

**UPPER BLUE SANITATION DISTRICT
BRECKENRIDGE, COLORADO**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2023**

**UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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**UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2023**

ROSTER OF OFFICIALS

BOARD OF DIRECTORS

Rick Orwig - Board President
Signe Stimson - Board Vice President
Joyce Mosher - Board Secretary/Treasurer
Robin Theobald - Member
Dan Corwin - Member

KEY EMPLOYEES

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

FINANCIAL SECTION

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, 2023

The discussion and analysis of the Upper Blue Sanitation District's (District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2023. 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 2023 by \$116,276,018 (net position), which is an increase of \$4,571,012 from the prior year. Of this amount \$38,596,272 (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 and replacement capital projects. Those capital projects are identified in the District's ten-year financial master plan.

The District had total revenues of \$12,894,583 in 2023 versus 2022 revenues of \$12,916,824. There was a decrease in total revenues of \$22,241. The main decrease from 2022 was due to a decrease in Plant Investment Fees in the amount of \$2,962,084.

In 2023, operating income from operations amounted to \$7,303,125 and other income in the amount of \$3,359,768. The District's total operating revenues increased in 2023 by \$163,696 from 2022. The main increase in 2023 operating revenue was the increase in Sewer User Charges of \$367,348. Investment Earnings increased in 2023 by \$1,092,244 from 2022. In 2022, there was operating income from operations in the amount of \$7,139,429 and other income in the amount of \$583,621. Capital contributions from Plant Investment Fees were \$2,231,690 in 2023 and \$5,193,774 in 2022.

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 entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements, Statement of New Position and 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 Activities presents information showing how the District's net position changed during 2023. 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 short term as well as what remains for future spending.

The District has the following governmental funds:

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

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

Government-Wide Financial Statements

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

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

In the Statement of Net Position and the Statement of Activities, the District's proprietary fund is show 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 2023 by \$4,571,012 to \$116,276,018 and in 2022 by \$5,222,457 to \$111,705,006. This was the result of an increase in capital assets in the amount of \$8,383,926 in 2023.

Cash, Cash Equivalents, and Investments of the District as of December 31, 2023 totaled \$39,854,477, which represents 33.54% of the District's total assets, and at December 31, 2022 Cash, Cash Equivalents, and Investments totaled \$43,310,190 which represents 38.02% of the District's total assets.

Net Position

A summary of the District's net position as of December 31, 2023 is as follows:

Condensed Statement of Net Position

	2023	2022
Current Assets	\$ 41,594,831	\$ 45,041,034
Non Current Assets		
Capital Assets - Net	77,181,688	68,797,762
Other	55,480	70,133
Total Assets	<u>118,831,999</u>	<u>113,908,929</u>
Current Liabilities	1,913,487	1,451,981
Non Current Liabilities - Loan Payable	642,494	751,942
Total Liabilities	<u>2,555,981</u>	<u>2,203,923</u>
Net Position		
Net Investment in Capital Assets	76,429,746	67,938,529
Restricted	1,250,000	1,250,000
Unrestricted	38,596,272	42,516,477
Total Net Position	<u>\$ 116,276,018</u>	<u>\$ 111,705,006</u>

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

	2023	2022
Revenues		
Program Revenues:		
Charges for Services	\$ 7,303,125	\$ 7,139,429
Capital Grants and Contributions	3,997,053	5,275,234
Total Program Revenues	<u>11,300,178</u>	<u>12,414,663</u>
General Revenues		
Investment Earnings	1,594,405	502,161
Total Revenues	<u>12,894,583</u>	<u>12,916,824</u>
Expenses		
Wastewater Operations	<u>8,323,571</u>	<u>7,694,367</u>
Change in Net Position	4,571,012	5,222,457
Net Position, Beginning	111,705,006	106,482,549
Net Position, Ending	<u>\$ 116,276,018</u>	<u>\$ 111,705,006</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 2023, before depreciation, was approximately \$65,725 less than 2022 operating income. The decrease in operating income in 2023 was due to an increase in the 2023 operating expenses in the amount of \$229,421. The net operating income for 2022, before depreciation was approximately \$340,810 less than 2021 operating income.

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 and replacement capital projects. Those capital projects are identified in the District's ten-year financial master plan.

Budget and Actual Comparisons

Actual revenues exceeded budgeted revenues by \$3,526,975 in 2023. Actual revenues exceeded budgeted revenues by \$4,511,824 in 2022. Plant Investment Fees exceeded the budgeted amount by \$231,690 in 2023 and \$3,693,774 in 2022.

Actual expenditures were less than budgeted by \$16,629,352 in 2023 and \$10,242,741 in 2022. Significant variations to budget are as follows:

- Administrative expenses were \$210,124 less than budgeted in 2023 and \$117,540 less than budgeted in 2022.
- Plant expenses were \$575,931 less than budgeted in 2023 mainly due to Iowa Hill, Farmers Korner and South Blue Utilities, and Iowa Hill chemicals being less than budgeted. For 2022, plant expenses were \$122,778 less than budgeted mainly due to Iowa Hill, Farmers Korner, and South Blue utilities, and Farmers Korner chemicals being less than budgeted.
- Replacement capital expenditures were less than budgeted by \$7,888,333 in 2023 and \$5,029,111 in 2022.
- Capital outlay for 2023 was \$7,944,200 less than budgeted and \$4,972,434 less than budgeted in 2022.

Capital Assets

Replacement Capital

In Collections, manholes and lift station projects were undertaken to help address infiltration and inflow problems. The District had ongoing line cleaning/TV of main sewer lines, plus line cleaner modifications.

At the Farmers Korner plant, the District replaced the A-Basin, repaired the north plant blowers, replaced north/west/east plant pumps, repaired the clarifier, and replaced plant piping.

At the Iowa Hill plant, the District replaced the SCADA.

New Capital

In Collections, the District constructed the 39 Degrees North sewer line extension.

At Farmers Korner, the District upgraded electrical components.

At the Iowa Hill plant, the District engineered for nutrient removal.

The District depreciates its capital assets. See Note 1 of the Notes to Financial Statements - Summary of Significant Accounting Policies - Capital Assets and Note 4 of the Notes to Financial Statements - Capital Assets.

The following is a summary of capital asset activity:

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
Capital Assets not Being Depreciated				
Land and Easements	\$ 966,863	\$ -	\$ -	\$ 966,863
Construction in Progress	279,507	3,926,057	-	4,205,564
Total Capital Assets Not Being Depreciated	1,246,370	3,926,057	-	5,172,427
Capital Asset Being Depreciated				
Buildings	164,045	38,314	-	202,359
Treatment Plants	83,798,700	1,045,702	-	84,844,402
Upper Blue River System	9,334,401	-	-	9,334,401
Sewer Lines and Mains	20,778,793	3,070,032	-	23,848,825
Equipment and Vehicles	2,459,990	203,713	-	2,663,703
Employee Housing	3,272,447	3,207,138	-	6,479,585
Total Capital Assets Being Depreciated	119,808,376	7,564,899	-	127,373,275
Accumulated Depreciation				
Buildings	(46,765)	(14,029)	-	(60,794)
Treatment Plants	(36,644,407)	(1,973,507)	-	(38,617,914)
Upper Blue River System	(3,100,034)	(194,852)	-	(3,294,886)
Sewer Lines and Mains	(9,610,836)	(670,658)	-	(10,281,494)
Equipment and Vehicles	(2,285,951)	(116,825)	-	(2,402,776)
Employee Housing	(568,989)	(137,161)	-	(706,150)
Total Accumulated Depreciation	(52,256,982)	(3,107,032)	-	(55,364,014)
Capital Assets				
Being Depreciated, net	67,551,394	4,457,867	-	72,009,261
Total Capital Assets	\$ 68,797,764	\$ 8,383,924	\$ -	\$ 77,181,688

Long-Term Debt

A principal payment of 107,292 was made during 2023 and \$105,177 during 2022 on the CWRPDA note along with interest of \$15,757 in 2023 and \$17,888 in 2022.

	<u>Balance</u> <u>12/31/2022</u>	<u>Advances</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2023</u>
Notes Payable	\$ 859,234	\$ -	\$ 107,292	\$ 751,942

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.

BASIC FINANCIAL STATEMENTS

UPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

STATEMENT OF NET POSITION

December 31, 2023

(With Comparative Totals for December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and Equivalents	\$ 8,220,701	\$ 13,267,986
Investments	31,633,776	30,042,204
Accounts Receivable	76,896	47,545
Prepaid Expenses	223,735	202,326
Restricted Cash, Investments, & Other	1,439,723	1,480,973
Total Current Assets	<u>41,594,831</u>	<u>45,041,034</u>
Noncurrent Assets		
Capital Assets, not being depreciated	5,172,427	1,246,370
Capital Assets, being depreciated (net)	72,009,261	67,551,392
Notes and Other Receivables	55,480	70,133
Total Noncurrent Assets	<u>77,237,168</u>	<u>68,867,895</u>
Total Assets	<u>118,831,999</u>	<u>113,908,929</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	1,305,061	835,388
Retainage Payable	49,625	19,636
Unearned Revenue	66,616	63,465
Accrued Compensated Absences	184,426	184,180
Accrued Interest Payable	6,266	7,160
Deposits and Escrow Balances	2,322	3,888
Deposits and Escrow Balances - Restricted Resources	189,723	230,973
Notes Payable - Current	109,448	107,291
Total Current Liabilities	<u>1,913,487</u>	<u>1,451,981</u>
Noncurrent Notes Payable	<u>642,494</u>	<u>751,942</u>
Total Liabilities	<u>2,555,981</u>	<u>2,203,923</u>
NET POSITION		
Net Investment in Capital Assets	76,429,746	67,938,529
Restricted:		
For Operations and Maintenance Reserve	1,250,000	1,250,000
Unrestricted	38,596,272	42,516,477
Total net Position	<u>\$ 116,276,018</u>	<u>\$ 111,705,006</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 NET POSITION
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
User Charges	\$ 6,999,132	\$ 6,631,784
Inspection Fees	5,300	5,300
Line Extension Fees	146,555	120,077
Rental Income	113,350	77,075
Other Charges	38,788	305,193
Total Operating Revenues	<u>7,303,125</u>	<u>7,139,429</u>
OPERATING EXPENSES		
Administrative	3,067,914	2,835,540
Operating - Iowa Hill	121,838	187,429
Operating - Farmers Korner	1,768,518	1,631,308
Operating - South Blue	67,389	68,223
Operating - Collection System	175,124	248,862
Depreciation Expense	3,107,031	2,705,117
Total Operating Expenses	<u>8,307,814</u>	<u>7,676,479</u>
Income (Loss) from Operations	<u>(1,004,689)</u>	<u>(537,050)</u>
NONOPERATING INCOME (EXPENSE)		
Investment Earnings	1,594,405	502,161
Inclusion Fees	1,765,363	81,460
Interest Expense	(15,757)	(17,888)
Total Nonoperating Income (Expense)	<u>3,344,011</u>	<u>565,733</u>
CAPITAL CONTRIBUTIONS		
Plant Investment Fees	<u>2,231,690</u>	<u>5,193,774</u>
Change in Net Position	4,571,012	5,222,457
NET POSITION, Beginning	<u>111,705,006</u>	<u>106,482,549</u>
NET POSITION, Ending	<u>\$ 116,276,018</u>	<u>\$ 111,705,006</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, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Cash Receipts from Customers	\$ 7,276,925	\$ 7,151,450
Cash Payments to Suppliers	(2,994,375)	(2,655,164)
Cash Payments to Employees	(1,770,725)	(1,930,329)
Net Cash Flows from Operating Activities	<u>2,511,825</u>	<u>2,565,957</u>
Cash Flows from Capital and Related Financing Activities:		
Plant Investment Fees	2,231,690	5,193,774
Inclusion Fees	1,765,363	81,460
Acquisition and Construction of Capital Assets	(11,490,957)	(5,036,749)
Principal Paid on Loans	(107,291)	(105,177)
Interest Paid on Loans	(16,651)	(18,764)
Net Cash Flows from Capital and Related Financing Activities	<u>(7,617,846)</u>	<u>114,544</u>
Cash Flows from Investing Activities		
Proceeds from Sale (Purchase) of Investments - net	(1,550,322)	(5,497,855)
Payments (Advances) of Notes Receivable - net	14,653	62,585
Investment Earnings	1,594,405	502,299
Net Cash Flow from Investing Activities	<u>58,736</u>	<u>(4,932,971)</u>
Net increase (Decrease) in Cash and Equivalents	(5,047,285)	(2,252,470)
CASH AND EQUIVALENTS, Beginning	<u>13,267,986</u>	<u>15,520,456</u>
CASH AND EQUIVALENTS, Ending	<u>\$ 8,220,701</u>	<u>\$ 13,267,986</u>
Reconciliation of Income (Loss) from Operations to Net Cash Flows from Operations:		
Income (Loss) from Operations	<u>\$ (1,004,689)</u>	<u>\$ (537,050)</u>
Adjustments required to reconcile operating income (loss) to net cash flows from operations		
Depreciation	3,107,031	2,705,117
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(29,351)	13,024
(Increase) Decrease in Prepaid Expenses	(21,409)	(29,121)
Increase (Decrease) in Accounts Payable	499,662	397,992
Increase (Decrease) in Unearned Revenue	3,151	(3,141)
Increase (Decrease) in Accrued Compensated Absences	246	16,998
Increase (Decrease) in Deposits and Escrow Balances	(42,816)	2,138
Total Adjustments	<u>3,516,514</u>	<u>3,103,007</u>
Net Cash Flows from Operating Activities	<u>\$ 2,511,825</u>	<u>\$ 2,565,957</u>

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

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

DECEMBER 31, 2023

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 account 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 services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

DECEMBER 31, 2023

Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Lease. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use underlying asset. Under this standard, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The District has several leases with employees to assist with ever increasing housing costs in Breckenridge, Colorado. Management has evaluated the terms of the leases, and determined since they are on a month-to-month basis, should not be recognized as a long-term lease under GASB 87. Instead, lease revenue is recognized when received as rent revenue on the Statement of Revenues, Expenses, and Changes in Net Position.

Cash and Equivalents

For purpose of the Statement of Cash Flows, the District treats all demand and money market bank accounts as cash and equivalents.

Investments

The District's short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand and reported at net asset value (NAV).

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Assets are stated at costs; developers costs; or estimated acquisition 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.

UPPER BLUE SANITATION DISTRICT NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

Comparative Information

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

Budgets

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

An amendment to budget through supplemental appropriation is subject to approval of the Board of Directors at a public hearing and the filing of approved supplemental appropriation with the State of Colorado. There were no budget amendments in 2023.

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.

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 their 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.

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

DECEMBER 31, 2023

- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment of 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 net position first.

NOTED 2: CASH AND EQUIVALENTS

Cash and deposits and investments are comprised of and are allocated on the December 31, 2023 statement of net position as follows:

Cash Deposits and On Hand	\$ 9,470,701
Investments	31,633,776
Total Cash and Investments	<u>\$ 41,104,477</u>
Cash and Equivalents	\$ 8,220,701
Investments	31,633,776
Restricted Cash and Equivalents	1,250,000
Total Cash and Investments	<u>\$ 41,104,477</u>

CASH DEPOSITS

At December 31, 2023, 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	40,872,174	40,854,277
Petty Cash	-	200
Total Cash Balances	<u>\$ 41,122,174</u>	<u>\$ 41,104,477</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, 2023 are deemed to be exposed to custodial credit risk

UPPER BLUE SANITATION DISTRICT NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

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, 2023, 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 include 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. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method.

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 interest rate risk, the District's investment policy requires that the majority of its investments have a maturity date of 1 year or less.

Concentration of Credit Risk

Investments must be in accordance with Colorado statutes. The District has placed limits on the maximum percentage of various instruments in the portfolio based on type ranging from 50% to 100% of the total portfolio. Investments in any one financial institution generally may not exceed 50% of the District's portfolio unless the investments are obligations of the United States Government.

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

DECEMBER 31, 2023

RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments for 2023 represent an amount equal to three months of subsequent year's 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 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	\$ 189,723
CWRPDA O&M Reserves	1,250,000
Total Restricted Cash and Investments	<u><u>\$ 1,439,723</u></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, can be prepaid at any time, and bear interest at prime plus 2%. The District had 4 outstanding notes with a value of \$28,225 at year end and recognized \$1,996 of interest on the notes during 2023. The District has not recorded an allowance against the outstanding balance.

District Employee Housing Assistance

During 2019, the District entered into a note receivable agreement with an employee in the amount of \$130,000. The note bears interest at 3% per annum and requires 240 monthly payments of \$166.38 commencing August 2021. The note matures on August 2041 and had a value of \$27,255 as of December 31, 2023. Interest income on the note for the year was \$837.

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

DECEMBER 31, 2023

NOTE 4: CAPITAL ASSETS

Summaries of changes to capital assets for 2023 are as follows:

	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
Capital Assets not Being Depreciated				
Land and Easements	\$ 966,863	\$ -	\$ -	\$ 966,863
Construction in Progress	279,507	3,926,057	-	4,205,564
Total Capital Assets Not Being Depreciated	<u>1,246,370</u>	<u>3,926,057</u>	<u>-</u>	<u>5,172,427</u>
Capital Asset Being Depreciated				
Buildings	164,045	38,314	-	202,359
Treatment Plants	83,798,700	1,045,702	-	84,844,402
Upper Blue River System	9,334,401	-	-	9,334,401
Sewer Lines and Mains	20,778,793	3,070,032	-	23,848,825
Equipment and Vehicles	2,459,990	203,713	-	2,663,703
Employee Housing	3,272,447	3,207,138	-	6,479,585
Total Capital Assets Being Depreciated	<u>119,808,376</u>	<u>7,564,899</u>	<u>-</u>	<u>127,373,275</u>
Accumulated Depreciation				
Buildings	(46,765)	(14,029)	-	(60,794)
Treatment Plants	(36,644,407)	(1,973,507)	-	(38,617,914)
Upper Blue River System	(3,100,034)	(194,852)	-	(3,294,886)
Sewer Lines and Mains	(9,610,836)	(670,658)	-	(10,281,494)
Equipment and Vehicles	(2,285,951)	(116,825)	-	(2,402,776)
Employee Housing	(568,989)	(137,161)	-	(706,150)
Total Accumulated Depreciation	<u>(52,256,982)</u>	<u>(3,107,032)</u>	<u>-</u>	<u>(55,364,014)</u>
Capital Assets				
Being Depreciated, net	67,551,394	4,457,867	-	72,009,261
Total Capital Assets	<u>\$ 68,797,764</u>	<u>\$ 8,383,924</u>	<u>\$ -</u>	<u>\$ 77,181,688</u>

Depreciation expense for the year ended December 31, 2023 was \$3,107,032

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

DECEMBER 31, 2023

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

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 expended all remaining credits in 2022.

Town of Breckenridge Fee Credit

The District received a water right decree in 1997 that contained various provisions and stipulation that the Town of Breckenridge could reopen the decree upon the occurrence of certain events. In July 2018, the District entered into an agreement granting the Town \$970,000 in credits towards future Inclusion Fees and Plant Investment Fees assessed by the District for Town-sponsored or supported public or public/private projects within the Town in exchange for an agreement from the Town to never exercise its right to reopen the decree. The town expended all remaining credits during the year ended December 31, 2023.

TABOR Amendment

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

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

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

DECEMBER 31, 2023

NOTE 6: LONG-TERM DEBT

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

	<u>Balance 12/31/2022</u>	<u>Advances</u>	<u>Payments</u>	<u>Balance 12/31/2023</u>	<u>Due Within One Year</u>
Notes Payable					
2010 CWRPDA	\$ 859,234	\$ -	\$ 107,292	\$ 751,942	\$ 109,448

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

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

The 2010 loan requires semiannual payments through February 2030 with interest at an effective rate of approximately 2 percent. The District has the option to repay the loan in whole or in part upon prior written notice. Interest paid on this loan during 2023 was \$15,757.

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 loan. The loan agreement contains restrictive covenants and requirements, including a rate covenant (See Note 9) and maintenance of a three-month operating reserve for the 2010 loan (See Note 2). The District was in compliance with covenants and requirements of the loan agreements as of December 31, 2023.

A schedule of future loan payments as of December 31, 2023 are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 109,448	\$ 14,494	\$ 123,942
2025	111,648	12,294	123,942
2026	113,892	10,050	123,942
2027	116,181	7,761	123,942
2028	118,517	5,426	123,943
2029-2030	182,256	3,659	185,915
	<u>\$ 751,942</u>	<u>\$ 53,684</u>	<u>\$ 805,626</u>

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

DECEMBER 31, 2023

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 plan. The District contributes 5 percent of each participating employee's salary. Total contributions (including application of forfeitures) were \$111,226 and \$66,816 in 2023 and 2022, respectively.

Covered and total payroll for 2023 and 2022 was \$1,659,002 and \$1,336,320, respectively. Employer contributions vest at a rate of 20% per year of services 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 2023 total employee contributions were \$75,686 with the District matching \$111,969.

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	\$ 12,894,583	\$ 17,001,299
GAAP Basis Adjustments		
Capital Replacement	-	(3,196,667)
Capital Outlay	-	(8,480,800)
Debt Service Principal	-	(107,292)
Depreciation Expense	-	3,107,031
GAAP Basis	<u>\$ 12,894,583</u>	<u>\$ 8,323,571</u>

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

DECEMBER 31, 2023

NOTE 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts 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, 2023. 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 exceed 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.

Operating Revenues	\$ 7,303,125
Other Revenue	3,359,768
Capital Contributions	2,231,690
Total Revenue	<u>12,894,583</u>
Operating Expenses	(8,323,571)
Less: Depreciation	3,107,031
Adjusted Operating Expenses	<u>(5,216,540)</u>
Net Revenue	7,678,043
Total Debt Service	
2010 CWRPDA	123,942
Required Rate	110%
Net Revenue Required	<u>136,336</u>
Excess	<u>\$ 7,541,707</u>

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

DECEMBER 31, 2023

NOTE 11: FUTURE USE OF NET POSITION

Through the adoption of the 2024 budget, the District has appropriated \$22,552,104 of net position available at December 31, 2023 to fund fiscal year 2024 operations.

As this amount is internally allocated, it does 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, 2023

(With Comparative Totals for the Year Ended December 31, 2022)

	2023			2022 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE POS (NEG)	
REVENUES				
User Charges	\$ 6,964,608	\$ 6,999,132	\$ 34,524	\$ 6,631,784
Inspection Fees	4,000	5,300	1,300	5,300
Inclusion Fees	100,000	1,765,363	1,665,363	81,460
Line Extension Fees	50,000	146,555	96,555	120,077
Other Charges	40,000	38,788	(1,212)	305,193
Investment Earnings	129,000	1,594,405	1,465,405	502,161
Plant Investment Fees	2,000,000	2,231,690	231,690	5,193,774
Rental Income	80,000	113,350	33,350	77,075
TOTAL REVENUES	9,367,608	12,894,583	3,526,975	12,916,824
EXPENDITURES				
Administrative				
Personnel Services	2,661,638	2,197,201	464,437	1,947,327
Office Administration	185,500	221,972	(36,472)	229,119
Legal and Other Professional	162,000	312,328	(150,328)	413,873
Board Expenses	11,000	7,411	3,589	6,000
Insurance	146,400	163,433	(17,033)	137,003
Building Maintenance	27,000	35,469	(8,469)	36,753
Employee Housing	40,000	78,572	(38,572)	22,836
Other Administrative Expenses	44,500	51,528	(7,028)	42,629
Total Administrative	3,278,038	3,067,914	210,124	2,835,540
Operating - Iowa Hill				
Utilities	190,000	31,923	158,077	25,777
Repairs	90,000	61,297	28,703	73,202
Chemicals and Other Supplies	125,000	17,752	107,248	27,871
Biomonitoring	15,000	1,710	13,290	12,143
Permits & Fees	10,000	7,529	2,471	46,441
Other Operating Expenses	15,000	1,627	13,373	1,995
Total Operating - Iowa Hill	445,000	121,838	323,162	187,429
Operating - Farmers Korner				
Utilities	715,000	638,342	76,658	622,984
Repairs	165,000	228,989	(63,989)	223,779
Chemicals and Other Supplies	610,500	589,929	20,571	464,066
Biomonitoring	7,800	4,714	3,086	6,080
Permits & Fees	22,500	15,973	6,527	20,585
Sludge Hauling & Land Application	255,000	210,032	44,968	215,971
Site Monitoring	35,000	13,461	21,539	17,600
Other Operating Expenses	75,000	67,078	7,922	60,243
Total Operating - Farmers Korner	1,885,800	1,768,518	117,282	1,631,308

See the accompanying Independent Auditor's 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, 2023

(With Comparative Totals for the Year Ended December 31, 2022)

(Continued)

	2023		VARIANCE POS (NEG)	2022 ACTUAL
	FINAL BUDGET	ACTUAL		
EXPENDITURES (Continued)				
Operating - South Blue				
Utilities	77,000	56,702	20,298	52,965
Repairs	12,000	2,455	9,545	982
Chemicals and Other Supplies	1,000	-	1,000	-
Permits & Fees	4,500	976	3,524	4,258
Site Monitoring	10,000	7,256	2,744	7,222
Other Operating Expenses	-	-	-	2,796
Total Operating - South Blue	<u>104,500</u>	<u>67,389</u>	<u>37,111</u>	<u>68,223</u>
Operating - Collection System				
Utilities	25,000	17,164	7,836	14,485
Repairs	187,000	112,546	74,454	178,386
Inspection Expenses	7,500	2,170	5,330	4,665
Other Operating Expenses	54,000	43,244	10,756	51,326
Total Operating - Collection System	<u>273,500</u>	<u>175,124</u>	<u>98,376</u>	<u>248,862</u>
Capital Replacement	<u>11,085,000</u>	<u>3,196,667</u>	<u>7,888,333</u>	<u>1,921,889</u>
Capital Outlay	<u>16,425,000</u>	<u>8,480,800</u>	<u>7,944,200</u>	<u>3,797,566</u>
Debt Service				
Debt Service Principal	107,000	107,292	(292)	105,177
Interest Expense	<u>26,813</u>	<u>15,757</u>	<u>11,056</u>	<u>17,888</u>
Total Debt Service	<u>133,813</u>	<u>123,049</u>	<u>10,764</u>	<u>123,065</u>
TOTAL EXPENDITURES	<u>33,630,651</u>	<u>17,001,299</u>	<u>16,629,352</u>	<u>10,813,882</u>
CHANGE IN NET POSITION - GAAP	<u>(24,263,043)</u>	<u>(4,106,716)</u>	<u>(13,102,377)</u>	<u>2,102,942</u>
GAAP Basis Adjustments				
Capital Replacement		3,196,667		1,921,889
Capital Outlay		8,480,800		3,797,566
Debt Service Principal		107,292		105,177
Depreciation Expense		<u>(3,107,031)</u>		<u>(2,705,117)</u>
Net GAAP Basis Adjustments		<u>8,677,728</u>		<u>3,119,515</u>
Change in Net Position - GAAP Basis		4,571,012		5,222,457
NET POSITION - BEGINNING		<u>111,705,006</u>		<u>106,482,549</u>
NET POSITION - ENDING		<u>\$ 116,276,018</u>		<u>\$ 111,705,006</u>

See the accompanying Independent Auditor's Report