

Applewood Sanitation District

Annual Financial Report and Independent Auditor's Report

December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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.

Supplementary 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 supplementary 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

Arvada, Colorado
September 28, 2023

Basic Financial Statements

Applewood Sanitation District

Statements of Net Position

December 31, 2022 and 2021

Assets	2022	2021
Current Assets:		
Cash	\$ 1,369,399	\$ 155,234
Cash - restricted	5,800	5,500
Investments	5,228,646	2,557,602
Accounts receivable - users	34,128	3,971
Property taxes receivable	208,741	181,706
Prepaid expenses	6,763	-
Other receivables	2,305	-
Total current assets	<u>6,855,782</u>	<u>2,904,013</u>
Capital Assets:		
Capital assets being depreciation, net	<u>1,883,950</u>	<u>1,784,302</u>
Capital assets, net	<u>1,883,950</u>	<u>1,784,302</u>
Total Assets	<u><u>8,739,732</u></u>	<u><u>4,688,315</u></u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	1,708,610	46,255
Developer deposits	<u>65,938</u>	<u>89,623</u>
Total current liabilities	<u>1,774,548</u>	<u>135,878</u>
Total Liabilities	<u>1,774,548</u>	<u>135,878</u>
Deferred Inflow of Resources:		
Deferred property tax revenue	<u>208,741</u>	<u>181,706</u>
Total Deferred Inflow of Resources	<u>208,741</u>	<u>181,706</u>
Net Position		
Net investment in capital assets	1,883,950	1,784,302
Restricted	5,800	5,500
Unrestricted	<u>4,866,693</u>	<u>2,580,929</u>
Total Net Position	<u><u>\$ 6,756,443</u></u>	<u><u>\$ 4,370,731</u></u>

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

Applewood Sanitation District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Charges for services		
Total operating revenues	<u>\$ 523,240</u>	<u>\$ 449,237</u>
Operating Expenses		
Accounting and audit	45,930	17,130
Directors fees and expenses	5,813	6,351
Insurance	-	8,383
Engineering	81,118	76,566
Legal	55,463	39,627
Office and other expenses	5,655	5,825
Sewer maintenance and connection	89,805	93,384
Sewer treatment charges	277,873	254,403
Depreciation	<u>43,560</u>	<u>40,329</u>
Total operating expenses	<u>605,217</u>	<u>541,998</u>
Operating Income (Loss)	<u>(81,977)</u>	<u>(92,761)</u>
Nonoperating Revenue and (Expense)		
Connection fees	2,065,958	47,140
Property taxes	178,495	166,185
Specific ownership taxes	13,431	13,213
Treasurers' fees	(2,720)	(2,545)
Investment income	<u>80,560</u>	<u>1,330</u>
Total nonoperating revenue, net	<u>2,335,724</u>	<u>225,323</u>
Capital Contributions		
Line extensions	<u>131,965</u>	<u>186,156</u>
Total capital contributions	<u>131,965</u>	<u>186,156</u>
Change in Net Position	2,385,712	318,718
Net Position—Beginning of Year	<u>4,370,731</u>	<u>4,052,013</u>
Net Position—End of Year	<u>\$ 6,756,443</u>	<u>\$ 4,370,731</u>

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

Applewood Sanitation District
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 484,015	\$ 454,780
Cash paid to vendors	<u>(538,750)</u>	<u>(514,836)</u>
Net cash provided (used) by operating activities	<u>(54,735)</u>	<u>(60,056)</u>
Cash Flows from Capital and Related Financing Activities		
Connection fees	2,065,958	47,140
Line extension contributions	1,747,728	251,820
Acquisition of capital assets	<u>(143,208)</u>	<u>(505,272)</u>
Net cash provided (used) by capital and related financing activities	<u>3,670,478</u>	<u>(206,312)</u>
Cash Flows from Noncapital Financing Activities		
Property taxes	178,495	166,185
Specific ownership taxes	13,431	13,213
County treasurers' fees	<u>(2,720)</u>	<u>(2,545)</u>
Net cash provided (used) by noncapital and related financing activities	<u>189,206</u>	<u>176,853</u>
Cash Flows from Investing Activities:		
Investments purchased	(2,671,044)	132,674
Interest received	<u>80,560</u>	<u>1,330</u>
Net cash provided (used) by investing activities	<u>(2,590,484)</u>	<u>134,004</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,214,465	44,489
Cash and Cash Equivalents—beginning of year	<u>160,734</u>	<u>116,245</u>
Cash and Cash Equivalents—end of year	<u>\$ 1,375,199</u>	<u>\$ 160,734</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities		
Net (Loss) from operations	<u>\$ (81,977)</u>	<u>\$ (92,761)</u>
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities		
Depreciation	43,560	40,329
Effects of changes in program assets and liabilities:		
Accounts receivable	(32,462)	5,543
Prepaid expenses	(6,763)	-
Accounts payable for operations	<u>22,907</u>	<u>(13,167)</u>
Total adjustments	<u>27,242</u>	<u>32,705</u>
Net cash provided (used) by operating activities	<u>\$ (54,735)</u>	<u>\$ (60,056)</u>

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

Applewood Sanitation District

Notes to Financial Statements

December 31, 2022 and 2021

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.

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, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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 and 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 1st of each year. The levy is normally set by December 15th by certification to the County Commissioners to put the tax lien on the individual properties as of January 1st 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, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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 inclusion 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 yearend. 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.

3. Cash and Investments

Cash and investments as of December 31, 2022 and 2021 are classified in the accompanying financial statements as follows:

Applewood Sanitation District
Notes to Financial Statements (continued)
December 31, 2022 and 2021

3. Cash and Investments (continued)

	2022	2021
Cash	\$ 1,369,399	\$ 155,234
Cash – restricted	5,800	5,500
Investments	<u>5,228,646</u>	<u>2,557,602</u>
Total cash and investments	<u>\$ 6,603,845</u>	<u>\$ 2,718,336</u>

Cash and investments as of December 31, 2022 and 2021 consist of the following:

Deposits with financial institutions	\$ 1,375,199	\$ 160,734
Investments	<u>5,228,646</u>	<u>2,557,602</u>
Total cash and investments	<u>\$ 6,603,845</u>	<u>\$ 2,718,336</u>

At December 31, 2022 and 2021 the District's cash deposits had bank balances of \$1,354,416 and \$149,359 and carrying balances of \$1,375,199 and \$160,734, respectively.

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, 2022, 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, 2022, \$1,104,416 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, 2022 and 2021

3. Cash and Investments (continued)

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, 2022, the District had the following investment:

<u>Investment</u>	<u>Maturity</u>	
Colorado Liquid Asset Trust (Colotrust)	Less than 1 year	<u>\$ 5,228,646</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, 2022 and 2021

3. Cash and Investments (continued)

Restricted Cash and Investments

The District had restricted cash at December 31, 2022 and 2021, respectively of \$5,800 and \$5,500, for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

4. Capital Assets

Capital asset activity for the year ended December 31, 2022 follows:

	Balance December 31, 2021	Increases	Decreases	Balance December 31, 2022
Capital assets, being depreciated:				
Collection and transmission	\$ 2,475,173	\$ 143,208	\$ -	\$ 2,618,381
Equipment, digital, manuals	<u>14,270</u>	<u>-</u>	<u>-</u>	<u>14,270</u>
Total capital assets, being depreciated	<u>2,489,443</u>	<u>-</u>	<u>-</u>	<u>2,632,651</u>
Less accumulated depreciation for:				
Collection and transmission	690,874	43,560	-	734,434
Equipment, digital, manuals	<u>14,267</u>	<u>-</u>	<u>-</u>	<u>14,267</u>
Total accumulated depreciation	<u>705,141</u>	<u>43,560</u>	<u>-</u>	<u>748,701</u>
Total capital assets, being depreciated, net	<u>\$ 1,784,302</u>	<u>\$ 99,648</u>	<u>-</u>	<u>\$ 1,883,950</u>

Depreciation expense for sewer operations for the years ended December 31, 2022 and 2021 totaled \$43,560 and \$40,329, respectively.

5. Debt Authorization

At December 31, 2022, the District had no authorized but unissued indebtedness.

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, 2022 and 2021, the District had net investment in capital assets of \$1,883,950 and \$1,784,302, respectively.

Applewood Sanitation District
Notes to Financial Statements (continued)
December 31, 2022 and 2021

6. Net Position (continued)

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 legislations. The purposes for the restrictions of net position are described in Note 3. As of December 31, 2022 and 2021, the District had restricted net position as follows:

	<u>2022</u>	<u>2021</u>
Emergency reserves	\$ 5,800	\$ 5,500

The District's unrestricted net position as of December 31, 2022 and 2021 was \$4,866,993 and \$2,580,929, respectively.

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, 2022 and 2021

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, 2022. 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.

9. Tax, Spending and Debt Limitations

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.

Supplementary Information

Applewood Sanitation District
Schedule of Revenue, Expenditures and Changes in Funds
Available — Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2022

	<u>Original Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
<u>ENTERPRISE FUND</u>			
Revenue			
Sewer service charges	\$ 514,784	\$ 520,144	\$ 5,360
Inclusion fees	-	3,096	3,096
Connection fees	117,750	2,065,958	1,948,208
Net investment income	30	337	307
Transfers in from general fund	40,000	-	(40,000)
Total revenue	<u>672,564</u>	<u>2,589,535</u>	<u>1,916,971</u>
Expenditures			
Engineering	17,100	36,052	(18,952)
Sewer maintenance and connection	96,000	89,835	6,165
Sewage treatment charges	278,373	277,873	500
Contingency and emergency reserve	20,000	-	20,000
Total expenditures	<u>411,473</u>	<u>403,760</u>	<u>7,713</u>
Excess of Revenue Over (Under) Expenditures	261,091	2,185,775	1,924,685
Funds Available — Beginning of Year	<u>382,319</u>	<u>1,222,469</u>	<u>840,150</u>
Funds Available — End of Year	<u><u>\$ 643,410</u></u>	<u><u>\$ 3,408,244</u></u>	<u><u>\$ 2,764,835</u></u>

Applewood Sanitation District
Schedule of Revenue, Expenditures and Changes in Funds
Available — Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2022

	Original Budgeted Amounts	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
<u>GENERAL FUND</u>			
Revenue			
Property taxes	\$ 181,706	\$ 178,495	\$ (3,211)
Specific ownership taxes	<u>13,000</u>	<u>13,431</u>	<u>431</u>
Total revenue	<u>194,706</u>	<u>191,926</u>	<u>(2,780)</u>
Expenditures			
Accounting and audit	17,540	45,930	(28,390)
Directors fees and expenses	8,950	5,813	3,137
Insurance	9,000	-	9,000
Election expense	10,000	-	10,000
Engineering	80,000	45,066	34,934
Legal	25,000	55,463	(30,463)
Treasurers fees	2,800	2,720	80
Office and other expenses	6,300	5,625	675
Contingency and emergency reserve	20,000	-	20,000
Transfers out to enterprise fund	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total expenditures	<u>219,590</u>	<u>160,617</u>	<u>58,973</u>
Excess of Revenue Over (Under) Expenditures	(24,884)	31,309	56,193
Funds Available — Beginning of Year	<u>317,882</u>	<u>448,339</u>	<u>130,457</u>
Funds Available — End of Year	<u><u>\$ 292,998</u></u>	<u><u>\$ 479,648</u></u>	<u><u>\$ 186,650</u></u>

Applewood Sanitation District
Schedule of Revenue, Expenditures and Changes in Funds
Available — Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2022

	<u>Original Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
<u>CAPITAL IMPROVEMENTS FUND</u>			
Revenue			
Line extension contributions	\$ 215,000	\$ 131,965	\$ (83,035)
Net investment income	<u>1,000</u>	<u>80,223</u>	<u>79,223</u>
Total revenue	<u>216,000</u>	<u>212,188</u>	<u>(3,812)</u>
Expenditures			
Capital outlay	<u>815,000</u>	<u>143,208</u>	<u>671,792</u>
Total expenditures	<u>815,000</u>	<u>143,208</u>	<u>671,792</u>
Excess of Revenue Over (Under) Expenditures	(599,000)	68,980	667,980
Funds Available — Beginning of Year	<u>2,159,695</u>	<u>915,620</u>	<u>(1,244,075)</u>
Funds Available — End of Year	<u><u>\$ 1,560,695</u></u>	<u><u>\$ 984,600</u></u>	<u><u>\$ (576,095)</u></u>
<u>TOTAL</u>			
TOTAL DISTRICT REVENUES	1,083,270	2,993,649	1,910,379
TOTAL DISTRICT EXPENDITURES	(1,446,063)	(707,584)	738,479
TOTAL DISTRICT BEGINNING FUNDS	<u>2,859,896</u>	<u>2,586,428</u>	<u>(273,468)</u>
TOTAL DISTRICT ENDING FUNDS	<u><u>\$ 2,497,103</u></u>	<u><u>\$ 4,872,492</u></u>	<u><u>\$ 2,375,389</u></u>

Applewood Sanitation District
Reconciliation of Budgetary Basis (Actual)
to Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022

Revenue (budgetary basis)	<u>\$ 2,993,649</u>
Revenue per statement of revenues, expenses and changes in net position	<u>2,993,649</u>
Expenditures (budgetary basis)	707,584
Capital outlay - capitalized portion	(143,208)
Depreciation	<u>43,560</u>
Total expenses per statement of revenues, expenses and changes in net position	<u>607,936</u>
Change in net position per statement of revenues, expenses and changes in net position	<u><u>\$ 2,385,713</u></u>