

**UPPER BLUE SANITATION DISTRICT
BRECKENRIDGE, COLORADO**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

**UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2017

ROSTER OF OFFICIALS

BOARD OF DIRECTORS

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

KEY EMPLOYEES

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

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FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

UPPER BLUE SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Required Supplementary Information (RSI) December 31, 2017

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, 2017. 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, Town of Blue River and surrounding areas. The District's assets exceeded its liabilities at the close of 2017 by \$94,757,929 (*net position*), which is an increase of \$4,606,817 from the prior year. Of this amount \$25,757,639 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.

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

The District had total revenues of \$10,908,802 in 2017 versus 2016 revenues of \$10,743,254. There was an increase in 2017 revenues in the amount of \$165,548. The main increase from 2016 was due to an increase in Plant Investment Fees in the amount of \$312,994.

In 2017, there was operating income from operations in the amount of \$5,865,524 and other income in the amount of \$5,043,278. The District's total operating revenues increased in 2017 by \$119,313 from 2016. The main increase in 2017 operating revenue was the increase in Sewer User Charges in the amount of \$143,588. Investment Earnings increased in 2017 by \$15,588 from 2016. In 2016, there was operating income from operations in the amount of \$5,746,211 and other income in the amount of \$4,997,043. Capital contributions from Plant Investment Fees in the amount of \$4,851,721 for 2017 and \$4,538,727 for 2016.

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 2017. 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 2017 by \$4,606,817 to \$94,757,929 and in 2016 by \$4,479,378 to \$90,151,112. This was the result of an increase in current assets in the amount of \$3,002,757 and capital assets in the amount of \$1,624,069 in 2017.

Cash, Cash equivalents and investments of the District at December 31, 2017 totaled \$26,176,833, which represents 26.95% of the District's total assets, and at December 31, 2016 Cash, Cash equivalents and investments totaled \$23,214,209 which represents 25.07% of the District's total assets.

The District's Capital assets, net of accumulated depreciation, at December 31, 2017 totaled \$69,300,465, which represents 71.35% of the District's total assets as of December 31, 2017; and at December 31, 2016 Capital assets, net of accumulated depreciation totaled \$67,676,395, which represents 73.08% of the District's total assets as of December 31, 2016.

Net Position

A summary of District's net position at December 31, 2017 is as follows:

Condensed Statement of Net Position

Condensed Statement of Net Position		
	2017	2016
Current Assets	\$ 27,621,689	\$ 24,618,932
Non Current Assets		
Capital Assets - Net	69,300,465	67,676,395
Other	205,040	306,033
Total Assets	<u>97,127,194</u>	<u>92,601,360</u>
Current Liabilities	1,101,594	1,085,447
Non Current Liabilities - Loan Payable	1,267,672	1,364,801
Total Liabilities	<u>2,369,266</u>	<u>2,450,248</u>
Net Position		
Net Investment in Capital Assets	67,924,290	66,204,211
Restricted	1,076,000	1,030,000
Unrestricted	25,757,639	22,916,901
Total Net Position	<u>\$ 94,757,929</u>	<u>\$ 90,151,112</u>

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

Condensed Statement of Activities		
	2017	2016
Revenues		
Program Revenues:		
Charges for Services	\$ 5,865,524	\$ 5,746,211
Capital Grants and Contributions	4,991,600	4,960,953
Total Program Revenues	<u>10,857,124</u>	<u>10,707,164</u>
General Revenues		
Investment Earnings	51,678	36,090
Total Revenues	<u>10,908,802</u>	<u>10,743,254</u>
Expenses		
Wastewater Operations	<u>6,301,985</u>	<u>6,263,876</u>
Change in Net Position	4,606,817	4,479,378
Net Position, Beginning	<u>90,151,112</u>	<u>85,671,734</u>
Net Position, Ending	<u>\$ 94,757,929</u>	<u>\$ 90,151,112</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 2017, before depreciation, was approximately \$194,366 more than 2016 operating income. The increase in operating income in 2017 was due to an increase in the 2017 User Charges in the amount of \$143,588. The net operating income for 2016, before depreciation was approximately \$95,152 less than 2015 operating income.

Non-operating revenues and Capital Contributions for 2017 were approximately \$132,720 more than 2016. This was a result of an increase in Capital Contributions in the amount of \$312,994. Non-operating revenues and Capital Contributions for 2016 were approximately \$1,445,007 less than 2015.

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

Budget and Actual Comparisons

Actual revenues exceeded budgeted revenues by \$2,559,627 in 2017. Actual revenues exceeded budgeted revenues by \$2,168,254 in 2016. Plant Investment Fees exceeded the budgeted amount by \$2,351,721 in 2017. Plant Investment Fees exceeded the budgeted amount by \$1,538,727 in 2016.

Actual expenditures were approximately \$2,552,742 less than budgeted in 2017 and \$1,216,714 more than budgeted in 2016. Significant variations to budget are as follows:

- Administrative expenses were approximately \$193,359 less than budgeted in 2017 and approximately \$319,020 less than budgeted in 2016.
- Plant expenses were approximately \$188,303 less than budgeted in 2017 mainly due to Iowa Hill utilities, Farmers Korner Chemicals, and sludge hauling expenses being less than budgeted. For 2016 plant expenses were approximately \$140,198 less than budgeted mainly due to Iowa Hill and Farmers Korner utilities, Farmers Korner Chemicals, and sludge hauling expenses being less than budgeted.
- Replacement capital expenditures were approximately \$1,069,149 less than budgeted in 2017 and approximately \$1,504,387 less than budgeted in 2016.
- Capital outlay for 2017 was approximately \$1,056,857 less than budgeted and approximately \$1,626,505 less than budgeted in 2016. See discussion below.

Capital Assets

Replacement Capital

In Collections, repairs and line replacement projects were undertaken to help address infiltration and inflow problems.

At the Farmers Korner north plant the District rehabbed the filters, replaced polymer pumps and in the south plant replaced the lighting and air flow meters/digesters. In addition, the District replaced blowers, WAS pumps and De Ragger.

At the Iowa Hill plant the District replaced the lighting, backup power-UPS, lab samplers, blower and pumps.

New Capital

In Collections, the District continued the extension of central sewer in the Leap Year Subdivision in the Town of Blue River in the amount of \$1,158,737.93. Future sewer line extensions are planned for the Town of Blue River in 2018.

At the Farmers Korner plant the District upgraded the Flow EQ.

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

The following is a summary of capital asset activity:

	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 819,323	\$ -	\$ -	\$ 819,323
Capital Assets Being Depreciated:				
Buildings	153,903	-	-	153,903
Treatment Plants	78,750,435	1,109,561	-	79,859,996
Upper Blue River System	6,464,925	2,842,462	-	9,307,387
Sewer Lines and Mains	14,927,659	206,188	-	15,133,847
Equipment and Vehicles	1,973,287	47,782	22,232	1,998,837
Employee Housing	<u>1,038,191</u>	<u>-</u>	<u>-</u>	<u>1,038,191</u>
Total Capital Assets Being Depreciated	<u>103,308,400</u>	<u>4,205,993</u>	<u>22,232</u>	<u>107,492,161</u>
Accumulated Depreciation:				
Buildings	(12,627)	(4,337)	-	(16,964)
Treatment Plants	(25,393,888)	(1,877,860)	-	(27,271,748)
Upper Blue River System	(1,934,997)	(192,184)	-	(2,127,181)
Sewer Lines and Mains	(7,083,570)	(345,068)	-	(7,428,638)
Equipment and Vehicles	(1,652,497)	(141,711)	(22,232)	(1,771,976)
Employee Housing	<u>(373,749)</u>	<u>(20,764)</u>	<u>-</u>	<u>(394,513)</u>
Total Accumulated Depreciation	<u>(36,451,328)</u>	<u>(2,581,924)</u>	<u>(22,232)</u>	<u>(39,011,020)</u>
Capital Assets Being Depreciated, net	<u>66,857,072</u>	<u>1,624,069</u>	<u>-</u>	<u>68,481,141</u>
Total Capital Assets	<u>\$ 67,676,395</u>	<u>\$ 1,624,069</u>	<u>\$ -</u>	<u>\$ 69,300,464</u>

Long-Term Debt

A principal payment of \$95,216 was made during 2017 and \$5,925,277 during 2016 on the CWRPDA notes along with \$27,933 in 2017 and \$114,418 in 2016 in interest. In 2005, the District entered into a second loan agreement to finance the construction of the pump-back system. In 2007, the Board of Directors decided not to continue to pursue the pump-back and the CWRPDA agreed to allow the funds to be used to expand the facilities at Farmers Korner.

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

	Balance 12/31/16	Advances	Payments	Balance 12/31/17	Current Portion	Interest Expense
Notes Payable:						
2010 CWRPDA	<u>1,460,017</u>	<u>-</u>	<u>95,216</u>	<u>1,364,801</u>	<u>97,130</u>	<u>27,933</u>
Total Long-Term Debt	<u>\$ 1,460,017</u>	<u>\$ -</u>	<u>\$ 95,216</u>	<u>\$ 1,364,801</u>	<u>\$ 95,216</u>	<u>\$ 29,808</u>

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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
August 15, 2018

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BASIC FINANCIAL STATEMENTS

UPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

STATEMENT OF NET POSITION
December 31, 2017
(With Comparative Totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and Equivalents	\$ 18,489,685	\$ 19,562,588
Investments	7,687,148	3,651,621
Accounts Receivable	2,603	35,337
Prepaid Expenses	160,074	158,150
Restricted Cash & Investments	<u>1,282,179</u>	<u>1,211,236</u>
Total Current Assets	<u>27,621,689</u>	<u>24,618,932</u>
Noncurrent Assets		
Capital Assets, not being depreciated	819,323	819,323
Capital Assets, being depreciated (net)	68,481,142	66,857,072
Notes and Other Receivables	<u>205,040</u>	<u>306,033</u>
Total Noncurrent Assets	<u>69,505,505</u>	<u>67,982,428</u>
Total Assets	<u>97,127,194</u>	<u>92,601,360</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	658,091	660,910
Unearned Revenue	-	9,459
Accrued Compensated Absences	127,071	124,709
Accrued Interest Payable	11,373	12,167
Deposits and Escrow Balances	1,750	1,750
Deposits and Escrow Balances - Restricted Resources	206,179	181,236
Current Portion - Notes Payable	<u>97,130</u>	<u>95,216</u>
Total Current Liabilities	<u>1,101,594</u>	<u>1,085,447</u>
Noncurrent Notes Payable	<u>1,267,672</u>	<u>1,364,801</u>
Total Liabilities	<u>2,369,266</u>	<u>2,450,248</u>
NET POSITION		
Net Investment in Capital Assets	67,924,290	66,204,211
Restricted:		
For Operations and Maintenance Reserve	1,076,000	1,030,000
Unrestricted	<u>25,757,639</u>	<u>22,916,901</u>
Total Net Position	<u>\$ 94,757,929</u>	<u>\$ 90,151,112</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, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
User Charges	\$ 5,610,432	\$ 5,466,844
Inspection Fees	16,105	11,300
Line Extension Fees	139,740	175,595
Rental Income	36,000	33,300
Other Charges	<u>63,247</u>	<u>59,172</u>
Total Operating Revenues	<u>5,865,524</u>	<u>5,746,211</u>
OPERATING EXPENSES		
Administrative	2,038,213	1,922,480
Operating - Iowa Hill	519,071	461,547
Operating - Farmers Korner	929,765	1,064,470
Operating - South Blue	38,361	36,285
Operating - Collection System	166,719	282,400
Depreciation Expense	<u>2,581,923</u>	<u>2,382,276</u>
Total Operating Expenses	<u>6,274,052</u>	<u>6,149,458</u>
Income (Loss) from Operations	<u>(408,528)</u>	<u>(403,247)</u>
NONOPERATING INCOME (EXPENSE)		
Investment Earnings	51,678	36,090
Inclusion Fees	139,879	422,226
Interest Expense	<u>(27,933)</u>	<u>(114,418)</u>
Total Nonoperating Income (Expense)	<u>163,624</u>	<u>343,898</u>
CAPITAL CONTRIBUTIONS		
Plant Investment Fees	<u>4,851,721</u>	<u>4,538,727</u>
Change in Net Position	<u>4,606,817</u>	<u>4,479,378</u>
NET POSITION, Beginning	<u>90,151,112</u>	<u>85,671,734</u>
NET POSITION, Ending	<u>\$ 94,757,929</u>	<u>\$ 90,151,112</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, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash Receipts from Customers	\$ 5,913,742	\$ 5,763,151
Cash Payments to Suppliers	(2,104,096)	(2,069,785)
Cash Payments to Employees	(1,590,415)	(1,520,092)
Net Cash Flows from Operating Activities	<u>2,219,231</u>	<u>2,173,274</u>
Cash Flows from Capital and Related Financing Activities:		
Plant Investment Fees	4,851,721	4,538,727
Inclusion Fees	139,879	422,226
Acquisition and Construction of Capital Assets	(4,205,994)	(1,802,249)
Principal Paid on Loans	(95,216)	(5,925,277)
Change in O & M Reserve	(46,000)	6,000
Interest Paid on Loans	(28,726)	(221,040)
Net Cash Flows from Capital and Related Financing Activities	<u>615,664</u>	<u>(2,981,613)</u>
Cash Flows from Investing Activities:		
Proceeds from Sale (Purchases) of Investments	(4,060,470)	(39,465)
Payments (Advances) on Notes Receivable	100,994	(2,543)
Investment Earnings	51,678	36,090
Net Cash Flows from Investing Activities	<u>(3,907,798)</u>	<u>(5,918)</u>
Net Increase (Decrease) in Cash and Equivalents	(1,072,903)	(814,257)
CASH AND EQUIVALENTS, Beginning	<u>19,562,588</u>	<u>20,376,845</u>
CASH AND EQUIVALENTS, Ending	<u>\$ 18,489,685</u>	<u>\$ 19,562,588</u>
Reconciliation of Income (Loss) from Operations to Net		
Cash Flows from Operations:		
Income (Loss) from Operations	\$ (408,528)	\$ (403,247)
Adjustments required to reconcile operating income (loss) to net cash flows from operations		
Depreciation	2,581,923	2,382,276
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	32,734	(21,669)
(Increase) Decrease in Prepaid Expenses	(1,924)	(10,244)
Increase (Decrease) in Accounts Payable	(2,821)	179,517
Increase (Decrease) in Unearned Revenue	(9,459)	9,459
Increase (Decrease) in Accrued Compensated Absences	2,363	8,032
Increase (Decrease) in Deposits and Escrow Balances	24,943	29,150
Total Adjustments	<u>2,627,759</u>	<u>2,576,521</u>
Net Cash Flows from Operating Activities	<u>\$ 2,219,231</u>	<u>\$ 2,173,274</u>
Schedule of Non-Cash Transactions:		
During the 2015 fiscal year, the District determined that the rate inclusion fees for Blue River inclusion fees did not coincide with actual costs and reduced those fees retroactive to 2008. The District recorded a payable for this amount as of December 31, 2015. The 2016 amount shown is the amount of interest credits granted.	\$ -	\$ 19,856

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

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

DECEMBER 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

Basis of Accounting

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

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

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017

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 2017.

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, 2017

Note 2: CASH AND INVESTMENTS

Cash deposits and investments are comprised of and are allocated on the December 31, 2017 statement of net position as follows:

Cash Deposits and On Hand	\$ 19,771,864
Investments	<u>7,687,148</u>
Total Cash and Investments	<u><u>\$ 27,459,012</u></u>
Cash and Equivalents	\$ 18,489,685
Investments	7,687,148
Restricted Cash and Investments	<u>1,282,179</u>
Total Cash and Investments	<u><u>\$ 27,459,012</u></u>

CASH DEPOSITS

At December 31, 2017, the District's cash deposits had bank and carrying balances as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Collateralized (Not in the District's Name)	19,811,857	19,521,664
Petty Cash	<u>-</u>	<u>200</u>
Total Cash Balances	<u><u>\$ 20,061,857</u></u>	<u><u>\$ 19,771,864</u></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 depositary 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, 2017, are deemed to be exposed to custodial credit risk.

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

DECEMBER 31, 2017

Note 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS

Credit Risk

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

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

At December 31, 2017, 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.

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

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 2: CASH AND INVESTMENTS (Continued)

Interest Rate Risk

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

Concentration of Credit Risk

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

RESTRICTED CASH AND INVESTMENTS

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

Developer Escrow Balances	\$ 206,179
CWRPDA O&M Reserves	<u>1,076,000</u>
Total Restricted Cash and Investments	<u>\$ 1,282,179</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 18 outstanding notes with a value of \$205,040 at year end and recognized \$14,512 of interest on the notes. There was \$11,639 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, 2017

Note 4: CAPITAL ASSETS

Summaries of changes to capital assets for 2017 are as follows:

	Balance			Balance
	12/31/16	Additions	Deletions	12/31/17
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 819,323	\$ -	\$ -	\$ 819,323
Capital Assets Being Depreciated:				
Buildings	153,903	-	-	153,903
Treatment Plants	78,750,435	1,109,561	-	79,859,996
Upper Blue River System	6,464,925	2,842,462	-	9,307,387
Sewer Lines and Mains	14,927,659	206,188	-	15,133,847
Equipment and Vehicles	1,973,287	47,782	22,232	1,998,837
Employee Housing	1,038,191	-	-	1,038,191
Total Capital Assets Being Depreciated	<u>103,308,400</u>	<u>4,205,993</u>	<u>22,232</u>	<u>107,492,161</u>
Accumulated Depreciation:				
Buildings	(12,627)	(4,337)	-	(16,964)
Treatment Plants	(25,393,888)	(1,877,860)	-	(27,271,748)
Upper Blue River System	(1,934,997)	(192,184)	-	(2,127,181)
Sewer Lines and Mains	(7,083,570)	(345,068)	-	(7,428,638)
Equipment and Vehicles	(1,652,497)	(141,711)	(22,232)	(1,771,976)
Employee Housing	(373,749)	(20,764)	-	(394,513)
Total Accumulated Depreciation	<u>(36,451,328)</u>	<u>(2,581,924)</u>	<u>(22,232)</u>	<u>(39,011,020)</u>
Capital Assets Being Depreciated, net	<u>66,857,072</u>	<u>1,624,069</u>	<u>-</u>	<u>68,481,141</u>
Total Capital Assets	<u>\$ 67,676,395</u>	<u>\$ 1,624,069</u>	<u>\$ -</u>	<u>\$ 69,300,464</u>

Depreciation expense for the year ended December 31, 2017 was \$2,581,923.

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 5: **COMMITMENTS AND CONTINGENCIES**
Prepaid Plant Investment Fees

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

Summit County Fee Credit

The District received a water right decree in 1997 that contained various provisions and a stipulation that Summit County could reopen the decree upon the occurrence of certain events. In July 2015, the District entered into an agreement granting the County \$1,000,000 in credits towards future Inclusion Fees and Plant Investment Fees assessed by the District for County-sponsored or supported public or public/private projects within Summit County in exchange for an agreement from the County to never exercise its right to reopen the decree. The County utilized \$528,810 in April 2016, and has remaining credit of \$471,190 as of December 31, 2017.

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 one outstanding loan with the Colorado Water Resources and Power Development Authority. In 2010, the District entered into a third loan agreement to complete the Farmers Korner facility expansion. The loans contain various covenants and a revenue pledge.

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

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

DECEMBER 31, 2017

Note 6: LONG TERM DEBT (Continued)

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

The District has pledged the revenue from the operation and use of the wastewater treatment facilities and other legally available revenue, after the payment of operation and maintenance expenses of the system, for the repayment of the above loans. The loan agreements contain restrictive covenants and requirements, including a rate covenant (See Note 9) and maintenance of a three-month operating reserve for the 1997 loan (See Note 2). The District was in compliance with the covenants and requirements of the loan agreements at December 31, 2017.

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

	Balance 12/31/16	Advances	Payments	Balance 12/31/17	Current Portion	Interest Expense
Notes Payable:						
2010 CWRPDA	1,460,017	-	95,216	1,364,801	97,130	27,933

A schedule of future loan payments is as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 97,130	\$ 26,813	\$ 123,943
2019	99,082	24,860	123,942
2020	101,073	22,869	123,942
2021	103,105	20,837	123,942
2022	105,177	18,765	123,942
2023-2027	558,461	61,251	619,712
2028-2030	300,773	9,083	309,856
Totals	\$ 1,364,801	\$ 184,478	\$ 1,549,279

Note 7: BENEFIT PLANS

Money Purchase Pension Plan – Defined Contribution

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

This plan is a single employer, defined contribution pension plan. The District contributes 5 percent of each participating employee's salary. Total contributions (including application of forfeitures) were \$53,155, \$52,032, and \$48,869, for 2017, 2016 and 2015, respectively.

UPPER BLUE SANITATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 7: BENEFIT PLANS (Continued)

Money Purchase Pension Plan – Defined Contribution (Continued)

Covered and total payroll for 2017, 2016 and 2015 was \$1,032,438, \$992,111, and \$993,766, 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 2017, the total contributions were \$66,481.

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

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

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

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary Basis	\$ 10,908,802	\$ 8,021,272
GAAP Basis Adjustments		
Debt Service Principal	-	(95,216)
Depreciation Expense	-	2,559,692
GAAP Basis	<u>\$ 10,908,802</u>	<u>\$ 6,279,754</u>

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

DECEMBER 31, 2017

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, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years. The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 10: RATE MAINTENANCE

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

Gross operating revenue	\$ 5,865,524
Other revenue	191,557
Capital contributions	<u>4,851,721</u>
Total revenue	10,908,802
Oper. and maint. exp. Exc. depreciation	<u>(3,692,128)</u>
Net revenue	<u>7,216,674</u>
Total debt service	
2010 CWRPDA	<u>123,942</u>
	123,942
Required rate	<u>110%</u>
Net revenue required	<u>136,337</u>
Excess (deficit)	<u>\$ 7,080,337</u>

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

DECEMBER 31, 2017

Note 11: FUTURE USES OF NET POSITION

Through the adoption of the 2018 budget, the District has appropriated \$786,680 of net position available at December 31, 2017 to fund fiscal year 2018 operations.

In addition, the District has set aside funds as of December 31, 2017 to fund future plant improvements that are anticipated to address pending nutrient standards. As included in the 2013 Master Plan, the District set aside \$2,000,000 of net position each year from 2012 through 2017 to insure that adequate reserves are available to meet these projected costs. As of 2017, the set-aside totaled \$12,000,000.

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, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017			2016 Actual
	Final Budget	Actual	Variance Pos (Neg)	
REVENUES				
User Charges	\$ 5,553,175	\$ 5,610,432	\$ 57,257	\$ 5,466,844
Inspection Fees	7,000	16,105	9,105	11,300
Inclusion Fees	100,000	139,879	39,879	422,226
Line Extension Fees	75,000	139,740	64,740	175,595
Other Charges	43,000	63,247	20,247	59,172
Investment Earnings	36,000	51,678	15,678	36,090
Plant Investment Fees	2,500,000	4,851,721	2,351,721	4,538,727
Rental Income	35,000	36,000	1,000	33,300
Total Revenues	8,349,175	10,908,802	2,559,627	10,743,254
EXPENDITURES				
Administrative				
Personnel Services	1,780,370	1,592,778	187,592	1,528,124
Office Administration	169,500	138,569	30,931	134,499
Legal and Other Professional	75,000	98,731	(23,731)	55,703
Board Expenses	6,000	6,000	-	6,167
Insurance	140,202	131,606	8,596	129,249
Building Maintenance	15,000	22,367	(7,367)	28,165
Employee Housing	19,000	20,130	(1,130)	12,978
Other Administrative Expenses	26,500	28,032	(1,532)	27,595
Total Administrative	2,231,572	2,038,213	193,359	1,922,480
Operating - Iowa Hill				
Utilities	238,000	194,727	43,273	144,688
Repairs	90,000	65,594	24,406	133,665
Chemicals and Other Supplies	204,000	191,241	12,759	154,332
Biomonitoring	14,000	45,301	(31,301)	9,136
Permits & Fees	8,000	9,333	(1,333)	6,370
Other Operating Expenses	10,000	12,875	(2,875)	13,356
Total Operating - Iowa Hill	564,000	519,071	44,929	461,547
Operating - Farmers Korner				
Utilities	405,000	402,682	2,318	381,474
Repairs	90,000	87,913	2,087	80,099
Chemicals and Other Supplies	308,000	207,396	100,604	335,582
Biomonitoring	7,000	3,078	3,922	3,068
Permits & Fees	17,500	13,141	4,359	13,431
Sludge Hauling & Land Application	180,000	156,543	23,457	174,378
Site Monitoring	23,000	20,672	2,328	39,924
Other Operating Expenses	42,000	38,340	3,660	36,514
Total Operating - Farmers Korner	1,072,500	929,765	142,735	1,064,470

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, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

(Continued)

	2017			2016 Actual
	Final Budget	Actual	Variance Pos (Neg)	
EXPENDITURES (continued)				
Operating - South Blue				
Utilities	26,000	24,828	1,172	22,349
Repairs	2,500	1,101	1,399	3,302
Chemicals and Other Supplies	1,000	342	658	4,644
Permits & Fees	3,000	2,315	685	2,315
Site Monitoring	1,500	6,886	(5,386)	3,675
Other Operating Expenses	5,000	2,889	2,111	-
Total Operating - South Blue	<u>39,000</u>	<u>38,361</u>	<u>639</u>	<u>36,285</u>
Operating - Collection System				
Utilities	28,000	12,675	15,325	20,385
Repairs	140,000	125,947	14,053	223,470
Inspection Expenses	8,000	1,189	6,811	1,084
Other Operating Expenses	35,000	26,908	8,092	37,461
Total Operating - Collection System	<u>211,000</u>	<u>166,719</u>	<u>44,281</u>	<u>282,400</u>
Capital Replacement	<u>2,437,000</u>	<u>1,367,851</u>	<u>1,069,149</u>	<u>1,298,613</u>
Capital Outlay	<u>3,895,000</u>	<u>2,838,143</u>	<u>1,056,857</u>	<u>502,495</u>
Debt Service				
Debt Service Principal	95,216	95,216	-	5,925,277
Interest Expense	<u>28,726</u>	<u>27,933</u>	<u>793</u>	<u>114,418</u>
Total Debt Service	<u>123,942</u>	<u>123,149</u>	<u>793</u>	<u>6,039,695</u>
Total Expenses	<u>10,574,014</u>	<u>8,021,272</u>	<u>2,552,742</u>	<u>11,607,985</u>
Change in Net Position - Budget Basis	<u>(2,224,839)</u>	<u>2,887,530</u>	<u>5,112,369</u>	<u>(864,731)</u>
GAAP Basis Adjustments				
Capital Replacement	-	1,367,851	1,367,851	1,298,613
Capital Outlay	-	2,838,143	2,838,143	502,495
Debt Service Principal	-	95,216	95,216	5,925,277
Depreciation Expense	-	(2,581,923)	(2,581,923)	(2,382,276)
Net GAAP Basis Adjustments	-	<u>1,719,287</u>	<u>1,719,287</u>	<u>5,344,109</u>
Change in Net Position - GAAP Basis	<u>\$ (2,224,839)</u>	<u>4,606,817</u>	<u>\$ 6,831,656</u>	<u>4,479,378</u>
NET POSITION, Beginning		<u>90,151,112</u>		<u>85,671,734</u>
NET POSITION, Ending		<u>\$ 94,757,929</u>		<u>\$ 90,151,112</u>

See the accompanying Independent Auditors' Report