

SECURITY SANITATION DISTRICT

FINANCIAL STATEMENTS
With Independent Auditors' Report

Years Ended December 31, 2018 and 2017

**SECURITY SANITATION DISTRICT
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DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Security Sanitation District

We have audited the accompanying financial statements of Security Sanitation District, which comprise the statements of net position as of December 31, 2018 and 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Security Sanitation District, as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Security Sanitation District's financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
June 17, 2019

SECURITY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2018

As management of Security Sanitation District (the District) we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2018. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The District's total assets of \$33,212,470 exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$17,264,404 (*net position*). Of this amount, \$13,006,578 represents unrestricted net position, which may be used to meet the District's ongoing obligations.
- The District's total net position increased during the year by \$1,085,274.
- Capital assets net of depreciation increased by \$1,311,150 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements. The District's basic financial statements consist of the following components: (1) Statement of Net Position, (2) Statement of Revenues, Expenses and Changes in Net Position, (3) Statement of Cash Flows, and (4) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Statement of Net Position - This statement reports all financial and capital resources (assets), obligations (liabilities), and deferred inflows and outflows. The difference between assets, liabilities, and deferred inflows and outflows, is net position. The statement also provides the basis for evaluating the capital structure and assessing liquidity and financial flexibility.

Statement of Revenues, Expenses and Changes in Net Position - All revenues and expenses are accounted for in this statement. This statement measures the results from operations and can be used to determine whether the District's rates, fees and other charges are adequate to recover expenses.

Statement of Cash Flows - This statement reports all cash receipts and payments summarized by net changes in cash from operating, non-capital financing, capital and related financing, and investing activities.

OVERALL FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. For the year ended December 31, 2018, the District's assets exceeded liabilities and deferred inflows by \$17,264,404 resulting in a positive net position. The following reflects key financial information in a condensed format:

Condensed Statements of Net Position

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 28,992,161	\$ 13,695,778
Capital assets, net	<u>4,220,309</u>	<u>2,909,159</u>
Total assets	<u>33,212,470</u>	<u>16,604,937</u>
Current and other liabilities	1,542,026	109,167
Long-term liabilities	<u>14,296,741</u>	<u>206,781</u>
Total liabilities	<u>15,838,767</u>	<u>315,948</u>
Deferred inflow of resources	<u>109,299</u>	<u>109,859</u>
Net position:		
Net investment in capital assets	4,220,309	2,909,159
Restricted	37,517	37,517
Unrestricted	<u>13,006,578</u>	<u>13,232,454</u>
Total net position	<u>\$ 17,264,404</u>	<u>\$ 16,179,130</u>

Unrestricted net position of the District at the end of the year was \$13,006,578, a decrease of \$225,876 from the prior year.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 3,273,165	\$ 3,102,468
Operating expenses	<u>(2,549,574)</u>	<u>(2,432,078)</u>
Operating income (loss)	723,591	670,390
Non-operating revenues and expenses, net	<u>210,955</u>	<u>189,660</u>
Income (loss) before contributions	934,546	860,050
Capital contributions – tap fees	<u>150,728</u>	<u>205,735</u>
Change in net position	1,085,274	1,065,785
Net position, beginning	<u>16,179,130</u>	<u>15,113,345</u>
Net position, ending	<u>\$ 17,264,404</u>	<u>\$ 16,179,130</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of December 31, 2018 amounts to \$4,220,309. This investment in capital assets includes land, buildings and lagoon, equipment, and sewer main.

	<u>2018</u>	<u>2017</u>
Capital assets, not being depreciated	\$ 596,895	\$ 43,590
Capital assets, being depreciated	11,236,460	10,884,160
Less accumulated depreciation	<u>(7,613,046)</u>	<u>(8,018,591)</u>
Total capital assets, net	<u>\$ 4,220,309</u>	<u>\$ 2,909,159</u>

The major capital asset acquisitions during 2018 include the purchase of new vehicles, plant upgrades, and the replacement of the plant roof.

Long-Term Debt

In November 2018, the District, acting by and through its water activity enterprise, entered into debt agreement with the Colorado Resource Water and Development Authority for upgrades to the treatment facility. Payments will be made over the course of twenty one years to repay the principal of \$14,606,528, with final payment being August 1, 2040.

ECONOMIC FACTORS AND OUTLOOK

Budgetary Highlights – The District is facing significant capital expenditures to upgrade the wastewater treatment plant in order to meet current and future regulations. In addition, the wastewater collection system is in need of continuous improvements so that the District can continue to provide the best possible service to its customers. These conditions will undoubtedly require future increases in wastewater rates, but rates will continue to be competitive for this geographic area. Tap fees may also increase in order to offset the impact of growth upon the collection and treatment facilities.

Economic and Environmental Factors – Development within the District continued to be slow in 2018, however there are several projects within the District that may be initiated in 2019 and continue into the next few years. The general economy within the region is strong. The District will need to continue to upgrade facilities, in part to accommodate anticipated long-term growth. Regulatory requirements are expected to provide ever-increasing treatment challenges in the future and will demand substantial resources in order for the District to maintain compliance.

REQUESTS FOR INFORMATION

This financial report is designed to provide our customers, creditors and other financial users with a general overview of the District's finances. If you have questions about this report or need additional financial information, please contact the District's General Manager, Roy E. Heald, at 719-392-3475 or 231 Security Boulevard, Colorado Springs, CO 80911.

BASIC FINANCIAL STATEMENTS

**SECURITY SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 712,661	\$ 1,271,208
Restricted cash and cash equivalents	14,611,691	2,500
Investments	13,137,511	11,915,421
Due from County Treasurer	1,220	1,127
Accounts receivable	360,743	341,570
Property taxes receivable	109,299	109,859
Interest receivable	59,036	37,203
Prepaid expenses	-	16,890
Total current assets	28,992,161	13,695,778
Noncurrent assets:		
Capital assets, net of depreciation	4,220,309	2,909,159
Total assets	33,212,470	16,604,937
LIABILITIES		
Current liabilities:		
Accounts payable	920,676	91,972
Compensated absences payable	18,672	11,880
Payroll taxes payable	918	918
Accrued interest	69,984	-
Unearned assessment revenue	3,494	4,397
Current portion - loan payable	528,282	-
Total current liabilities	1,542,026	109,167
Noncurrent liabilities:		
Loan payable	14,078,246	-
Compensated absences	218,495	206,781
Total noncurrent liabilities	14,296,741	206,781
Total liabilities	15,838,767	315,948
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property tax	109,299	109,859
Total deferred inflows of resources	109,299	109,859
NET POSITION		
Net investment in capital assets	4,220,309	2,909,159
Restricted	37,517	37,517
Unrestricted	13,006,578	13,232,454
Total net position	\$ 17,264,404	\$ 16,179,130

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

SECURITY SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Charges for sales and services		
Sanitation assessments	\$ 3,257,410	\$ 3,084,214
Other	15,755	18,254
Total operating revenues	<u>3,273,165</u>	<u>3,102,468</u>
Operating expenses:		
Sewage pumping and treatment	1,263,790	1,221,723
Waste disposal	392,994	339,324
Maintenance	71,895	77,541
Administration and general	569,759	538,660
Depreciation	251,136	254,830
Total operating expenses	<u>2,549,574</u>	<u>2,432,078</u>
Operating income (loss)	<u>723,591</u>	<u>670,390</u>
Nonoperating revenues (expenses):		
General property and specific ownership taxes	123,774	121,967
Investment income	248,645	88,687
Gain(Loss) on disposal of capital assets	9,348	(20,994)
Interest expense	(69,984)	-
Debt issuance expense	(100,828)	-
Total non-operating revenues (expenses)	<u>210,955</u>	<u>189,660</u>
Income (loss) before capital contributions	934,546	860,050
Capital contributions - tap fees	<u>150,728</u>	<u>205,735</u>
Change in net position	1,085,274	1,065,785
Net position-beginning	<u>16,179,130</u>	<u>15,113,345</u>
Net position-ending	<u>\$ 17,264,404</u>	<u>\$ 16,179,130</u>

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

**SECURITY SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,237,333	\$ 3,079,148
Cash payments to suppliers for goods and services	(973,780)	(1,023,994)
Cash payments to employees for services	(1,133,105)	(1,149,283)
Other operating revenues	15,755	18,254
	<u>1,146,203</u>	<u>924,125</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from general and specific ownership tax revenues	123,681	121,886
	<u>123,681</u>	<u>121,886</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Loan proceeds	14,606,528	-
Capital contributions	150,728	205,735
Proceeds from the sale of assets	1,000	-
Insurance proceeds	30,059	-
Debt issuance costs	(100,828)	-
Acquisition and construction of capital assets	(911,449)	(46,797)
	<u>13,776,038</u>	<u>158,938</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(9,634,343)	(7,545,752)
Proceeds from matured securities	8,440,000	4,400,000
Interest received	199,065	113,028
	<u>(995,278)</u>	<u>(3,032,724)</u>
Net cash provided (used) by investing activities	<u>(995,278)</u>	<u>(3,032,724)</u>
Net increase (decrease) in cash and cash equivalents	14,050,644	(1,827,775)
Cash and cash equivalents at beginning of year	1,273,708	3,101,483
	<u>1,273,708</u>	<u>3,101,483</u>
Cash and cash equivalents at end of year	<u>\$ 15,324,352</u>	<u>\$ 1,273,708</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 712,661	\$ 1,271,208
Restricted cash and cash equivalents	14,611,691	2,500
	<u>14,611,691</u>	<u>2,500</u>
Cash and cash equivalents at end of year	<u>\$ 15,324,352</u>	<u>\$ 1,273,708</u>

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

**SECURITY SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 723,591	\$ 670,390
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	251,136	254,830
Changes in assets and liabilities:		
<i>(Increase) decrease in assets:</i>		
Accounts receivable	(19,173)	(5,211)
Prepaid expenses	16,891	(16,891)
<i>Increase (decrease) in liabilities:</i>		
Accounts payable	156,158	48,209
Compensated absences payable	18,506	(27,348)
Unearned assessment revenue	(906)	146
Total Adjustments	422,612	253,735
Net Cash Provided (Used) by Operating Activities	\$ 1,146,203	\$ 924,125
Schedule of non-cash investing, capital and financing activities:		
Increase (decrease) in fair value of investments	\$ 26,342	\$ (40,271)
Amortization of investment premium	\$ 1,405	\$ (2,366)

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

NOTES TO FINANCIAL STATEMENTS

**SECURITY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles as applied to local governments and promulgated by the Governmental Accounting Standards Board (GASB). A summary of the significant accounting policies used in the preparation of these financial statements follows.

A. REPORTING ENTITY

Security Sanitation District is a special district governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The District has no component units for which either discrete or blended presentation is required.

B. BASIS OF PRESENTATION—FINANCIAL STATEMENTS

The basic financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in net position) report information on all of the non-fiduciary activities of the District.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District accounts for all of its activities in a single proprietary – enterprise fund for its activities which are similar to those found in the private sector, where the determination of changes in net position is necessary or useful to sound financial administration. The business type activities of the District rely significantly upon service charges.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

**SECURITY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value.

Accounts Receivable

Accounts Receivable are due from a large number of customers who are provided monthly sanitation services. An allowance for doubtful accounts is not required as the District holds a lien on property for unpaid sanitation services.

Capital Assets

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The capitalization threshold for the District is \$1,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Collection mains and other improvements installed upon formation of the District at the expense of developers and subdividers are not recorded in the balance sheet and depreciation thereon has not been charged against revenues as records are not available to establish valuation for such property.

Depreciation of buildings, equipment, vehicles and the sewer system is computed over the following estimated useful lives using the straight-line method.

Buildings and lagoon	12 - 40 years
Sanitation plant	15 - 40 years
Sewer main	40 years
Equipment	5 - 20 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of operations.

**SECURITY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION
(CONTINUED)*

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net position flow assumption

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

E. REVENUES AND EXPENSES

Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of January 1. The tax levy is payable in two installments due February 28 and June 15, or in one installment due April 30. The El Paso County Treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables. The tax rates were 0.863 and 0.862 mills for the years ended December 31, 2018 and 2017, respectively. The District's assessed valuations for 2018 and 2017 were \$127,282,600 and \$124,651,380 respectively.

Compensated Absences

A liability is recorded for vested accumulated rights to received sick pay and vacation benefits. Vested accumulated sick leave and vacation is recorded as an expense and liability of the District as the benefits accrue to employees. Employees are fully vested after one year of service. Unvested sick leave and vacation is not material. Therefore, a liability for unvested sick leave has not been reflected in these financial statements.

**SECURITY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. REVENUES AND EXPENSES (CONTINUED)

Operating and non-operating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the fund are sanitation assessments, and inspection fees. Operating expenses include all expenses incurred to provide sanitation services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. COMPARATIVE DATA

Comparative total data for the prior year have been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a comprehensive basis of accounting other than generally accepted accounting principles. The primary differences are that bond and note proceeds are treated as a budget source and capital expenditures and bond and note principal payments are treated as a budget use. Depreciation expense is not considered a budget expense. An annual appropriated budget is adopted for the proprietary fund. All annual appropriations lapse at fiscal year end.

Expenditures may not legally exceed budgeted appropriations.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- 1) By October 15th of each year, the manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) A public hearing is conducted by the District to obtain taxpayer comments.
- 3) Prior to December 31, the budget is legally enacted by the Board.
- 4) The manager is authorized to transfer budgeted amounts between line items of the District; however, any revisions that increase the total expenditures of the District must be approved by the Board of Directors.

**SECURITY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

Custodial credit risk—deposits. 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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2018 and 2017, the carrying amounts of the District's deposits were \$308 and \$(66,393), and the bank balances were \$41,833 and \$37,232 respectively. All of the total bank balances at December 31, 2018 and 2017 were covered by FDIC insurance.

Investments

The District is authorized by Colorado statutes to invest in the following:

- Bonds and other interest-bearing obligations of the United States government.
- Bonds and other interest-bearing obligations which are guaranteed by the United States government.
- Bonds which are a direct obligation of the State of Colorado, or of any city, county or school district therein.
- Notes or bonds issued to the "National Housing Act".
- Repurchase agreements.
- Local government investment pools.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits its investment portfolio to investment maturities not to exceed five years from the date of purchase.

Credit Risk: The District's investment policy limits investments as described above. As of December 31, 2018, the District's U.S. Treasuries and Agencies were rated Aaa and Commercial Paper was rated P-1 by Moody's Investor Services. Standard & Poor's rated U.S. Treasuries and Agencies held by the District AA+, Commercial Paper A-1, and all other investments AAA.

**SECURITY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2018 the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less Than 90 Days</u>	<u>90 Days to 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 5 Years</u>
Money Market Funds	\$ 640,995	\$ 640,995	\$ -	\$ -	\$ -
COLOTRUST	71,258	71,258	-	-	-
U.S. Treasuries	6,191,683	1,997,665	2,520,138	1,673,880	-
U.S. Agencies	6,125,879	-	3,355,608	2,770,271	-
Commercial Paper	<u>819,949</u>	<u>819,949</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,849,764</u>	<u>\$ 3,529,867</u>	<u>\$ 5,875,746</u>	<u>\$ 4,444,151</u>	<u>\$ -</u>

As of December 31, 2018, the District has invested \$71,258 in the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments with COLOTRUST because they are not evidenced by securities that exist in physical or book entry form.

Reconciliation of Deposits and Investments to the Statements of Net Position

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents:		
Cash on hand	\$ 100	\$ 100
Deposits	308	(66,393)
Money Market Funds	640,995	1,267,709
COLOTRUST	<u>71,258</u>	<u>69,792</u>
	<u>\$ 712,661</u>	<u>\$ 1,271,208</u>
Investments:		
U.S. Treasuries	\$ 6,191,683	\$ 5,973,184
U.S. Agencies	6,125,879	5,668,123
Commercial Paper	<u>819,949</u>	<u>274,114</u>
	<u>\$ 13,137,511</u>	<u>\$ 11,915,421</u>

**SECURITY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 – FAIR VALUE MEASUREMENT

The District records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures about fair value measurements.

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

	December 31, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - unrestricted				
U.S. Treasury Notes	\$ -	\$ 6,191,683	\$ -	\$ 6,191,683
Agency Notes	-	6,125,879	-	6,125,879
ST Notes	-	819,949	-	819,949
Total Investments - unrestricted	<u>\$ -</u>	<u>\$ 13,137,511</u>	<u>\$ -</u>	<u>\$ 13,137,511</u>

	December 31, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - unrestricted				
U.S. Treasury Notes	\$ -	\$ 5,973,184	\$ -	\$ 5,973,184
Agency Notes	-	5,668,123	-	5,668,123
ST Notes	-	274,114	-	274,114
Total Investments - unrestricted	<u>\$ -</u>	<u>\$ 11,915,241</u>	<u>\$ -</u>	<u>\$ 11,915,421</u>

**SECURITY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 13,218	\$ -	\$ -	\$ 13,218
CIP – Treatment Plant Extension	<u>30,372</u>	<u>553,305</u>	<u>-</u>	<u>583,677</u>
Total capital assets, not being depreciated	<u>43,590</u>	<u>553,305</u>	<u>-</u>	<u>596,895</u>
Capital assets, being depreciated:				
Buildings and lagoon	951,826	-	(4,486)	947,340
Sanitation plant	6,865,394	950,649	(650,169)	7,165,874
Sewer main	1,291,548	-	-	1,291,548
Equipment	<u>1,775,392</u>	<u>79,649</u>	<u>(23,342)</u>	<u>1,831,699</u>
Total capital assets, being depreciated	10,884,160	1,030,298	(677,997)	11,236,461
Less accumulated depreciation	<u>(8,018,591)</u>	<u>(251,136)</u>	<u>656,680</u>	<u>(7,613,047)</u>
Total capital assets, being depreciated, net	<u>2,865,569</u>	<u>779,162</u>	<u>(21,317)</u>	<u>3,623,414</u>
Total capital assets, net	<u>\$ 2,909,159</u>	<u>\$ 1,332,467</u>	<u>\$ (21,317)</u>	<u>\$ 4,220,309</u>

Depreciation expense was charged to functions/programs as follows:	<u>2018</u>	<u>2017</u>
Sewage pumping and treatment	\$ 243,126	\$ 246,172
Administration and general	<u>8,010</u>	<u>8,658</u>
Total depreciation expense	<u>\$ 251,136</u>	<u>\$ 254,830</u>

**SECURITY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 - LONG-TERM LIABILITIES

Loan

On November 1, 2018, the District entered into a loan agreement with Colorado Water Resource & Power Development Authority in the sum of \$14,606,528. Principal and interest are payable semi-annually with interest at 2.34%. This loan is to be repaid from and secured by a pledge of net revenues.

Annual debt service for the loan are as follows:

Fiscal Year <u>Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 528,282	\$ 278,568
2020	536,161	336,683
2021	553,398	323,184
2022	566,011	309,433
2023	578,897	295,934
2024 – 2028	3,093,099	1,279,917
2029 – 2033	3,395,915	978,217
2034 – 2038	3,694,095	676,878
2039 – 2040	<u>1,660,670</u>	<u>90,730</u>
Total	<u>\$ 14,606,528</u>	<u>\$ 4,569,544</u>

Compensated absences

Compensated absences consisted of the following:

	<u>2018</u>	<u>2017</u>
Sick leave benefits	\$ 186,465	\$ 169,579
Vacation benefits	<u>50,702</u>	<u>49,082</u>
Total	<u>\$ 237,167</u>	<u>\$ 218,661</u>

The changes in long-term liabilities for the year ended December 31, 2018 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
CWRPDA loan	\$ -	\$ 14,606,528	\$ -	\$14,606,528	\$ 528,282
Compensated absences	<u>218,661</u>	<u>107,491</u>	<u>(88,985)</u>	<u>237,167</u>	<u>18,672</u>
Total long-term liabilities	<u>\$ 218,661</u>	<u>\$ 14,714,019</u>	<u>\$ (88,985)</u>	<u>\$14,843,695</u>	<u>\$ 546,954</u>

**SECURITY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 – NET POSITION

Net position is reported in three separate categories—net investment in capital assets; net position-restricted; and net position-unrestricted.

Net investment in capital assets consists of capital assets net of accumulated depreciation and capital-related deferred outflows of resources; reduced by borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2018 and 2017, net investment in capital assets was as follows:

	2018	2017
Capital assets, net of depreciation	\$ 4,220,309	\$ 2,909,159
Capital related debt	(14,606,528)	-
Remaining project cash	14,606,528	-
Net investment in capital assets	\$ 4,220,309	\$ 2,909,159

Net position-restricted is the difference between non-capital assets whose use is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation, and related liabilities and deferred inflows of resources (excluding capital-related borrowings). The District has established an Emergency Reserve in the amount of \$37,517 for years ended December 31, 2018 and 2017, as per Article X, Section 20 of the Colorado Constitution. This Emergency Reserve balance represents at least 3% of the governmental fiscal year spending as required.

Any portion of net position not already classified as either net investment in capital assets or net position-restricted, is automatically classified as net position-unrestricted.

NOTE 8 - PENSION AND DEFERRED COMPENSATION PLANS

Pension Plan

Plan Description

The District contributes to the Colorado County Officials and Employees Retirement System (CCOERS), a cost-sharing multiple-employer defined contribution pension plan administered by the Colorado County Officials and Employees Retirement Association (CCOERA). The CCOERS provides pension benefits and deferred compensation for members and beneficiaries. The plan was adopted by the District on November 17, 1969, with a start date of December, 1969. All employees are required to participate upon eligibility as a condition of employment. Employees regularly employed for a minimum of 20 hours per week for 5 months a year and having completed 3 months of service, are eligible for the plan. The plan was established by the State Legislature under Title 24, Article 54 of the Colorado Revised Statutes (CRS), as amended. CCOERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the CCOERS. That report may be obtained by writing to CCOERA, 751 South Park Drive, Littleton, Colorado 80210 or by calling CCOERA at 713-9400 in the Denver metro area, or 1-(800) 352-0313 from outside the metro area.

**SECURITY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 8 - PENSION AND DEFERRED COMPENSATION PLANS (CONTINUED)

Funding Policy

Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 54, Part 101 of the CRS, as amended. The District is required to contribute a minimum of 3% of the participant's base salary or wage. The District's board approved rate is 4% of compensation. Participants are required to contribute an amount equal to the District's contribution. A participant may elect to make additional after tax contributions up to certain statutory limits. Total required contributions made by both the District and participants for the years ending December 31, 2018, 2017 and 2016 were \$37,643, \$36,603, and \$35,550. Employees also made additional contributions for the years ending December 31, 2018, 2017 and 2016 of \$20,252, \$19,917, and \$24,946.

NOTE 9 - RELATED PARTIES

The Security Sanitation District and Security Water District are separate accounting districts and have separate boards of directors. Management and office expenses are divided equally between the two Districts. The office space used by the Security Sanitation District is owned by the Security Water District. Security Sanitation District paid \$960 for the rent of this space during 2018 and 2017.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims have not exceeded insurance coverage during any of the last three fiscal years.

NOTE 11 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance. For the required Emergency Reserve balances as of December 31, 2018 and 2017, see Note 6 – Net Position.

SUPPLEMENTAL INFORMATION

**SECURITY SANITATION DISTRICT
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Pumping and treatment:		
Production payroll	\$ 849,935	\$ 835,629
Production cost	136,409	129,024
Insurance expense	264,928	244,970
Professional services	5,176	4,712
Trade services	<u>7,342</u>	<u>7,388</u>
 TOTAL PUMPING AND TREATMENT	 <u>1,263,790</u>	 <u>1,221,723</u>
 Waste disposal:		
Production cost	352,983	240,598
Professional services	<u>40,011</u>	<u>98,726</u>
 TOTAL WASTE DISPOSAL	 <u>392,994</u>	 <u>339,324</u>
 Maintenance:		
Truck expense	14,420	25,788
Equipment and maintenance	<u>57,475</u>	<u>51,753</u>
 TOTAL MAINTENANCE	 <u>71,895</u>	 <u>77,541</u>
 Administration and general:		
Office payroll	301,676	286,307
Office expense	66,895	68,032
Insurance	64,863	59,947
Professional services	88,562	57,320
Trade services	9,839	30,869
Collection expense	<u>37,924</u>	<u>36,185</u>
 TOTAL ADMINISTRATION AND GENERAL	 <u>569,759</u>	 <u>538,660</u>
 DEPRECIATION	 <u>251,136</u>	 <u>254,830</u>
 TOTAL OPERATING EXPENSES	 <u><u>\$ 2,549,574</u></u>	 <u><u>\$ 2,432,078</u></u>

See accompanying independent auditors' report.

SECURITY SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative actuals for the year ended December 31, 2017)

	<u>2017</u>	<u>2018</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES				
Beginning fund balance	\$ 11,975,159	\$ 13,269,971	\$ 13,055,225	\$ 214,746
Sanitation assessments	3,084,214	3,257,410	3,275,000	(17,590)
Other	18,254	15,755	34,800	(19,045)
General property taxes	107,393	109,877	110,059	(182)
S.O.T. Taxes	14,574	13,897	14,000	(103)
Bond Proceeds	-	-	15,000,000	(15,000,000)
Investment income	88,687	248,645	235,500	13,145
Tap fees	205,735	150,728	150,456	272
Insurance proceeds	-	30,059	30,000	59
Loan proceeds	-	14,606,528	-	14,606,528
Proceeds from sale of capital assets	-	1,000	-	1,000
TOTAL REVENUES	<u>15,494,016</u>	<u>31,703,870</u>	<u>31,905,040</u>	<u>(201,170)</u>
EXPENDITURES				
Production Payroll and Payroll Taxes	<u>835,629</u>	<u>849,935</u>	<u>894,800</u>	<u>44,865</u>
Production cost:				
Supplies and tools	885	1,836	20,000	18,164
Electricity	71,648	79,841	90,000	10,159
Natural gas	27,387	23,273	45,000	21,727
Communication	17,474	17,695	22,000	4,305
Uniforms	11,630	13,764	13,000	(764)
Sludge removal	176,550	278,680	150,000	(128,680)
Laboratory testing & supplies	<u>64,048</u>	<u>74,303</u>	<u>120,000</u>	<u>45,697</u>
Total Production Cost	<u>369,622</u>	<u>489,392</u>	<u>460,000</u>	<u>(29,392)</u>
Truck expense:				
Repairs and maintenance	18,796	4,076	10,000	5,924
Gas and oil	<u>6,992</u>	<u>10,343</u>	<u>10,000</u>	<u>(343)</u>
Total Truck Expense	<u>\$ 25,788</u>	<u>\$ 14,419</u>	<u>\$ 20,000</u>	<u>\$ 5,581</u>

See accompanying independent auditors' report.

SECURITY SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative actuals for the year ended December 31, 2017)

	<u>2017</u>	<u>2018</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
EXPENDITURES (continued)				
Equipment and maintenance:				
Repairs and maintenance	\$ 39,575	\$ 45,873	\$ 66,000	\$ 20,127
Small tools and supplies	9,446	9,741	14,000	4,259
Building: office and warehouse	2,732	1,861	4,000	2,139
Total Equipment and Maintenance	<u>51,753</u>	<u>57,475</u>	<u>84,000</u>	<u>26,525</u>
Office Payroll, Payroll Taxes and Directors Fees	<u>286,307</u>	<u>301,676</u>	<u>328,900</u>	<u>27,224</u>
Office expense:				
Supplies	9,307	7,537	12,000	4,463
Election	-	-	4,000	4,000
Miscellaneous office expenses	18,166	15,993	20,000	4,007
Lease	960	960	960	-
Equipment maintenance	13,890	15,519	16,000	481
Health administrative fees	1,360	1,075	-	(1,075)
Bank charges	24,349	25,811	28,000	2,189
Total Office Expense	<u>68,032</u>	<u>66,895</u>	<u>80,960</u>	<u>14,065</u>
Insurance:				
Liability and errors/omissions	43,714	46,168	50,000	3,832
Health	239,949	267,206	331,000	63,794
Workman's compensation	15,961	13,048	15,000	1,952
PEPSCO	2,325	2,400	5,400	3,000
Damages	2,000	-	4,000	4,000
Unum LTC	968	968	-	(968)
Total Insurance	<u>\$ 304,917</u>	<u>\$ 329,790</u>	<u>\$ 405,400</u>	<u>\$ 75,610</u>

See accompanying independent auditors' report.

SECURITY SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative actuals for the year ended December 31, 2017)

	<u>2017</u>	<u>2018</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
EXPENDITURES (continued)				
Professional services:				
Audit	\$ 13,200	\$ 13,600	\$ 13,600	\$ -
Legal	24,698	57,600	45,000	(12,600)
Engineering	92,324	30,726	180,000	149,274
Pretreatment	4,712	5,176	9,000	3,824
Stream discharge fees	6,402	9,286	9,000	(286)
Other professional services	19,422	17,363	30,000	12,637
Total Professional Services	<u>160,758</u>	<u>133,751</u>	<u>286,600</u>	<u>152,849</u>
Trade services:				
Dues and membership	30,870	9,839	35,000	25,161
Schools and conventions	7,387	7,342	12,000	4,658
Total Trade Services	<u>38,257</u>	<u>17,181</u>	<u>47,000</u>	<u>29,819</u>
Collection expense:				
Advertising	3,064	2,902	3,400	498
Postage	26,477	27,098	32,000	4,902
Tax collection fees	1,611	1,649	2,400	751
Billing expense	5,033	6,275	10,000	3,725
Total Collection Expense	<u>36,185</u>	<u>37,924</u>	<u>47,800</u>	<u>9,876</u>
Debt service:				
Debt issuance expense	-	100,828	-	100,828
Interest expense	-	69,984	-	(69,984)
Total Debt Service	<u>-</u>	<u>170,812</u>	<u>-</u>	<u>30,844</u>
Capital outlay	<u>46,797</u>	<u>1,583,997</u>	<u>11,164,500</u>	<u>9,580,503</u>
TOTAL EXPENDITURES	<u>\$ 2,224,045</u>	<u>\$ 4,053,247</u>	<u>\$ 13,819,960</u>	<u>\$ 9,968,369</u>

See accompanying independent auditors' report.

SECURITY SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative actuals for the year ended December 31, 2017)

	<u>2017</u>	<u>2018</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
EXCESS OF REVENUE OVER EXPENDITURES	\$ 13,269,971	\$ 27,650,623	<u>\$ 18,085,080</u>	<u>\$ 9,767,199</u>
Less:				
Depreciation	(254,830)	(251,136)		
Proceeds from sale of capital assets	-	(1,000)		
Insurance proceeds	-	(30,059)		
Loan proceeds		(14,606,528)		
Beginning fund balance	(11,975,159)	(13,269,971)		
Add:				
Gain(loss) on disposal of capital assets	-	9,348		
Involuntary gain	(20,994)	-		
Capital outlay	<u>46,797</u>	<u>1,583,997</u>		
CHANGE IN NET POSITION	<u>\$ 1,065,785</u>	<u>\$ 1,085,274</u>		

Ending fund balance is calculated as follows:

Current assets	\$ 13,695,778	\$ 28,992,161
Current liabilities	(109,167)	(1,542,026)
Current portion - loan payable	-	528,282
Compensated absences	(206,781)	(218,495)
Deferred inflows	<u>(109,859)</u>	<u>(109,299)</u>
	<u>\$ 13,269,971</u>	<u>\$ 27,650,623</u>

See accompanying independent auditors' report.

**SECURITY SANITATION DISTRICT
SCHEDULE OF BUDGET SOURCES AND USES (NON-GAAP)
GOVERNMENT & ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Actual	General Fund	Enterprise Fund
Budget sources:			
Sanitation assessments	\$ 3,257,410	\$ -	\$ 3,257,410
General property taxes	109,877	109,877	-
S.O.T. Taxes	13,897	13,897	-
Investment income	248,645	-	248,645
Tap fees	150,728	-	150,728
Proceeds from asset sales / insurance	9,348	-	9,348
Other	15,755	-	15,755
TOTAL BUDGET SOURCES	<u>3,805,660</u>	<u>123,774</u>	<u>3,681,886</u>
Budget uses:			
Production payroll	849,935	-	849,935
Production costs	489,392	1,198	488,194
Truck	14,419	259	14,160
Equipment and maintenance	57,475	-	57,475
Office payroll	301,676	150,838	150,838
Other office expense	66,896	66,896	-
Insurance	329,790	65,831	263,959
Professional services	133,751	88,562	45,189
Trade services	17,181	9,839	7,342
Collection	37,924	28,747	9,177
Debt service	170,812	-	170,812
Capital outlay	1,583,997	1,128	1,582,869
TOTAL BUDGET USES	<u>4,053,248</u>	<u>413,298</u>	<u>3,639,950</u>
BUDGET SOURCES OVER USES	<u>\$ (247,588)</u>	<u>\$ (289,524)</u>	<u>\$ 41,936</u>

See accompanying independent auditors' report.