Applewood Sanitation District

Annual Financial Report
and Independent Auditor's Report

December 31, 2025 and 2024

Applewood Sanitation District

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FISCAL FOCUS PARTNERS LLC
CERTIFIED PUBLIC ACCOUNTANTS

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 years ended December 31, 2025 and 2024, 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 District as of December 31, 2025 and 2024, 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.

Fiscal Focus Partners, LLC

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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 supplementary 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 24, 2026

Basic Financial Statements

Applewood Sanitation District
Statements of Net Position
December 31, 2025 and 2024

Assets	2025	2024
Current Assets:		
Cash	$ 301,849	$ 103,653
Cash - restricted	6,400	6,500
Investments	4,406,374	3,885,403
Accounts receivable - users	114,808	212,459
Accounts receivable - developers	255,000	240,000
Property taxes receivable	214,556	200,331
Prepaid expenses	11,278	5,837
Other receivables	1,153	1,113
Total current assets	5,311,418	4,655,296
Capital Assets:		
Capital assets being depreciated, net	4,865,830	4,259,695
Capital assets, net	4,865,830	4,259,695
Total Assets	10,177,248	8,914,991
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	71,340	48,329
Developer deposits	136,320	124,836
Total current liabilities	207,660	173,165
Total Liabilities	207,660	173,165
Deferred Inflow of Resources:		
Deferred property tax revenue	214,556	200,331
Total Deferred Inflow of Resources	214,556	200,331
Net Position		
Net investment in capital assets	4,865,830	4,259,695
Restricted	6,400	6,500
Unrestricted	4,882,802	4,275,300
Total Net Position	$ 9,755,032	$ 8,541,495

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, 2025 and 2024

	2025	2024
Operating Revenues		
Charges for services		
Total operating revenues	$ 1,161,391	$ 987,652
Operating Expenses		
Accounting and audit	95,066	83,124
Directors fees and expenses	7,842	5,798
Election expense	7,203	-
Engineering	88,455	71,974
Insurance	4,599	5,718
Locates	56,917	61,564
Legal	127,168	63,789
Office and other expenses	16,180	15,998
Sewer maintenance and connection	108,804	125,882
Sewer treatment charges	299,899	246,642
Depreciation	98,693	71,271
Total operating expenses	910,826	751,760
Operating Income (Loss)	250,565	235,892
Nonoperating Revenue and (Expense)		
Connection fees	427,518	38,140
Property taxes	198,784	202,010
Specific ownership taxes	14,167	12,964
Treasurers' fees	(2,982)	(3,033)
Investment income	180,229	245,147
Total nonoperating revenue, net	817,716	495,228
Capital Contributions		
Line extensions	145,256	147,061
Total capital contributions	145,256	147,061
Change in Net Position	1,213,537	878,181
Net Position—Beginning of Year	8,541,495	7,663,314
Net Position—End of Year	$ 9,755,032	$ 8,541,495

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

Applewood Sanitation District
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities:		
Cash received from customers	$ 1,244,002	$ 613,818
Cash paid to vendors	(794,563)	(713,256)
Net cash provided (used) by operating activities	449,439	(99,438)
Cash Flows from Capital and Related Financing Activities		
Connection fees	427,518	38,140
Line extension contributions	156,740	(214,138)
Acquisition of capital assets	(704,828)	(1,461,366)
Net cash provided (used) by capital and related financing activities	(120,570)	(1,637,364)
Cash Flows from Noncapital Financing Activities		
Property taxes	198,784	202,010
Specific ownership taxes	14,167	12,964
Miscellaneous		
County treasurers' fees	(2,982)	(3,033)
Net cash provided (used) by noncapital and related financing activities	209,969	211,941
Cash Flows from Investing Activities:		
Net investment proceeds (purchases)	(520,971)	1,238,559
Interest received	180,229	245,147
Net cash provided (used) by investing activities	(340,742)	1,483,706
Net Increase (Decrease) in Cash and Cash Equivalents	198,096	(41,155)
Cash and Cash Equivalents—Beginning of Year	110,153	151,308
Cash and Cash Equivalents—End of Year	$ 308,249	$ 110,153
Reconciliation of operating (loss) to net cash provided (used) by operating activities:		
Net income (loss) from operations	$ 250,565	$ 235,892
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	98,693	71,271
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	82,611	(373,834)
Prepaid expenditures	(5,441)	1,119
Increase (decrease) in:		
Accounts payable and accrued liabilities	23,011	(33,886)
Total adjustments	198,874	(335,330)
Net cash provided (used) by operating activities	$ 449,439	$ (99,438)

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

Applewood Sanitation District
Notes to Financial Statements
December 31, 2025 and 2024

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.

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.

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.

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 to the District monthly.

Property taxes, net of estimated uncollectible taxes, are recorded initially 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.

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.

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.

2. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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 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.

Adoption of New Accounting Standard

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

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

3. Cash and Investments

Cash and investments as of December 31, 2025 and 2024 are classified in the accompanying financial statements as follows:

	2025	2024
Cash	$ 301,849	$ 103,653
Cash – restricted	6,400	6,500
Investments	4,406,374	3,885,403
Total cash and investments	$ 4,714,623	$ 3,995,556

Cash and investments as of December 31, 2025 and 2024 consist of the following:

Deposits with financial institutions	$ 308,249	$ 110,153
Investments	4,406,374	3,885,403
Total cash and investments	$ 4,714,623	$ 3,995,556

At December 31, 2025 and 2024 the District's cash deposits had bank balances of $372,192 and $110,153 and carrying balances of $308,249 and $110,153, 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, 2025, 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, 2025 and 2024, $122,192 and $0 of the District's bank balances were exposed to custodial credit risk, respectively.

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 investment 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.

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 and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2025 and 2024, the District had the following investment:

Investment	Maturity	2025	2024
Colorado Liquid Asset Trust (Colotrust)	Less than 1 year	$ 4,406,374	$ 3,885,403

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.

3. Cash and Investments (continued)

Restricted Cash and Investments

The District had restricted cash at December 31, 2025 and 2024, respectively of $6,400 and $6,500 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, 2025 follows:

	Balance December 31, 2024	Increases	Decreases	Balance December 31, 2025
Capital assets, being depreciated:				
Collection and transmission	$ 5,111,821	$ 704,828	$ -	$ 5,816,648
Equipment, digital, manuals	14,270	-	-	14,270
Total capital assets, being depreciated	5,126,091	704,828	-	5,830,919
Less accumulated depreciation for:				
Collection and transmission	852,129	98,693	-	950,822
Equipment, digital, manuals	14,267	-	-	14,267
Total accumulated depreciation	866,396	98,693	-	965,089
Total capital assets, being depreciated, net	$ 4,259,695	$ 606,135	$ -	$ 4,865,830

Capital asset activity for the year ended December 31, 2024 follows:

	Balance December 31, 2023	Increases	Decreases	Balance December 31, 2024
Capital assets, being depreciated:				
Collection and transmission	$ 3,650,455	$ 1,461,366	$ -	$ 5,111,821
Equipment, digital, manuals	14,270	-	-	14,270
Total capital assets, being depreciated	3,664,725	1,461,366	-	5,126,091
Less accumulated depreciation for:				
Collection and transmission	780,858	71,271	-	852,129
Equipment, digital, manuals	14,267	-	-	14,267
Total accumulated depreciation	795,125	71,271	-	866,396
Total capital assets, being depreciated, net	$ 2,869,600	$ 1,390,095	$ -	$ 4,259,695

Depreciation expense for sewer operations for the years ended December 31, 2025 and 2024 totaled $98,693 and $71,271, respectively.

5. Debt Authorization

At December 31, 2025, 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, 2025 and 2024, the District had net investment in capital assets of $4,865,830 and $4,259,695, respectively.

Restricted net 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 9. As of December 31, 2025 and 2024, the District had restricted net position as follows:

	2025	2024
Emergency reserves	$ 6,400	$ 6,500

The District's unrestricted net position as of December 31, 2025 and 2024 was $4,882,802 and $4,275,300, 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.

7. Agreements (continued)

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.

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, 2025. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not 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 qualify 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.

9. Tax, Spending and Debt Limitations (continued)

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.

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the state of Colorado. Annual operating revenue is limited to a 5.25% increase, such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues. The District's management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S. is complex and subject to interpretation.

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.

10. Reclassifications

Certain prior year amounts in the Statements of Revenues, Expenses, and Changes in Net Position have been reclassified to conform to the current year presentation. Specifically, $61,564 previously reported within Engineering have been reclassified to Locates. This reclassification had no effect on the previously reported change in net position for the year ended December 31, 2024.

11. Interfund Transfers

For the years ended December 31, 2025 and 2024, the District reported transfers between the Enterprise Fund and Capital Projects Fund totaling $500,000 and $650,000, respectively. The transfers represent a routine allocation of Enterprise Fund resources for capital project funding.

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, 2025

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
ENTERPRISE FUND			
Revenue			
Sewer service charges	$ 1,061,200	$ 1,148,216	$ 87,016
Connection fees	158,388	427,518	269,130
Other fees and charges	11,500	13,175	1,675
Net investment income	100	68	(32)
Total revenue	1,231,188	1,588,977	357,789
Expenditures			
Engineering	14,000	4,111	9,889
Locates	80,000	56,917	23,083
Miscellaneous	1,000	367	633
Sewer maintenance and connection	120,000	108,804	11,196
Sewage treatment charges	301,300	299,899	1,401
Contingency and emergency reserve	25,000	-	25,000
Total expenditures	541,300	470,098	71,202
Excess of Revenue Over (Under) Expenditures	689,888	1,118,879	428,991
Other Financing Sources (Uses)			
Transfers to capital improvement fund	(850,000)	(500,000)	350,000
Total other financing sources (uses)	(850,000)	(500,000)	350,000
Net Change In Funds Available	(160,112)	618,879	778,991
Funds Available — Beginning of Year	3,059,305	3,269,471	210,166
Funds Available — End of Year	$ 2,899,193	$ 3,888,350	$ 989,157

Applewood Sanitation District
Schedule of Revenue, Expenditures and Changes in Funds Available — Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2025

GENERAL FUND	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
Revenue				
Property taxes	$ 200,331	$ 200,331	$ 198,784	$ (1,547)
Specific ownership taxes	15,000	15,000	14,167	(833)
Net investment income	-	-	(1)	(1)
Total revenue	215,331	215,331	212,950	(2,381)
Expenditures				
Accounting and audit	83,500	95,000	95,066	(66)
Advertising and publications	500	150	-	150
Bank charges	150	150	-	150
Directors fees and expenses	6,500	7,850	7,842	8
Insurance	7,500	5,000	4,599	401
Election expense	10,000	7,500	7,203	297
Engineering	75,500	85,000	84,344	656
Legal	70,000	128,000	127,168	832
Secretarial services	1,800	1,800	600	1,200
Membership dues	1,500	1,500	1,238	262
Miscellaneous	500	500	-	500
Treasurers fees	3,005	3,005	2,982	23
Office and other expenses	15,000	15,000	13,975	1,025
Contingency and emergency reserve	25,000	-	-	-
Total expenditures	300,455	350,455	345,017	5,438
Excess of Revenue Over (Under) Expenditures	(85,124)	(135,124)	(132,067)	3,057
Funds Available — Beginning of Year	370,952	457,678	367,271	(90,407)
Funds Available — End of Year	$ 285,828	$ 322,554	$ 235,204	$ (87,350)

Applewood Sanitation District
Schedule of Revenue, Expenditures and Changes in Funds Available — Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
CAPITAL IMPROVEMENTS FUND			
Revenue			
Line extension contributions	$ 175,000	$ 145,256	$ (29,744)
Net investment income	200,000	180,162	(19,838)
Total revenues	375,000	325,418	(49,582)
Expenditures			
Capital outlay	1,225,000	704,828	520,172
Total expenditures	1,225,000	704,828	520,172
Excess of Revenue Over (Under) Expenditures	(850,000)	(379,410)	470,590
Other Financing Sources (Uses)			
Transfers from enterprise fund	850,000	500,000	(350,000)
Total other financing sources (uses)	850,000	500,000	(350,000)
Net Change In Funds Available	-	120,590	120,590
Funds Available — Beginning of Year	599,579	645,057	45,478
Funds Available — End of Year	$ 599,579	$ 765,647	$ 166,068
TOTAL			
TOTAL DISTRICT REVENUES	1,821,519	2,127,345	305,826
TOTAL DISTRICT EXPENDITURES	(2,116,755)	(1,519,943)	596,812
TOTAL DISTRICT BEGINNING FUNDS	4,116,562	4,281,799	165,237
TOTAL DISTRICT ENDING FUNDS	$ 3,821,326	$ 4,889,201	$ 1,067,875

Applewood Sanitation District
Reconciliation of Budgetary Basis (Actual)
to Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2025

Revenue (budgetary basis)	$ 2,127,345
Revenue per statement of revenues, expenses and changes in net position	2,127,345
Expenditures (budgetary basis)	1,519,943
Capital outlay - capitalized portion	(704,828)
Depreciation	98,693
Total expenditures per statement of revenues, expenses and changes in net position	913,808
Change in net position per statement of revenues, expenses and changes in net position	$ 1,213,537