

FRUITDALE SANITATION DISTRICT

Annual Financial Statements and
Independent Auditor's Report

December 31, 2022 and 2021




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Report of Independent Certified Public Accountants

Members of the Board of Directors
Fruitdale Sanitation District
Jefferson County, Colorado

Opinions

We have audited the accompanying financial statements of the business-type activities of Fruitdale Sanitation District (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Fruitdale Sanitation District, as of December 31, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fruitdale Sanitation District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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.

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 Fruitdale Sanitation District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fruitdale Sanitation 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 Fruitdale Sanitation District's ability to continue as a going concern for a reasonable period of time.

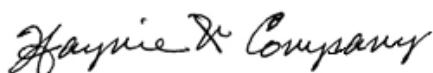
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fruitdale Sanitation District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado
September 26, 2023

Fruitdale Sanitation District Management's Discussion and Analysis

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

Financial Highlights

- The financial statements show total assets of \$10,080,797 and total liabilities and deferred inflows of resources of \$628,481, as of December 31, 2022.
- In the statement of net position, the assets of the District exceeded its liabilities by \$9,452,316, which is an increase of \$1,304,231. \$5,982,572 or approximately 63% of this amount is unrestricted and may be used to meet the District's ongoing obligations to customers and creditors.
- The District's total assets increased by \$1,272,172. Most of this increase was attributable to an increase in cash and investments from 2021.
- The District's total liabilities and deferred inflows of resources decreased by \$32,059 during the current fiscal year, due primarily to decreased payable regarding sewer fees.

Overview of the Financial Statements

The financial statements of the District are presented as a special purpose government engaged in business type activities – providing sewer services.

The *Statements of Net Position* present information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present information which reflects how the District's net position changed during the past year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statements for some items that will only result in cash flows in future fiscal periods.

The *Statements of Cash Flows* report the District's cash flows from operating, noncapital financing, capital financing and investing activities.

These financial statements distinguish functions of the District that will be principally supported by user fees, inspection and tap fees. The functions of the District include effective and economical operation of wastewater sewer systems within the jurisdictional boundaries of the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The district-wide financial statements include only the District itself.

The District adopts an annual appropriated budget to recognize the fiscal impact of operations, non-operating revenues and contributions. A budgetary comparison statement has been provided to demonstrate compliance with this requirement.

The basic financial statements of the District can be found on pages 1-3 of this report.

District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,080,797 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. The District's investment in its capital assets is reported net of related debt. It should be noted that the District has no outstanding long-term debt.

The balance of *unrestricted net position*, \$5,982,572, may be used to meet the government's ongoing obligations to customers and creditors.

At the end of the current fiscal year, the District reported positive balances in all categories of net position, for the District as a whole.

The District's net position increased by \$1,272,172 during the current fiscal year, compared to an increase of \$771,891 in 2021.

Financial Analysis of the District's Funds

NET POSITION		
December 31,	2022	2021
ASSETS		
Current assets	\$ 6,639,053	\$ 5,667,546
Capital assets, net	3,441,744	3,141,079
Total assets	<u>10,080,797</u>	<u>8,808,625</u>
LIABILITIES AND DEFERRED INFLOWS		
Current liabilities	343,738	382,953
Deferred inflows of resources	284,743	277,587
Total liabilities and deferred inflows	<u>628,481</u>	<u>660,540</u>
NET POSITION		
Net investment in capital assets	3,441,744	3,141,079
Restricted for emergencies	28,000	10,000
Unrestricted	5,982,572	4,997,006
Total liabilities, deferred inflows and net position	<u>\$10,080,797</u>	<u>\$8,808,625</u>

CHANGE IN NET POSITION		
December 31,	2022	2021
Income (loss) from operations	\$ 108,949	\$ (68,938)
Net non-operating revenues and expenses	450,282	341,829
Capital contributions	745,000	499,000
CHANGE IN NET POSITION	<u>1,304,231</u>	<u>771,891</u>
NET POSITION BEGINNING OF YEAR	8,148,085	7,376,194
NET POSITION END OF YEAR	<u>\$9,452,316</u>	<u>\$8,148,085</u>

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its business type activities as of December 31, 2022 amounts to \$3,441,744 (net of accumulated depreciation). This investment in capital assets includes sewer line systems, office furniture and fixtures, vehicles, land and buildings. The total increase in the District's investment in capital assets for the current fiscal year was (10%), due primarily to sewer lines upgrades.

Fruitdale Sanitation District Capital Assets

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Land	\$ 195,234	\$ 195,234	0%
Land improvements	18,400	18,400	0%
Building & improvements	402,378	402,378	0%
Vehicles & equipment	274,874	240,957	14.08%
Sewer Lines	5,021,867	4,648,805	8.02%
Total Capital Assets	\$ 5,912,753	\$ 5,505,774	

Additional information on the District's capital assets can be found in notes 2 and 7 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District:

Fruitdale Sanitation District
4990 Miller Street
Wheat Ridge, CO 80033

BASIC FINANCIAL STATEMENTS

Fruitdale Sanitation District
Statements of Net Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,289,120	\$ 3,432,448
Investments	2,032,932	1,926,498
Accounts receivable	30,036	28,787
Accrued interest receivable	2,222	2,226
Property taxes receivable	284,743	277,587
Total Current Assets	6,639,053	5,667,546
Capital Assets		
Land	195,234	195,234
Land improvements	18,400	18,400
Building and building improvements	402,378	402,378
Vehicles and equipment	274,874	240,957
Sewer lines, extensions and inclusions	5,021,867	4,648,805
	5,912,753	5,505,774
Less accumulated depreciation	(2,471,009)	(2,364,695)
Total Capital Assets, Net	3,441,744	3,141,079
Total Assets	\$10,080,797	\$ 8,808,625
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities:		
Accounts payable	\$ 121,365	\$ 34,594
Wages, payroll taxes and employee benefits payable	35,937	28,380
Metro sewer payable	128,112	262,990
Customer deposits and overpayments	58,324	56,989
Total Current Liabilities	343,738	382,953
Deferred Inflows of Resources:		
Deferred property taxes	284,743	277,587
Total Deferred Inflows of Resources	284,743	277,587
Net Position		
Net investment in capital assets	3,441,744	3,141,079
Restricted for emergencies	28,000	10,000
Unrestricted	5,982,572	4,997,006
Total Net Position	9,452,316	8,148,085
Total Liabilities, Deferred Inflows of Resources and Net Position	\$10,080,797	\$ 8,808,625

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

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

	2022	2021
Operating Revenues		
Sewage treatment revenues		
Customers	\$ 936,055	\$ 858,548
Industrial recovery	7,527	6,986
Inspection and other fees	85,403	85,243
Total operating revenues	1,028,985	950,777
Operating Expenses		
Sewage treatment	384,054	475,188
Collection and transmission	193,524	205,542
General and administrative	342,458	338,985
Total operating expenses	920,036	1,019,715
Operating Income (Loss)	108,949	(68,938)
Non-operating Revenues and Expenses:		
Property taxes	267,539	266,663
Specific ownership taxes	19,768	21,630
Net investment income (loss)	164,031	57,300
Penalties	2,971	-
County Treasurer's fees	(4,027)	(3,764)
Net Non-operating Revenues and Expenses	450,282	341,829
Income(Loss) Before Contributions	559,231	272,891
Capital Contributions		
Connection fees	745,000	499,000
Total capital contributions	745,000	499,000
Change in Net Position	1,304,231	771,891
Net Position —beginning of year	8,148,085	7,376,194
Net Position —end of year	\$ 9,452,316	\$ 8,148,085

The accompanying notes are an integral part of these statements.

Fruitdale 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:		
Receipts from customers	\$ 1,027,736	\$ 946,411
Payments to vendors	(556,501)	(339,147)
Payments to employees	(296,434)	(368,019)
Net Cash From Operating Activities	<u>174,801</u>	<u>239,245</u>
Cash Flows from Non-capital Financing Activities:		
Taxes received, net of fees	287,307	284,529
Net Cash From Non-capital Financing Activities	<u>287,307</u>	<u>284,529</u>
Cash Flows from Capital and Related Financing Activities:		
Connection fees received	745,000	499,000
Acquisition and construction of capital assets	(406,980)	(360,645)
Net Cash From Capital and Related Financing Activities	<u>338,020</u>	<u>138,355</u>
Cash Flows from Investing Activities:		
Interest received	53,615	51,910
Purchase of investments	(205,520)	(750,000)
Maturity of investments	208,449	550,000
Net Cash From Investing Activities	<u>56,544</u>	<u>(148,090)</u>
Net Change in Cash and Cash Equivalents	856,672	514,039
Cash and Cash Equivalents—beginning of year	<u>3,432,448</u>	<u>2,918,409</u>
Cash and Cash Equivalents—end of year	<u>\$ 4,289,120</u>	<u>\$3,432,448</u>
Reconciliation of Net Operating Loss to		
Net Cash From Operating Activities:		
Operating Income (Loss)	\$ 108,949	\$ (68,938)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	106,314	102,616
Changes in assets and liabilities:		
Accounts receivable	(1,249)	(4,366)
Accounts payable	(45,429)	212,871
Wages, payroll taxes and benefits payable	7,557	(4,449)
Customer deposits	(1,341)	1,511
Net Cash From Operating Activities	<u>\$ 174,801</u>	<u>\$ 239,245</u>
Non-cash transactions		
None		

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

Fruitdale Sanitation District

Notes to Financial Statements

December 31, 2022 and 2021

1. Organization and Definition of Reporting Entity

Fruitdale Sanitation District (District), was created as a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District was established to provide sewer service to property within its service area. The District is governed by an elected Board of Directors.

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in net position. Tap fees, inclusion fees and contributed sewer lines are recorded as nonoperating revenue when received.

Operating Revenues and Expenses

The District distinguishes between operating revenue and expenses from nonoperating items. 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. Charges to customers for services provided are performed by the District. Operating expenses include cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Cash Equivalents

For purposes of these statements, all highly liquid investments with an original maturity of ninety days or less are considered to be cash equivalents.

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

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable is presented in the Statement of Net Position net of estimated uncollectible amounts. As of December 31, 2022 and 2021, the District considers all amounts to be fully collectible.

Capital Assets

Capital assets are recorded at historical cost or estimated historical if purchased or constructed, except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. 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 capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

	Life in Years
Land improvements	20
Building and improvements	20-40
Vehicles and equipment	3-10
Sewer lines, extensions and inclusions	50

Budget and Appropriation

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.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is 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 30 or if 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 or 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 and reported as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

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

2. Summary of Significant Accounting Policies (continued)

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Accordingly, the District has joined together with other special districts in the State to form Colorado Special Districts' Property and Liability Pool (Pool), a public entity risk pool currently operating as a common risk management and insurance program with other special districts. The District pays an annual premium for its insurance coverage that includes public officials' liability, property liability and an automobile policy. The Pool is intended to be self-sustaining through member premiums. The Pool has entered into certain reinsurance contracts.

New Accounting Pronouncements

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases on January 1, 2022. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a right of use asset and a lease liability. There was no lease activity at December 31, 2022.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

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

3. Cash Deposits and Investments

At December 31, 2022, the District had the following cash and investments:

	<u>2022</u>	<u>2021</u>
Cash balances - insured	\$ 278,117	\$ 271,363
Cash and investments - collateralized by securities held at bank	6,043,935	5,087,583
Total	<u>\$ 6,322,052</u>	<u>\$ 5,358,946</u>

Cash deposits and investments are reflected on the December 31 Statement of Net Position as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,289,120	\$ 3,432,448
Certificates of Deposit, Government and Corporate Bonds	2,032,932	1,926,498
Total	<u>\$ 6,322,052</u>	<u>\$ 5,358,946</u>

At December 31, 2022, the District's cash deposits had a bank balance of \$4,306,103 and a carrying balance of \$4,289,120.

Cash Deposits

Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and collateralized with securities held by the pledging financial institution where the fair value of the collateral pool equals or exceeds all uninsured public deposits. The Colorado Public Deposit Protection Act (PDPA) requires deposits of all units of local government to be made in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as 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 equal to 102% of the uninsured deposits. Accordingly, none of the District's cash deposits as of December 31, 2022 and 2021 are deemed to be exposed to custodial credit risk.

Investments

Colorado statutes specify investment instruments meeting defined rating, maturity, custodial and concentration risk criteria in which local governments may invest which include:

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

3. Cash Deposits and Investments (continued)

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

The investment policy adopted by the Board of Directors of the District establishes additional restrictions to the requirements specified by state statutes.

At December 31, 2022, the District had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
		<u>Less than 1</u>	<u>1 to Less than 5</u>	<u>Total</u>
Investment pools		\$ 1,972,131	\$ -	\$ 1,972,131
Money Market	N/A	80	-	80
Certificates of deposit	N/A	-	414,327	414,327
Bonds	AA+	-	1,618,605	1,618,605
		<u>\$ 1,972,211</u>	<u>\$ 2,032,932</u>	<u>\$ 4,005,143</u>

At December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
		<u>Less than 1</u>	<u>1 to Less than 5</u>	<u>Total</u>
Investment pools		\$ 944,938	\$ -	\$ 944,938
Money Market	N/A	79	-	79
Certificates of deposit	N/A	-	617,256	617,256
Bonds	AA+	-	1,309,242	1,309,242
		<u>\$ 945,017</u>	<u>\$ 1,926,498</u>	<u>\$ 2,871,515</u>

Fruitdale Sanitation District

Notes to Financial Statements (continued)

December 31, 2022 and 2021

3. Cash Deposits and Investments (continued)

Interest Rate Risk — Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Credit Risk — The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer. More than 5% of the District's investments are concentrated in single issuers.

Local Government Investment Pools — As of December 31, 2022, the District had \$1,972,131 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. COLOTRUST is rated AAAM by Standard and Poor's. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers shares in three portfolios, COLOTRUST Prime, COLOTRUST Plus+ and COLOTRUST Edge. The District funds are only invested in COLOTRUST Plus+. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement.

Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for COLOTRUST investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST.

Fair Value Measurement and Application — The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series) and money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee).

The District's investments, except for its investments in COLOTRUST, are measured using Level 1 inputs. COLOTRUST is recorded using the net asset value.

Fruitdale Sanitation District

Notes to Financial Statements (continued)

December 31, 2022 and 2021

4. Contracts

Service Contract - Metro Wastewater Reclamation District (MWRD)

The District has an agreement with MWRD for final treatment and disposal of the District's sewage. The agreement provides for annual estimated charges that are assessed through the application of a predetermined formula. Adjustments to the estimated charge will be based on meter flows, content, and actual costs. The adjustments are billed or credited to the District during the two succeeding years. The District retains responsibility for the maintenance and future construction costs of all public sanitary sewer lines and retains title to all public sanitary sewer lines in the District.

5. Tax, Spending and Debt Limitations

TABOR Amendment

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that 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 it is currently in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Some of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise may require judicial interpretation.

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 has restricted net position for an Emergency Reserve in accordance with TABOR.

In November 1994, the District adopted a resolution establishing a water activity enterprise under section 37-45.1-101 et. seg., CRS. The District adopts a budget for a General Government and an Enterprise. The General Government is budgeted to receive property tax revenues and pay administrative expenses and make grants to the Enterprise. The activities of the Enterprise, shall include, but not be limited to, collection, treatment, use, reuse, exchange, or discharge of wastewater. The Enterprise shall be eligible to receive grants from the General Government or other sources provided such grants in any fiscal year do not exceed 10% of the Enterprise's annual total revenue.

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

6. Risk Management: Colorado Special Districts Property and Liability Pool

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 one of approximately 960 special districts which are members of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2022. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, and boiler and machinery and workers compensation coverage to its members. The Pool provides coverage for property claims up to \$40,000,000 and liability coverage for claims up to \$1,000,000. 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, public officials and worker's 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.

7. Capital Assets

Changes in property, plant and equipment from 2021 year end to 2022 year end are as follows:

	Balance December 31, 2021	Additions	Deletions/ Transfers	Balance December 31, 2022
Land	\$ 195,234	\$ -	\$ -	\$ 195,234
Land improvements	18,400	-	-	18,400
Building and improvements	402,378	-	-	402,378
Vehicles and equipment	240,957	41,240	(7,324)	274,873
Sewer lines	4,648,805	373,063	-	5,021,868
Total	5,505,774	414,303	(7,324)	5,912,753
Accumulated depreciation	(2,364,695)	(113,638)	7,324	(2,471,009)
Net	\$ 3,141,079	\$ 300,665	\$ -	\$ 3,441,744

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

7. Capital Assets (continued)

Changes in property, plant and equipment from 2020 year end to 2021 year end are as follows:

	December 31, 2020	Additions	Deletions/ Transfers	December 31, 2021
Land	\$ 195,234	\$ -	\$ -	\$ 195,234
Land improvements	18,400	-	-	18,400
Building and improvements	402,378	-	-	402,378
Vehicles and equipment	240,957	-	-	240,957
Sewer lines	4,288,161	360,644	-	4,648,805
Total	5,145,129	360,644	-	5,505,774
Accumulated depreciation	(2,262,079)	(102,616)	-	(2,364,695)
Net	\$ 2,883,050	\$ 258,028	\$ -	\$ 3,141,079

OTHER SUPPLEMENTARY INFORMATION

Fruitdale Sanitation District
Schedules of Operating Expenses
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Sewage Treatment		
Metro Wastewater treatment charges	\$ 378,630	\$ 469,894
Lab testing and testing supplies	5,424	5,294
Total Sewage Treatment	<u>384,054</u>	<u>475,188</u>
Collection and Transmission		
Operating supplies	1,205	1,083
Repairs and maintenance	19,548	486
Salaries and payroll taxes	54,530	96,465
Vehicle	4,603	4,892
Capital assets - disposals	7,324	-
Depreciation	106,314	102,616
Total Sewage Treatment	<u>193,524</u>	<u>205,542</u>
General and Administrative		
Accounting and auditing	8,481	6,900
Bank service charges	261	809
Director's fees	8,000	8,500
Dues, meetings and education	2,484	2,952
Employee benefits	87,270	103,950
Engineering	-	87
Insurance	14,996	10,556
Legal	12,129	10,599
Licenses and permits	202	993
Meter readings	2,000	2,400
Miscellaneous	6,900	8,306
Repairs and maintenance	2,069	2,129
Offices supplies and billing expenses	21,343	9,245
Payroll taxes	24,688	20,487
Software	3,271	1,334
Travel	2,254	1,488
Salaries	129,503	134,168
Telephone	5,718	5,330
Utilities	10,889	8,752
Total General and Administrative	<u>342,458</u>	<u>338,985</u>
Total Operating Expenses	<u>\$ 920,036</u>	<u>\$ 1,019,715</u>

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

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue			
Operating revenues:			
Service charges - regular	\$ 900,907	\$ 909,781	\$ 8,874
Service charges - tax exempt	-	27,320	27,320
Industrial recovery charge	7,200	7,527	327
Intensive use charge	53,040	-	(53,040)
Connection fees - District	630,000	745,000	115,000
Inspection and license fees	22,100	76,054	53,954
Miscellaneous	250	1,923	1,673
Non-operating revenues:			
Property taxes	277,347	267,539	(9,808)
Specific ownership taxes	17,500	19,768	2,268
Net investment income	30,450	164,032	133,582
Admin and Commercial computation fee	7,850	9,350	1,500
Total Revenues	<u>\$ 1,946,644</u>	<u>\$ 2,228,294</u>	<u>\$ 281,650</u>
Expenditures			
Sewage collection and transmission:			
General operating supplies	3,150	1,205	1,945
Repairs and maintenance	19,550	19,548	2
Salaries and taxes- lines	75,810	54,530	21,280
Vehicle	6,600	4,603	1,997
Sewage treatment:			
Metro Wastewater charges	378,630	378,630	-
Testing	5,100	5,224	(124)
Testing supplies	216	200	16
Sewage administration:			
Auditing and budget	8,000	8,481	(481)
Bank service charges	840	261	579
Director's fees	10,000	8,000	2,000
County treasurer's fees	4,500	4,027	473
Dues, meetings and education	4,500	4,738	(238)
Engineering	20,000	-	20,000
Insurance	15,000	14,996	4
Legal	20,000	12,129	7,871
Licenses and permits	2,450	202	2,248
Meter readings	2,400	2,000	400
Miscellaneous	2,800	6,902	(4,102)
Repairs and maintenance	4,980	2,069	2,911
Offices supplies and billing expenses	9,590	21,343	(11,753)
Payroll taxes	17,884	24,688	(6,804)
Software	5,000	3,271	1,729
Salaries	237,856	216,773	21,083
Travel	2,500	-	2,500
Utilities	16,480	16,607	(127)
Capital Outlay	550,000	414,303	135,697
Total expenditures	<u>\$ 1,423,836</u>	<u>\$ 1,224,730</u>	<u>\$ 199,106</u>

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

Net Change in Fund Balance	\$ 522,808	\$ 1,003,564
Fund Balance - Beginning of Year	<u>5,179,837</u>	<u>5,007,006</u>
Fund Balance - End of Year	<u>\$ 5,702,645</u>	<u>\$ 6,010,570</u>
Reconciliation - Budgetary Basis to GAAP		
Change in fund balance - budgetary basis		1,003,564
Capital Outlay		414,305
Capital Assets - Disposals		(7,324)
Depreciation		<u>(106,314)</u>
Change in fund balance - GAAP basis		<u>\$ 1,304,231</u>

Fruitdale Sanitation District
Summary of Assessed Valuation, Mill Levy and
Property Taxes Collected
December 31, 2022

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2017	\$ 90,758,656	2.583	\$ 234,429	\$ 235,513	100.5%
2018	\$ 109,476,962	2.188	\$ 239,536	\$ 235,513	98.3%
2019	\$ 111,139,600	2.188	\$ 243,173	\$ 240,134	98.8%
2020	\$ 127,416,243	2.040	\$ 259,929	\$ 240,134	92.4%
2021	\$ 130,202,717	2.082	\$ 271,108	\$ 266,663	98.4%
2022	\$ 150,310,292	1.846	\$ 277,587	\$ 267,539	96.4%
Estimated for the year ending December 31, 2023	\$ 155,851,433	1.920	\$ 284,743		

Note: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.