

**Applewood Sanitation District  
Jefferson County, Colorado**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**December 31, 2019**

**Applewood Sanitation District**

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**December 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Applewood Sanitation District  
Jefferson County, Colorado

We have audited the accompanying financial statements of Applewood Sanitation District (the District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Applewood Sanitation District, as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplemental information for the year ended December 31, 2019, as listed in the table of contents, is presented for purposes of additional analysis and legal requirements, and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Fiscal Focus Partners, LLC*

Greenwood Village, Colorado  
August 31, 2020

## **BASIC FINANCIAL STATEMENTS**

**Applewood Sanitation District**  
**STATEMENT OF NET POSITION**  
**December 31, 2019**

**ASSETS**

**Current assets**

|                             |                  |
|-----------------------------|------------------|
| Cash                        | \$ 95,112        |
| Cash - restricted           | 6,100            |
| Investments                 | 1,168,190        |
| Accounts receivable - users | 4,431            |
| Property tax receivable     | 168,475          |
| <b>Total Current Assets</b> | <b>1,442,308</b> |

**Capital assets**

|                                       |                     |
|---------------------------------------|---------------------|
| Capital assets being depreciated, net | 1,133,698           |
| <b>Capital assets, net</b>            | <b>1,133,698</b>    |
| <b>Total assets</b>                   | <b>\$ 2,576,006</b> |

**LIABILITIES**

**Current liabilities**

|  |               |
|--|---------------|
| Accounts payable and other accrued liabilities | \$ 27,768     |
| Developer deposits                             | 53,652        |
| <b>Total current liabilities</b>               | <b>81,420</b> |
| <b>Total liabilities</b>                       | <b>81,420</b> |

**DEFERRED INFLOWS OF RESOURCES**

|  |                |
|--|----------------|
| Deferred property taxes                    | 168,475        |
| <b>Total deferred inflows of resources</b> | <b>168,475</b> |

**NET POSITION**

|                                  |                     |
|----------------------------------|---------------------|
| Net investment in capital assets | 1,133,698           |
| Restricted                       | 6,100               |
| Unrestricted                     | 1,186,313           |
| <b>Total net position</b>        | <b>\$ 2,326,111</b> |

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Applewood Sanitation District**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Year Ended December 31, 2019**

|   |                            |
|---|----------------------------|
| <b>OPERATING REVENUES</b>                         |                            |
| Charges for services                              | \$ 469,847                 |
| <b>Total operating revenues</b>                   | <u>469,847</u>             |
| <b>OPERATING EXPENSES</b>                         |                            |
| Accounting and audit                              | 8,360                      |
| Directors fees and expenses                       | 5,275                      |
| Insurance   | 6,330                      |
| Engineering                                       | 65,915                     |
| Legal   | 48,352                     |
| Office and other expenses                         | 5,315                      |
| Sewer maintenance and connection                  | 73,667                     |
| Sewer treatment charges                           | 223,173                    |
| Depreciation                                      | 20,247                     |
| <b>Total operating expenses</b>                   | <u>456,634</u>             |
| <b>OPERATING INCOME (LOSS)</b>                    | <u>13,213</u>              |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                            |
| Property taxes                                    | 162,241                    |
| Specific ownership taxes                          | 14,019                     |
| Treasurers fees                                   | (2,506)                    |
| Net investment income                             | 25,709                     |
| <b>Total nonoperating revenues (expenses)</b>     | <u>199,463</u>             |
| <b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b> | <u>212,676</u>             |
| <b>CAPITAL CONTRIBUTIONS</b>                      |                            |
| Line extensions                                   | 269,471                    |
|   | <u>269,471</u>             |
| <b>CHANGE IN NET POSITION</b>                     | 482,147                    |
| <b>NET POSITION - beginning of year</b>           | <u>1,843,964</u>           |
| <b>NET POSITION - end of year</b>                 | <u><u>\$ 2,326,111</u></u> |

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Applewood Sanitation District**  
**STATEMENTS OF CASH FLOWS**  
**Year Ended December 31, 2019**

|   |                          |
|---|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                          |
| Receipts from customers   | \$ 462,566               |
| Payments to suppliers for goods and services                                | (447,109)                |
| <b>Net cash provided by operating activities</b>                            | <u>15,457</u>            |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                      |                          |
| Property taxes  | 162,241                  |
| Specific ownership taxes  | 14,019                   |
| County treasurer fees   | (2,506)                  |
| <b>Net cash provided by noncapital financing activities</b>                 | <u>173,754</u>           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>             |                          |
| Line extension contributions  | 136,348                  |
| Acquisition of fixed assets   | (258,264)                |
| <b>Net cash provided (used) by capital and related financing activities</b> | <u>(121,916)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                          |
| Interest earnings received  | 25,709                   |
| Net purchase of investments   | (95,000)                 |
| <b>Net cash provided (used) by investing activities</b>                     | <u>(69,291)</u>          |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                 | (1,996)                  |
| <b>CASH AND CASH EQUIVALENTS - beginning of year</b>                        | <u>103,208</u>           |
| <b>CASH AND CASH EQUIVALENTS - end of year</b>                              | <u><u>\$ 101,212</u></u> |

(continued)

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Applewood Sanitation District**  
**STATEMENTS OF CASH FLOWS**  
**(continued)**  
**Year Ended December 31, 2019**

**RECONCILIATION OF OPERATING (LOSS) TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

|   |                         |
|---|-------------------------|
| Operating income (loss)   | \$ 13,213               |
| Adjustments to reconcile operating (loss) to<br>net cash provided by operating activities |                         |
| Depreciation  | 20,247                  |
| Change in assets and liabilities:   |                         |
| (Increase) decrease in:   |                         |
| Accounts receivable   | (7,281)                 |
| Increase (decrease) in:   |                         |
| Accounts payable  | (10,722)                |
| Total adjustments   | <u>2,244</u>            |
| <b>Net cash provided by operating activities</b>  | <u><u>\$ 15,457</u></u> |

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Applewood Sanitation District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 1 – Definition of reporting entity**

Applewood Sanitation District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Grand County, Colorado. The District was established to provide sewage removal and treatment for the users within the District's boundaries.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**Note 2 – Summary of significant accounting policies**

The more significant accounting policies of the District are described as follows:

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability. The District follows Governmental Accounting Standards Board pronouncements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Basis of Accounting**

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and payments on loans are recorded as reductions in liabilities. Tap fees, inclusion fees, and contributed assets from developers are recorded as capital contributions when received or collectible.

**Applewood Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019**

**Operating revenues and expenses**

The District distinguishes between operating revenues and expenses from nonoperating items in the Statement of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing sewer services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**Cash equivalents**

For purposes of the Statement of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

**Accounts receivable, allowance for doubtful accounts**

User fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

**Property Taxes**

Property taxes are levied based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November and December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measureable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

**Capital assets**

Capital assets include land, buildings, collection system, and equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of \$5,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the developer's cost.

**Applewood Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

|                                 |          |
|---------------------------------|----------|
| Collection system               | 50 years |
| Equipment, digital, and manuals | 10 years |

**Capital contributions**

Sewer lines contributed to the District by developers are recorded as capital contributions and additions to the sewer system when received. Tap fees and inclusions fees are recorded as capital contribution revenue when received.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Note 3 – Cash and investments**

Cash and investments are reflected in the December 31, 2019 Statement of Net Position as follows:

**Applewood Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019**

|                            |                     |
|----------------------------|---------------------|
| Cash                       | \$ 95,112           |
| Cash - restricted          | 6,100               |
| Investments                | <u>1,168,190</u>    |
| Total cash and investments | <u>\$ 1,269,402</u> |

Cash and investments as of December 31, 2019 consist of the following:

|                                      |                     |
|--------------------------------------|---------------------|
| Deposits with financial institutions | \$ 101,212          |
| Investments                          | <u>1,168,190</u>    |
| Total cash and investments           | <u>\$ 1,269,402</u> |

At December 31, 2019 the District's cash deposits had bank balances of \$101,304 and carrying balances of \$101,212.

**Deposits with financial institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2019, the federal insurance limits were \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**Custodial credit risk - deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. As of December 31, 2019, none of the District's bank balances were exposed to custodial credit risk.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District primarily limits its investments to local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

**Applewood Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019**

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest including the following:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2019, the District had the following investment:

| <u>Investment</u>                          | <u>Maturity</u>  |                     |
|--|------------------|---------------------|
| Colorado Liquid Asset Trust<br>(Colotrust) | Less than 1 year | <u>\$ 1,168,190</u> |

**COLOTRUST**

The District invests in the Colorado Local Government Liquid Asset Trust (the Trust); an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**Applewood Sanitation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2019**

**Restricted cash and investments**

The District had restricted cash of \$6,100 for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9), as of December 31, 2019.

**Note 4 – Capital assets**

Capital asset activity for the year ended December 31, 2019 was as follows:

|  | Balance at<br>December 31,<br>2018 | Increases      | Decreases/<br>Adjustments | Balance at<br>December 31,<br>2019 |
|--|------------------------------------|----------------|---------------------------|------------------------------------|
| Business-Type:                                 |                                    |                |                           |                                    |
| Capital assets being depreciated               |                                    |                |                           |                                    |
| Collection and transmission                    | \$ 1,496,820                       | \$ 258,264     | \$ -                      | \$ 1,755,084                       |
| Equipment, digital, manuals                    | 14,267                             | -              | -                         | 14,267                             |
| Total capital assets being depreciated         | <u>1,511,087</u>                   | <u>258,264</u> | <u>-</u>                  | <u>1,769,351</u>                   |
| Less accumulated depreciation for              |                                    |                |                           |                                    |
| Collection and transmission                    | 601,139                            | 20,247         | -                         | 621,386                            |
| Equipment, digital, manuals                    | 14,267                             | -              | -                         | 14,267                             |
| Total accumulated depreciation                 | <u>615,406</u>                     | <u>20,247</u>  | <u>-</u>                  | <u>635,653</u>                     |
| Total capital assets being<br>depreciated, net | <u>895,681</u>                     | <u>238,017</u> | <u>-</u>                  | <u>1,133,698</u>                   |

Depreciation expense of \$20,247 for the year ended December 31, 2019 was charged to sewer operations.

**Note 5 – Debt authorization**

At December 31, 2019, the District had no authorized but unissued indebtedness.

**Note 6 – Net position**

The District's net position consists of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2019, the District had net investment in capital assets of \$1,133,698.

Restricted position includes net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law

**Applewood Sanitation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2019**

through constitutional provisions or enabling legislation. The purposes for the restrictions of net position are described in Note 3. As of December 31, 2019, the District had restricted net position as follows:

|                    |                 |
|--------------------|-----------------|
| Emergency reserves | <u>\$ 6,100</u> |
|--------------------|-----------------|

The District's unrestricted net position as of December 31, 2019 was \$1,186,313.

**Note 7 – Agreements**

**Sewer Service Agreement**

The District and Northwest Lakewood Sanitation District (Northwest) each have wastewater collection and transmission facilities that extend into territory located within the boundaries of the other district. The Sewer Service Agreement (SSA), as amended, between the District and Northwest provides that the District will provide sanitary sewer services (services) to specified Northwest properties within the District's territory, and Northwest will provide services to specified District properties within Northwest's territory. The District and Northwest provide billing and maintenance services to the specified properties within their territories and remit service fee collections to the other district. The SSA is in full force and effect until cancelled by mutual agreement. The District has accrued \$10,000 for the estimated amount owing to Northwest under the SSA.

**Agreement for Extension of Sanitary Sewer Mains**

On October 23, 2018, the District entered into the Intergovernmental Agreement re Application and Agreement for Extension of Sanitary Sewer Mains (IGA) with Longs Peak Metropolitan District (Longs Peak). The IGA provides that Longs Peak will pay all costs for designing, constructing, and installing sewer lines to a new development within the District's service area. Longs Peak agrees to pay the District for costs the District incurs in connection with its administration of the IGA, including plan review and the performance of observations provided for in the IGA. The District will own all sewer line extensions upon acceptance of constructed lines.

**Note 8 – Risk management**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special District Property and Liability Pool (the Pool) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**Applewood Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019**

The District pays annual premiums to the Pool for liability, property, and 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 the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**Note 9 – Tax, spending and debt limitation**

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's fiscal year spending as adjusted for allowable increases for inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless retention of such revenue has been approved by the voters.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits and qualification as an Enterprise will require judicial interpretation.

\* \* \* \* \*

**SUPPLEMENTAL INFORMATION**

**Applewood Sanitation District**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended December 31, 2019**

|   | <b>Original<br/>Budgeted<br/>Amounts</b> | <b>Final<br/>Budgeted<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|---|--|---------------------------------------|---------------------------|---|
| <b>REVENUES</b>   |  |                                       |                           |   |
| Sewer service charges   | \$ 399,750                               | \$ 399,750                            | \$ 383,447                | \$ (16,303)                                     |
| Inclusion fees  | 80,000                                   | 80,000                                | 86,400                    | 6,400   |
| Line extension contributions                                      | -  | -                                     | 269,471                   | 269,471   |
| Property taxes  | 163,063                                  | 163,063                               | 162,241                   | (822)   |
| Specific ownership taxes  | 14,000                                   | 14,000                                | 14,019                    | 19  |
| Net investment income   | 15,010                                   | 15,010                                | 25,709                    | 10,699  |
| <b>Total Revenues</b>   | <u>671,823</u>                           | <u>671,823</u>                        | <u>941,287</u>            | <u>269,464</u>                                  |
| <b>EXPENDITURES</b>   |  |                                       |                           |   |
| Accounting and audit  | 8,540                                    | 8,540                                 | 8,360                     | 180   |
| Directors fees and expenses                                       | 7,000                                    | 7,000                                 | 5,275                     | 1,725   |
| Insurance   | 5,500                                    | 5,500                                 | 6,330                     | (830)   |
| Engineering   | 68,500                                   | 68,500                                | 65,915                    | 2,585   |
| Legal   | 28,000                                   | 28,000                                | 48,352                    | (20,352)  |
| Treasurers fees   | 2,500                                    | 2,500                                 | 2,506                     | (6)   |
| Office and other expenses   | 7,700                                    | 7,700                                 | 5,315                     | 2,385   |
| Sewer maintenance and connection                                  | 78,000                                   | 78,000                                | 73,667                    | 4,333   |
| Sewer treatment charges   | 224,573                                  | 224,573                               | 223,173                   | 1,400   |
| Capital outlay  | 149,500                                  | 259,500                               | 258,264                   | 1,236   |
| Contingency and emergency reserve                                 | 20,000                                   | 20,000                                | -                         | 20,000  |
| <b>Total Expenditures</b>   | <u>599,813</u>                           | <u>709,813</u>                        | <u>697,157</u>            | <u>12,656</u>                                   |
| <b>EXCESS (DEFICIT) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | 72,010                                   | (37,990)                              | 244,130                   | 282,120   |
| <b>BEGINNING FUNDS AVAILABLE</b>                                  | <u>920,075</u>                           | <u>920,075</u>                        | <u>948,283</u>            | <u>28,208</u>                                   |
| <b>ENDING FUNDS AVAILABLE</b>                                     | <u>\$ 992,085</u>                        | <u>\$ 882,085</u>                     | <u>\$ 1,192,413</u>       | <u>\$ 310,328</u>                               |

**Applewood Sanitation District**  
**RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT**  
**OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Year Ended December 31, 2019**

|  |            |
|--|------------|
| Revenues (budgetary basis)   | \$ 941,287 |
| Total revenues per Statement of Revenues, Expenses and Changes in Net Position         | 941,287    |
| Expenditures (budgetary basis)   | 697,157    |
| Depreciation and amortization  | 20,247     |
| Capital outlay   | (258,264)  |
| Total expenses per Statement of Revenues, Expenses and Changes in Net Position         | 459,140    |
| Change in net position per Statement of Revenues, Expenses and Changes in Net Position | \$ 482,147 |