checks and associated pumps:
 - a. Valley of the Blue
 - b. Mountain View
 - c. Blue River
 - d. River Park
 - e. Tiger Road
 - f. 10 Mile Vista
 - g. Ski Pole – Replaced pump #2
4. Collections priority at this time is controlling infiltration. Areas of concern include: Woodmoor, Highlands, and Blue River
5. Total footage for video analysis: 1277 feet
6. 223 “Locates” have been reviewed – of which 27 were “Meets” and 35 actual field locates
7. Service Line inspections, fleet maintenance, and locates all up to date.

MANAGER REPORT

June 2014

- 1) **Service to Blue Rock Springs.** At the last meeting the Board awarded the contract to Stan Miller Inc. Since then we have been waiting for the water table to go down so we can start construction. At this time we are looking at the first of July.
- 2) **Infiltration/Inflow.** We continue to battle infiltration. We are making headway.
- 3) **TOB water rights.** We continue to seek a compromise with the town. Allyn has talked with the Mayor who said He would like to attend our next meeting.
- 4) **Board Member Code of Conduct.** After every election we review the Code of Conduct. Attached for your review.

UPPER BLUE SANITATION DISTRICT
BOARD MEMBERS STANDARDS OF CONDUCT

1. Board Members and the Board shall commit themselves to ethical, professional and lawful conduct.
2. Board Members will treat other Board Members, staff, and the public with dignity and courtesy, and demonstrate mutual respect and support for each other in all Board-related activities.
3. A Board Member has the right to express personal opinions. When expressing such opinions in public, the Board Member should clearly identify the opinion as personal.
4. Board Members must avoid conflict of interest with respect to their fiduciary responsibilities.
5. The Board shall not attempt to exercise individual authority over the day-to-day operations of the District.
6. Board Members shall prepare for, attend, and participate in meetings of the Board.
7. Board Members shall accept responsibility and accountability for the decisions made by the Board, regardless of personal opinion.

ADOPTED NOVEMBER 8, 2007; UPDATED JUNE 6, 2014 (with Upper Blue Sanitation District name)