

**Applewood Sanitation District
Jefferson County, Colorado**

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2021 and 2020

Applewood Sanitation District

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of Applewood Sanitation District (the District), as of and for the year ended December 31, 2021 and 2020, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 GAAS 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 GAAS, 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.

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 opinions on the basic financial statements are not affected by this missing information.

Supplemental Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as identified in the table of contents is presented for purposes of additional analysis and legal compliance and is 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 supplemental 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
July 21, 2022

BASIC FINANCIAL STATEMENTS

Applewood Sanitation District
STATEMENTS OF NET POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash	\$ 155,234	\$ 110,145
Cash - restricted	5,500	6,100
Investments	2,557,602	2,690,276
Accounts receivable - users	3,971	9,514
Property tax receivable	181,706	167,228
Total Current Assets	2,904,013	2,983,263
Capital assets		
Capital assets being depreciated, net	1,784,302	1,629,309
Capital assets, net	1,784,302	1,629,309
Total assets	\$ 4,688,315	\$ 4,612,572
LIABILITIES		
Current liabilities		
Accounts payable and other accrued liabilities	\$ 46,255	\$ 358,568
Developer deposits	89,623	34,763
Total current liabilities	135,878	393,331
Total liabilities	135,878	393,331
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	181,706	167,228
Total deferred inflows of resources	181,706	167,228
NET POSITION		
Net investment in capital assets	1,784,302	1,629,309
Restricted	5,500	6,100
Unrestricted	2,580,929	2,416,604
Total net position	\$ 4,370,731	\$ 4,052,013

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
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Charges for services	\$ 449,237	\$ 408,106
Total operating revenues	<u>449,237</u>	<u>408,106</u>
OPERATING EXPENSES		
Accounting and audit	17,130	15,820
Directors fees and expenses	6,351	6,567
Insurance	8,383	6,985
Engineering	76,566	75,622
Legal	39,627	38,716
Office and other expenses	5,825	7,256
Sewer maintenance and connection	93,384	75,167
Sewer treatment charges	254,403	200,360
Depreciation	40,329	29,158
Total operating expenses	<u>541,998</u>	<u>455,651</u>
OPERATING INCOME (LOSS)	<u>(92,761)</u>	<u>(47,545)</u>
NONOPERATING REVENUES (EXPENSES)		
Connection fees	47,140	1,400,904
Property taxes	166,185	168,364
Specific ownership taxes	13,213	12,729
Treasurers fees	(2,545)	(2,575)
Net investment income	1,330	12,137
Total nonoperating revenues (expenses)	<u>225,323</u>	<u>1,591,559</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>132,562</u>	<u>1,544,014</u>
CAPITAL CONTRIBUTIONS		
Line extensions	186,156	181,888
Total capital contributions	<u>186,156</u>	<u>181,888</u>
CHANGE IN NET POSITION	318,718	1,725,902
NET POSITION - beginning of year	<u>4,052,013</u>	<u>2,326,111</u>
NET POSITION - end of year	<u>\$ 4,370,731</u>	<u>\$ 4,052,013</u>

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

Applewood Sanitation District
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 454,780	\$ 403,023
Payments to suppliers for goods and services	(514,836)	(405,643)
Net cash provided (used) by operating activities	(60,056)	(2,620)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	166,185	168,364
Specific ownership taxes	13,213	12,729
County treasurer fees	(2,545)	(2,575)
Net cash provided (used) by noncapital financing activities	176,853	178,518
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Connection fees	47,140	1,400,904
Line extension contributions	251,820	163,000
Acquisition of fixed assets	(505,272)	(214,820)
Net cash provided (used) by capital and related financing activities	(206,312)	1,349,084
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings received	1,330	12,137
Net purchase of investments	132,674	(1,522,086)
Net cash provided (used) by investing activities	134,004	(1,509,949)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,489	15,033
CASH AND CASH EQUIVALENTS - beginning of year	116,245	101,212
CASH AND CASH EQUIVALENTS - end of year	\$ 160,734	\$ 116,245

(continued)

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

Applewood Sanitation District

STATEMENTS OF CASH FLOWS
(continued)

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (92,761)	\$ (47,545)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	40,329	29,158
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	5,543	(5,083)
Increase (decrease) in:		
Accounts payable for operations	(13,167)	20,850
Total adjustments	<u>32,705</u>	<u>44,925</u>
Net cash provided (used) by operating activities	<u>\$ (60,056)</u>	<u>\$ (2,620)</u>

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

Applewood Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 Jefferson 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.

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, 2021 and 2020

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 inflows of resources 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 acquisition value at the date of donation or at the developer's cost.

Applewood Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2021 and 2020

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 (connection 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, 2021 and 2020 Statements of Net Position as follows:

Applewood Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2021 and 2020

	2021	2020
Cash	\$ 155,234	\$ 110,145
Cash - restricted	5,500	6,100
Investments	2,557,602	2,690,276
Total cash and investments	<u>\$ 2,718,336</u>	<u>\$ 2,806,521</u>

Cash and investments as of December 31, 2021 and 2020 consist of the following:

Deposits with financial institutions	\$ 160,734	\$ 116,245
Investments	2,557,602	2,690,276
Total cash and investments	<u>\$ 2,718,336</u>	<u>\$ 2,806,521</u>

At December 31, 2021 and 2020 the District's cash deposits had bank balances of \$149,359 and \$116,245 and carrying balances of \$160,734 and \$116,245.

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, 2021, 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, 2021, 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, 2021 and 2020

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, 2021, the District had the following investment:

<u>Investment</u>	<u>Maturity</u>	
Colorado Liquid Asset Trust (Colostrust)	Less than 1 year	<u>\$ 2,557,602</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 offers shares in three portfolios, COLOTRUST PRIME (PRIME), COLOTRUST PLUS+ (PLUS), and COLOTRUST EDGE (EDGE). The Trust operates similarly to a money market fund and each share of PRIME and PLUS is equal in value to \$1.00, and EDGE shares are approximately equal to \$10. Each portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. PLUS and EDGE 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. PRIME and PLUS are rated AAAM by Standard & Poor's, and EDGE is rated AAAF/S1 by Fitch Ratings. 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, 2021 and 2020

Restricted cash and investments

The District had restricted cash at December 31, 2021 and 2020, respectively, of \$5,500 and \$6,100 for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

Note 4 – Capital assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance at December 31, 2020	Increases	Decreases/ Adjustments	Balance at December 31, 2021
Business-Type:				
Capital assets being depreciated:				
Collection and transmission	\$ 2,279,851	\$ 195,322	\$ -	\$ 2,475,173
Equipment, digital, manuals	14,270	-	-	14,270
Total capital assets being depreciated	<u>2,294,121</u>	<u>195,322</u>	<u>-</u>	<u>2,489,443</u>
Less accumulated depreciation for:				
Collection and transmission	650,545	40,329	-	690,874
Equipment, digital, manuals	14,267	-	-	14,267
Total accumulated depreciation	<u>664,812</u>	<u>40,329</u>	<u>-</u>	<u>705,141</u>
Total capital assets being depreciated, net	<u>\$ 1,629,309</u>	<u>\$ 154,993</u>	<u>\$ -</u>	<u>\$ 1,784,302</u>

Depreciation expense of \$40,329 and \$29,158 for the years ended December 31, 2021 and 2020, respectively, was charged to sewer operations.

Note 5 – Debt authorization

At December 31, 2021, 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, 2021 and 2020, the District had net investment in capital assets of \$1,784,302 and \$1,629,309, respectively.

Applewood Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2021 and 2020

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 through constitutional provisions or enabling legislation. The purposes for the restrictions of net position are described in Note 3. As of December 31, 2021 and 2020, the District had restricted net position as follows:

	<u>2021</u>	<u>2020</u>
Emergency reserves	<u>\$ 5,500</u>	<u>\$ 6,100</u>

The District's unrestricted net position as of December 31, 2021 and 2020 was \$2,580,929 and \$2,416,604, respectively.

Note 7 – Agreements

Sewer Service Agreements

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 is a "special connector" by agreement with Metro Wastewater Reclamation District (Metro), which provides the treatment of sewage collected within the District. The standard service agreement with Metro provides for annual charges to be assessed by a formula against the District on an estimated basis. Adjustments to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system.

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.

Applewood Sanitation District

NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2021 and 2020

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, 2021. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, 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, 2021

	<u>Original Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>ENTERPRISE FUND</u>			
REVENUES			
Sewer service charges	\$ 452,920	\$ 447,588	\$ (5,332)
Inclusion fees	-	1,649	1,649
Connection fees	91,000	47,140	(43,860)
Net investment income	15	-	(15)
Total Revenues	<u>543,935</u>	<u>496,377</u>	<u>(47,558)</u>
EXPENDITURES			
Engineering	11,800	38,971	(27,171)
Sewer maintenance and connection	88,000	93,384	(5,384)
Sewer treatment charges	257,803	254,403	3,400
Contingency and emergency reserve	20,000	-	20,000
Total Expenditures	<u>377,603</u>	<u>386,758</u>	<u>(9,155)</u>
NET CHANGE IN FUNDS AVAILABLE	166,332	109,619	(56,713)
BEGINNING FUNDS AVAILABLE	<u>816,556</u>	<u>1,112,850</u>	<u>296,294</u>
ENDING FUNDS AVAILABLE	<u>\$ 982,888</u>	<u>\$ 1,222,469</u>	<u>\$ 239,581</u>

Applewood Sanitation District
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended December 31, 2021

	<u>Original Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>GENERAL FUND</u>			
REVENUES			
Property taxes	\$ 167,228	\$ 166,185	\$ (1,043)
Specific ownership taxes	13,000	13,213	213
Total Revenues	<u>180,228</u>	<u>179,398</u>	<u>(830)</u>
EXPENDITURES			
Accounting and audit	17,040	17,130	(90)
Directors fees and expenses	8,950	6,351	2,599
Insurance	8,000	8,383	(383)
Engineering	74,000	37,595	36,405
Legal	20,000	39,627	(19,627)
Treasurers fees	2,700	2,545	155
Office and other expenses	6,250	5,825	425
Contingency and emergency reserve	40,000	-	40,000
Total Expenditures	<u>176,940</u>	<u>117,456</u>	<u>59,484</u>
NET CHANGE IN FUNDS AVAILABLE	3,288	61,942	58,654
BEGINNING FUNDS AVAILABLE	<u>316,480</u>	<u>386,397</u>	<u>69,917</u>
ENDING FUNDS AVAILABLE	<u>\$ 319,768</u>	<u>\$ 448,339</u>	<u>\$ 128,571</u>

Applewood Sanitation District

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**

Year Ended December 31, 2021

	<u>Original Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CAPITAL IMPROVEMENTS FUND</u>			
REVENUES			
Line extension contributions	\$ 200,000	\$ 186,156	\$ (13,844)
Net investment income	10,000	1,330	(8,670)
Total Revenues	<u>210,000</u>	<u>187,486</u>	<u>(22,514)</u>
EXPENDITURES			
Capital outlay	210,000	195,322	14,678
Total Expenditures	<u>210,000</u>	<u>195,322</u>	<u>14,678</u>
NET CHANGE IN FUNDS AVAILABLE	-	(7,836)	(7,836)
BEGINNING FUNDS AVAILABLE	<u>1,175,026</u>	<u>923,456</u>	<u>(251,570)</u>
ENDING FUNDS AVAILABLE	<u><u>\$ 1,175,026</u></u>	<u><u>\$ 915,620</u></u>	<u><u>\$ (259,406)</u></u>
 <u>TOTAL</u>			
TOTAL DISTRICT REVENUES	\$ 934,163	\$ 863,261	\$ (70,902)
TOTAL DISTRICT EXPENDITURES	(764,543)	(699,536)	65,007
TOTAL DISTRICT BEGINNING FUNDS	<u>2,308,062</u>	<u>2,422,703</u>	<u>114,641</u>
TOTAL DISTRICT ENDING FUNDS	<u><u>\$ 2,477,682</u></u>	<u><u>\$ 2,586,428</u></u>	<u><u>\$ 108,746</u></u>

Applewood Sanitation District

**RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Year Ended December 31, 2021

Revenues (budgetary basis)	\$ 863,261
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>863,261</u>
Expenditures (budgetary basis)	699,536
Depreciation and amortization	40,329
Capital outlay	<u>(195,322)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>544,543</u>
 Change in net position per Statement of Revenues, Expenses and Changes in Net Position	 <u><u>\$ 318,718</u></u>