UPPER BLUE SANITATION DISTRICT
BRECKENRIDGE, COLORADO

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2025

UPPER BLUE SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2025

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ROSTER OF OFFICIALS

BOARD OF DIRECTORS

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

KEY EMPLOYEES

Abigail Wagner - District Manager
Martha Hamilton - Administrative Manager
Earl Picard - Chief Plant Officer
Jeff Way - 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, 2025

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, 2024. 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 2025 by $128,063,750 (net position), which is an increase of $4,428,176 from the prior year. Of this amount $40,115,666 (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 $13,967,586 in 2025 versus 2024 revenues of $16,661,581. There was a decrease in total revenues of $2,693,995. The main decrease was due to an awarded legal dispute in 2024 of $2,959,307.

In 2025, operating income from operations amounted to $8,060,252 and other income in the amount of $1,586,707. The District's total operating revenues decreased in 2025 by $2,618,394 from 2024. The main decrease in 2025 operating revenue was the from the legal dispute which awarded $2,959,307 in 2024. Investment Earnings decreased in 2025 by $244,783 from 2024. Capital contributions from Plant Investment Fees were $4,320,627 in 2025, 4,132,434 in 2024 and $2,231,690 in 2023.

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 2025. 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.

<u>Business-Type Activities:</u>
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 2025 by $4,428,176 to $128,063,750 and in 2024 by $7,359,556 to $123,635,574. This was the result of an increase in capital assets in the amount of $9,644,559 in 2025.

Cash, Cash Equivalents, and Investments of the District as of December 31, 2025 totaled $41,038,516, which represents 31.52% of the District's total assets, and at December 31, 2024 Cash, Cash Equivalents, and Investments totaled $39,506,374, which represented 31.49% of the District's total assets.

Net Position

A summary of the District's net position as of December 31, 2025 is as follows:

Condensed Statement of Net Position

	2025	2024	2023
Current Assets	$ 42,917,054	$ 44,303,468	$ 41,594,831
Non Current Assets			
Capital Assets - Net	87,228,930	81,069,453	77,181,688
Other	64,423	73,637	55,480
Total Assets	130,210,407	125,446,558	118,831,999
Current Liabilities	1,727,459	1,280,138	1,913,487
Non Current Liabilities - Loan Payable	419,198	530,846	642,494
Total Liabilities	2,146,657	1,810,984	2,555,981
Net Position			
Net Investment in Capital Assets	86,698,084	80,426,959	76,429,746
Restricted	1,250,000	1,250,000	1,250,000
Unrestricted	40,115,666	41,958,615	38,596,272
Total Net Position	$ 128,063,750	$ 123,635,574	$ 116,276,018

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

	2025	2024	2023
Revenues			
Program Revenues:			
Charges for Services	$ 8,060,252	$ 10,678,646	$ 7,303,125
Capital Grants and Contributions	4,438,820	4,269,638	3,997,053
Total Program Revenues	12,499,072	14,948,284	11,300,178
General Revenues			
Investment Earnings	1,468,514	1,713,297	1,594,405
Total Revenues	13,967,586	16,661,581	12,894,583
Expenses			
Wastewater Operations	9,539,410	9,302,025	8,323,571
Change in Net Position	4,428,176	7,359,556	4,571,012
Net Position, Beginning	123,635,574	116,276,018	111,705,006
Net Position, Ending	$ 128,063,750	$ 123,635,574	$ 116,276,018

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 2025, before depreciation, was approximately $2,819,880 less than 2024 operating income mainly due to the District award in a legal dispute.. The net operating income for 2024, before depreciation was approximately $2,734,826 more than 2023 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 $2,778,946 in 2025. Actual revenues exceeded budgeted revenues by $5,695,405 in 2024. Plant Investment Fees exceeded the budgeted amount by $2,320,627 in 2025, $2,105,258 in 2024, $231,690 in 2023.

Actual expenditures were less than budgeted by $9,260,332 in 2025 and $20,219,043 in 2024. Significant variations to budget are as follows:

- Administrative expenses were $4,296 more than budgeted in 2025.
- Plant expenses were $710,018 less than budgeted in 2025 due to less cost in repairs, chemicals, utilities and sludge hauling/land application. Plant expenses were $884,818 less than budgeted in 2024 mainly due to Iowa Hill, Farmers Korner and South Blue Utilities, and Iowa Hill chemicals being less than budgeted.
- Replacement capital expenditures were less than budgeted by $2,455,691 in 2025, and $7,113,145 in 2024.
- Capital outlay for 2025 was $5,930,750 less than budgeted, and $12,572,125 less than budgeted in 2024.

Capital Assets

<u>Replacement Capital</u>

In Collections, the District had ongoing line cleaning/TV of main sewer lines.

At the Farmers Korner plant, the District replaced and upgraded electrical controls, pump assembly, generators, blowers, air flow meters, and a switch replacement.

The Iowa Hill - IFAS project was still construction in progress (CIP) as of 12/31/2025.

New Capital

In Collections, Ski Hill Road Sewer Main Replacement.

At Farmers Korner, the District upgraded the Screwpress, Blowers in North and South Plant to include piping upgrade.

The Iowa Hill - IFAS project was still construction in progress (CIP) as of 12/31/2025.

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 12/31/2024	Additions	Deletions	Balance 12/31/2025
Capital Assets not Being Depreciated				
Land and Easements	$ 966,863	$ -	$ -	$ 966,863
Construction in Progress	4,627,921	4,524,449	233,173	8,919,197
Total Capital Assets Not Being Depreciated	5,594,784	4,524,449	233,173	9,886,060
Capital Asset Being Depreciated				
Buildings	202,359	-	-	202,359
Treatment Plants	88,288,218	2,372,051	-	90,660,269
Upper Blue River System	9,713,493	52,000	-	9,765,493
Sewer Lines and Mains	25,981,029	1,957,562	-	27,938,591
Equipment and Vehicles	2,723,603	151,254	-	2,874,857
Employee Housing	7,376,946	820,416	-	8,197,362
Total Capital Assets Being Depreciated	134,285,648	5,353,283	-	139,638,931
Accumulated Depreciation				
Buildings	(72,794)	(12,000)	-	(84,794)
Treatment Plants	(40,778,729)	(2,198,854)	-	(42,977,583)
Upper Blue River System	(3,570,811)	(260,768)	-	(3,831,579)
Sewer Lines and Mains	(11,003,005)	(734,714)	-	(11,737,719)
Equipment and Vehicles	(2,521,269)	(101,283)	-	(2,622,552)
Employee Housing	(864,371)	(177,463)	-	(1,041,834)
Total Accumulated Depreciatio	(58,810,979)	(3,485,082)	-	(62,296,061)
Capital Assets Being Depreciated, net	75,474,669	1,868,201	-	77,342,870
Total Capital Assets	$ 81,069,453	$ 6,392,650	$ 233,173	$ 87,228,930

Long-Term Debt

A principal payment of $111,648 made in 2025, 109,448 made in 2024, and $107,292 was made in 2023, on the CWRPDA note along with interest of $11,364, $13,582, and $15,757, in 2025, 2024, and 2023, respectively.

	Balance 12/31/2024	Advances	Payments	Balance 12/31/2025
Notes Payable	$ 642,494	$ -	$ 111,648	$ 530,846

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 Abigail Wagner, District Manager, Upper Blue Sanitation District, PO Box 1216, 1605 Airport Road, Breckenridge, CO 80424-1216.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Upper Blue Sanitation District
Breckenridge, CO

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of Upper Blue Sanitation District (the "District") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Upper Blue Sanitation District as of December 31, 2025, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as noted in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as noted in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Flynn CPA, LLC

Flynn CPA, LLC

Castle Pines, CO
September 10, 2026

BASIC FINANCIAL STATEMENTS

UPPER BLUE SANITATION DISTRICT
Breckenridge, Colorado

STATEMENT OF NET POSITION
December 31, 2025
(With Comparative Totals for December 31, 2024)

	2025	2024
ASSETS		
Current Assets		
Cash and Equivalents	$ 6,233,136	$ 6,164,821
Investments	34,805,380	33,341,553
Accounts Receivable	131,740	3,090,922
Prepaid Expenses	255,773	266,449
Restricted Cash, Investments, & Other	1,491,025	1,439,723
Total Current Assets	42,917,054	44,303,468
Noncurrent Assets		
Capital Assets, not being depreciated	9,886,060	5,594,784
Capital Assets, being depreciated (net)	77,342,870	75,474,669
Notes and Other Receivables	64,423	73,637
Total Noncurrent Assets	87,293,353	81,143,090
Total Assets	130,210,407	125,446,558
LIABILITIES		
Current Liabilities		
Accounts Payable	1,023,002	558,420
Retainage Payable	-	135,256
Unearned Revenue	106,434	76,638
Accrued Compensated Absences	236,826	198,999
Accrued Interest Payable	4,424	5,354
Deposits and Escrow Balances	4,100	4,100
Deposits and Escrow Balances - Restricted Resources	241,025	189,723
Notes Payable - Current	111,648	111,648
Total Current Liabilities	1,727,459	1,280,138
Noncurrent Notes Payable	419,198	530,846
Total Liabilities	2,146,657	1,810,984
NET POSITION		
Net Investment in Capital Assets	86,698,084	80,426,959
Restricted:		
For Operations and Maintenance Reserve	1,250,000	1,250,000
Unrestricted	40,115,666	41,958,615
Total net Position	$ 128,063,750	$ 123,635,574

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, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	2025	2024
OPERATING REVENUES		
User Charges	$ 7,694,906	$ 7,344,433
Inspection Fees	5,800	11,100
Line Extension Fees	173,802	201,467
Rental Income	122,171	118,725
Other Charges	63,573	3,002,921
Total Operating Revenues	8,060,252	10,678,646
OPERATING EXPENSES		
Administrative	3,789,421	3,594,557
Operating - Iowa Hill	240,456	172,276
Operating - Farmers Korner	1,701,951	1,609,533
Operating - South Blue	82,875	90,673
Operating - Collection System	228,261	374,439
Depreciation Expense	3,485,082	3,446,965
Total Operating Expenses	9,528,046	9,288,443
Income (Loss) from Operations	(1,467,794)	1,390,203
NONOPERATING INCOME (EXPENSE)		
Investment Earnings	1,468,514	1,713,297
Inclusion Fees	118,193	137,204
Interest Expense	(11,364)	(13,582)
Total Nonoperating Income (Expense)	1,575,343	1,836,919
CAPITAL CONTRIBUTIONS		
Plant Investment Fees	4,320,627	4,132,434
Change in Net Position	4,428,176	7,359,556
NET POSITION, Beginning	123,635,574	116,276,018
NET POSITION, Ending	$ 128,063,750	$ 123,635,574

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, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	2025	2024
Cash Flows from Operating Activities:		
Cash Receipts from Customers	$ 11,049,230	$ 7,674,642
Cash Payments to Suppliers	(3,412,580)	(4,556,738)
Cash Payments to Employees	(2,201,253)	(1,972,113)
Net Cash Flows from Operating Activities	5,435,397	1,145,791
Cash Flows from Capital and Related Financing Activities:		
Plant Investment Fees	4,320,627	4,132,434
Inclusion Fees	118,193	137,204
Acquisition and Construction of Capital Assets	(9,644,559)	(7,334,730)
Principal Paid on Loans	(111,648)	(109,448)
Interest Paid on Loans	(12,294)	(14,494)
Net Cash Flows from Capital and Related Financing Activities	(5,329,681)	(3,189,034)
Cash Flows from Investing Activities		
Proceeds from Sale (Purchase) of Investments - net	(1,515,129)	(1,707,777)
Payments (Advances) of Notes Receivable - net	9,214	(18,157)
Investment Earnings	1,468,514	1,713,297
Net Cash Flow from Investing Activities	(37,401)	(12,637)
Net increase (Decrease) in Cash and Equivalents	68,315	(2,055,880)
CASH AND EQUIVALENTS, Beginning	6,164,821	8,220,701
CASH AND EQUIVALENTS, Ending	$ 6,233,136	$ 6,164,821
Reconciliation of Income (Loss) from Operations to Net Cash Flows from Operations:		
Income (Loss) from Operations	$ (1,467,794)	$ 1,390,203
Adjustments required to reconcile operating income (loss) to net cash flows from operations		
Depreciation	3,485,082	3,446,965
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	2,959,182	(3,014,026)
(Increase) Decrease in Prepaid Expenses	10,676	(42,714)
Increase (Decrease) in Accounts Payable	329,326	(661,010)
Increase (Decrease) in Unearned Revenue	29,796	10,022
Increase (Decrease) in Accrued Compensated Absences	37,827	14,573
Increase (Decrease) in Deposits and Escrow Balances	51,302	1,778
Total Adjustments	6,903,191	(244,412)
Net Cash Flows from Operating Activities	$ 5,435,397	$ 1,145,791

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

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025

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 of 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.

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("Statement 102"). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occured, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance of these financial statements.

The District adopted the requirements of this guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that required disclosure.

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.

Leases

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.

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.

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 2025.

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.

- 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, 2025 statement of net position as follows:

Cash Deposits and On Hand	$ 7,483,136
Investments	34,805,380
Total Cash and Investments	$ 42,288,516

Cash and Equivalents	$ 6,233,136
Investments	34,805,380
Restricted Cash and Equivalents	1,250,000
Total Cash and Investments	$ 42,288,516

CASH DEPOSITS

At December 31, 2025, the District's cash deposits had bank and carrying balances as follows:

	Bank Balance	**Carrying Balance**
FDIC Insured	$ 250,000	$ 250,000
PDPA Collateralized	42,038,316	42,038,316
Petty Cash	200	200
Total Cash Balances	$ 42,288,516	$ 42,288,516

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, 2025 are deemed to be exposed to custodial credit risk

INVESTMENTS

Credit Risk

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

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

At December 31, 2025, 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.

RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments for 2025 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	$	241,025
CWRPDA O&M Reserves		1,250,000
Total Restricted Cash and Investments	$	1,491,025

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 3 outstanding notes with a value of $39,598 at year end and recognized $3,917 of interest on the notes during 2025. The District has not recorded an allowance against the outstanding balance.

District Employee Housing Assistance

During 2019, the District entered into a note receivable agreement with an employee in the amount of $30,000. The note bears interest at 3% per annum and requires 240 monthly payments of $166.38 commencing August 2021. The note matures on August 2041 and had a value of $24,825 as of December 31, 2025. Interest income on the note for the year was $765.

NOTE 4: CAPITAL ASSETS

Summaries of changes to capital assets for 2025 are as follows:

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
Capital Assets not Being Depreciated				
Land and Easements	$ 966,863	$ -	$ -	$ 966,863
Construction in Progress	4,627,921	4,524,449	233,173	8,919,197
Total Capital Assets Not Being Depreciated	5,594,784	4,524,449	233,173	9,886,060
Capital Asset Being Depreciated				
Buildings	202,359	-	-	202,359
Treatment Plants	88,288,218	2,372,051	-	90,660,269
Upper Blue River System	9,713,493	52,000	-	9,765,493
Sewer Lines and Mains	25,981,029	1,957,562	-	27,938,591
Equipment and Vehicles	2,723,603	151,254	-	2,874,857
Employee Housing	7,376,946	820,416	-	8,197,362
Total Capital Assets Being Depreciated	134,285,648	5,353,283	-	139,638,931
Accumulated Depreciation				
Buildings	(72,794)	(12,000)	-	(84,794)
Treatment Plants	(40,778,729)	(2,198,854)	-	(42,977,583)
Upper Blue River System	(3,570,811)	(260,768)	-	(3,831,579)
Sewer Lines and Mains	(11,003,005)	(734,714)	-	(11,737,719)
Equipment and Vehicles	(2,521,269)	(101,283)	-	(2,622,552)
Employee Housing	(864,371)	(177,463)	-	(1,041,834)
Total Accumulated Depreciation	(58,810,979)	(3,485,082)	-	(62,296,061)
Capital Assets Being Depreciated, net	75,474,669	1,868,201	-	77,342,870
Total Capital Assets	$ 81,069,453	$ 6,392,650	$ 233,173	$ 87,228,930

Depreciation expense for the year ended December 31, 2025 was $3,485,082

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025

NOTE 5: COMMITMENTS AND CONTINGENCIES

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.

NOTE 6: LONG-TERM DEBT

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

	Balance 12/31/2024	Advances	Payments	Balance 12/31/2025	Due Within One Year
Notes Payable					
2010 CWRPDA	$ 642,494	$ -	$ 111,648	$ 530,846	$ 111,648

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 2025 was $11,364.

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, 2025.

A schedule of future loan payments as of December 31, 2025 are:

Fiscal Year	Principal	Interest	Total
2026	$ 113,892	$ 10,050	$ 123,942
2027	116,181	7,761	123,942
2028	118,517	5,426	123,943
2029	120,899	3,044	123,943
2030	61,357	616	61,973
	$ 530,846	$ 26,897	$ 557,743

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 $125,231 and $121,009 in 2025 and 2024, respectively.

Covered and total payroll for 2025 and 2024 was $2,103,087 and $1,864,870, 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 2024 total employee contributions were $91,849 with the District matching $125,231.

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

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

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

	Revenues	Expenditures
Budgetary Basis	$ 13,967,586	$ 15,810,535
GAAP Basis Adjustments		
Capital Replacement	-	(5,875,309)
Capital Outlay	-	(3,769,250)
Debt Service Principal	-	(111,648)
Depreciation Expense	-	3,485,082
GAAP Basis	$ 13,967,586	$ 9,539,410

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, 2025. 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.

UPPER BLUE SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025

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	$ 8,060,252
Other Revenue	1,586,707
Capital Contributions	4,320,627
Total Revenue	13,967,586
Operating Expenses	(9,539,410)
Less: Depreciation	3,485,082
Adjusted Operating Expenses	(6,054,328)
Net Revenue	7,913,258
Total Debt Service	
2010 CWRPDA	123,012
Required Rate	110%
Net Revenue Required	135,313
Excess	$ 7,777,945

NOTE 11: FUTURE USE OF NET POSITION

Through the adoption of the 2026 budget, the District has appropriated $4,822,035 of net position available at December 31, 2025 to fund fiscal year 2026 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.

NOTE 12: LITIGATION

During 2024, the District settled in a litigation and was awarded $2,959,308 in damages, including attorney fees. The amount was received in February 2025 and included in accounts receivable on the balance sheet and other charges in the income statement as of December 31, 2024.

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, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	2025			
	FINAL BUDGET	ACTUAL	VARIANCE POS (NEG)	2024 ACTUAL
REVENUES				
User Charges	$ 7,649,640	$ 7,694,906	$ 45,266	$ 7,344,433
Inspection Fees	4,000	5,800	1,800	11,100
Inclusion Fees	75,000	118,193	43,193	137,204
Line Extension Fees	100,000	173,802	73,802	201,467
Other Charges	40,000	63,573	23,573	3,002,921
Investment Earnings	1,204,000	1,468,514	264,514	1,713,297
Plant Investment Fees	2,000,000	4,320,627	2,320,627	4,132,434
Rental Income	116,000	122,171	6,171	118,725
TOTAL REVENUES	11,188,640	13,967,586	2,778,946	16,661,581
EXPENDITURES				
Administrative				
Personnel Services	3,032,125	2,801,713	230,412	2,457,186
Office Administration	235,500	300,865	(65,365)	288,005
Legal and Other Professional	192,000	146,571	45,429	411,978
Board Expenses	11,000	5,900	5,100	6,000
Insurance	191,000	192,419	(1,419)	177,157
Building Maintenance	27,000	62,166	(35,166)	55,304
Employee Housing	61,000	186,737	(125,737)	107,138
Other Administrative Expenses	35,500	93,050	(57,550)	91,789
Total Administrative	3,785,125	3,789,421	(4,296)	3,594,557
Operating - Iowa Hill				
Utilities	235,000	84,954	150,046	27,864
Repairs	100,000	79,182	20,818	106,149
Chemicals and Other Supplies	115,000	61,975	53,025	23,368
Biomonitoring	15,000	2,337	12,663	4,598
Permits & Fees	10,000	7,529	2,471	7,529
Other Operating Expenses	15,000	4,479	10,521	2,768
Total Operating - Iowa Hill	490,000	240,456	249,544	172,276
Operating - Farmers Korner				
Utilities	760,000	694,976	65,024	597,018
Repairs	275,000	164,861	110,139	209,666
Chemicals and Other Supplies	690,500	601,124	89,376	575,145
Biomonitoring	7,800	6,219	1,581	5,650
Permits & Fees	22,500	15,626	6,874	15,832
Sludge Hauling & Land Application	270,000	192,876	77,124	182,778
Site Monitoring	30,000	10,051	19,949	9,009
Other Operating Expenses	78,000	16,218	61,782	14,435
Total Operating - Farmers Korner	2,133,800	1,701,951	431,849	1,609,533

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, 2025
(With Comparative Totals for the Year Ended December 31, 2024)
(Continued)

	2025			
	FINAL BUDGET	ACTUAL	VARIANCE POS (NEG)	2024 ACTUAL
EXPENDITURES (Continued)				
Operating - South Blue				
Utilities	80,000	61,899	18,101	54,294
Repairs	14,000	-	14,000	27,684
Chemicals and Other Supplies	1,000	182	818	228
Permits & Fees	4,500	15,210	(10,710)	1,769
Site Monitoring	12,000	5,584	6,416	6,698
Other Operating Expenses	-	-	-	-
Total Operating - South Blue	111,500	82,875	28,625	90,673
Operating - Collection System				
Utilities	28,000	18,937	9,063	23,203
Repairs	280,000	159,786	120,214	305,250
Inspection Expenses	7,500	2,684	4,816	-
Other Operating Expenses	80,000	46,854	33,146	45,986
Total Operating - Collection System	395,500	228,261	167,239	374,439
Capital Replacement	8,331,000	5,875,309	2,455,691	2,856,855
Capital Outlay	9,700,000	3,769,250	5,930,750	4,477,875
Debt Service				
Debt Service Principal	111,648	111,648	-	109,448
Interest Expense	12,294	11,364	930	13,582
Total Debt Service	123,942	123,012	930	123,030
TOTAL EXPENDITURES	25,070,867	15,810,535	9,260,332	13,299,238
CHANGE IN NET POSITION - GAAP	(13,882,227)	(1,842,949)	(6,481,386)	3,362,343
GAAP Basis Adjustments				
Capital Replacement		5,875,309		2,856,855
Capital Outlay		3,769,250		4,477,875
Debt Service Principal		111,648		109,448
Depreciation Expense		(3,485,082)		(3,446,965)
Net GAAP Basis Adjustments		6,271,125		3,997,213
Change in Net Position - GAAP Basis		4,428,176		7,359,556
NET POSITION - BEGINNING		123,635,574		116,276,018
NET POSITION - ENDING		$ 128,063,750		$ 123,635,574

See the accompanying Independent Auditor's Report