

# **SECURITY SANITATION DISTRICT**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

Years Ended December 31, 2021 and 2020

**SECURITY SANITATION DISTRICT  
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DECEMBER 31, 2021 AND 2020**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Security Sanitation District

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Security Sanitation District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Security Sanitation 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 financial position of Security Sanitation District, as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Security Sanitation 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 opinion.

#### ***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 Security Sanitation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government*

*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 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 and *Government 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 the Security 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 the Security 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Security Sanitation District's basic financial statements. The accompanying supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal*

*Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2022 on our consideration of the Security Sanitation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Security Sanitation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Security Sanitation District's internal control over financial reporting and compliance.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
July 20, 2022

**SECURITY SANITATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED DECEMBER 31, 2021**

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, 2021. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

**FINANCIAL HIGHLIGHTS**

- The District's total assets of \$50,768,377 exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$20,344,735 (*net position*). Of this amount, \$7,794,258 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 \$1,018,890.
- Capital assets net of depreciation increased by \$9,481,272 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, 2021, the District's assets exceeded liabilities and deferred inflows by \$20,344,735 resulting in a positive net position. The following reflects key financial information in a condensed format:

### Condensed Statements of Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 18,307,735	\$ 28,000,810
Capital assets, net	<u>32,460,642</u>	<u>22,979,370</u>
Total assets	<u>50,768,377</u>	<u>50,980,180</u>
Current and other liabilities	3,913,078	4,186,477
Long-term liabilities	<u>26,391,969</u>	<u>27,355,044</u>
Total liabilities	<u>30,305,047</u>	<u>31,541,521</u>
Deferred inflow of resources	<u>118,595</u>	<u>112,814</u>
Net position:		
Net investment in capital assets	12,512,960	9,243,742
Restricted	37,517	37,517
Unrestricted	<u>7,794,258</u>	<u>10,044,586</u>
Total net position	<u>\$ 20,344,735</u>	<u>\$ 19,325,845</u>

Unrestricted net position of the District at the end of the year was \$7,794,258, a decrease of \$2,250,328 from the prior year.

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

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 3,701,541	\$ 3,388,470
Operating expenses	<u>(2,552,418)</u>	<u>(2,609,154)</u>
Operating income (loss)	1,149,123	779,316
Non-operating revenues and expenses, net	<u>(287,139)</u>	<u>(270,179)</u>
Income (loss) before contributions	861,984	509,137
Capital contributions – tap fees	<u>156,906</u>	<u>506,984</u>
Change in net position	1,018,890	1,016,121
Net position, beginning	<u>19,325,845</u>	<u>18,309,724</u>
Net position, ending	<u>\$ 20,344,735</u>	<u>\$ 19,325,845</u>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets as of December 31, 2021 amounts to \$32,460,642. This investment in capital assets includes land, buildings and lagoon, equipment, and sewer main.

	<u>2021</u>	<u>2020</u>
Capital assets, not being depreciated	\$ 30,367,038	\$ 20,712,430
Capital assets, being depreciated	10,211,131	10,144,001
Less accumulated depreciation	<u>(8,117,527)</u>	<u>(7,877,061)</u>
Total capital assets, net	<u>\$ 32,460,642</u>	<u>\$ 22,979,370</u>

The major capital asset acquisitions during 2021 include the purchase of plant equipment and plant capital construction.

### Long-Term Debt

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>
CWRPDA loan	\$ 28,045,765	\$ -	\$ (944,581)	\$ 27,101,184
Compensated absences	<u>274,632</u>	<u>114,054</u>	<u>(118,274)</u>	<u>270,412</u>
Total long-term liabilities	<u>\$ 28,320,397</u>	<u>\$ 114,054</u>	<u>\$ (1,062,855)</u>	<u>\$ 27,371,596</u>

## ECONOMIC FACTORS AND OUTLOOK

*Budgetary Highlights* – The District is incurring significant capital expenditures to upgrade the wastewater treatment plant and equipment 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 have also been increased 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 2021, however there are several projects within the District that may be initiated in the near-term. 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 regulatory compliance.

Although the general economy within the region remain strong, COVID-19 affected the world, the region, and the District in 2021. The pandemic and the emerging economic factors are expected to have a continued impact into 2022, however the financial effect of COVID-19 is not expected to be material.

## **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, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,074,923	\$ 2,135,884
Investments	9,472,385	11,078,378
Cash in escrow	7,158,665	14,315,623
Due from County Treasurer	1,048	995
Accounts receivable	387,338	315,912
Property taxes receivable	118,595	112,814
Interest receivable	25,567	41,204
Prepaid expenses	69,214	-
Total current assets	18,307,735	28,000,810
Noncurrent assets:		
Capital assets, net of depreciation	32,460,642	22,979,370
Total assets	50,768,377	50,980,180
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	2,699,125	2,929,092
Compensated absences payable	14,853	20,772
Payroll taxes payable	825	825
Accrued interest	230,199	287,988
Unearned assessment revenue	3,302	3,219
Current portion - loans payable	964,774	944,581
Total current liabilities	3,913,078	4,186,477
Noncurrent liabilities:		
Loans payable	26,136,410	27,101,184
Compensated absences	255,559	253,860
Total noncurrent liabilities	26,391,969	27,355,044
Total liabilities	30,305,047	31,541,521
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property tax	118,595	112,814
Total deferred inflows of resources	118,595	112,814
<b>NET POSITION</b>		
Net investment in capital assets	12,512,960	9,243,742
Restricted	37,517	37,517
Unrestricted	7,794,258	10,044,586
Total net position	\$ 20,344,735	\$ 19,325,845

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Charges for sales and services		
Sanitation assessments	\$ 3,675,573	\$ 3,372,010
Other	25,968	16,460
Total operating revenues	<u>3,701,541</u>	<u>3,388,470</u>
Operating expenses:		
Sewage pumping and treatment	1,362,732	1,357,571
Waste disposal	208,086	283,035
Maintenance	128,138	101,937
Administration and general	612,996	623,839
Depreciation	240,466	242,772
Total operating expenses	<u>2,552,418</u>	<u>2,609,154</u>
Operating income (loss)	<u>1,149,123</u>	<u>779,316</u>
Nonoperating revenues (expenses):		
General property and specific ownership taxes	126,112	125,340
Investment income	(4,202)	189,775
Gain(Loss) on disposal of capital assets	-	(6,190)
Interest expense	(409,049)	(561,800)
Debt issuance expense	-	(17,304)
Total non-operating revenues (expenses)	<u>(287,139)</u>	<u>(270,179)</u>
Income (loss) before capital contributions	861,984	509,137
Capital contributions - tap fees	<u>156,906</u>	<u>506,984</u>
Change in net position	1,018,890	1,016,121
Net position-beginning	<u>19,325,845</u>	<u>18,309,724</u>
Net position-ending	<u><u>\$ 20,344,735</u></u>	<u><u>\$ 19,325,845</u></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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 3,604,230	\$ 3,432,312
Cash payments to suppliers for goods and services	(1,831,857)	291,316
Cash payments to employees for services	(1,220,356)	(1,247,594)
Other operating revenues	25,968	16,460
	<u>577,985</u>	<u>2,492,494</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from general and specific ownership tax revenues	126,059	125,540
	<u>126,059</u>	<u>125,540</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Loan proceeds	-	14,610,008
Capital contributions	156,906	506,984
Debt issuance costs	-	(17,304)
Acquisition and construction of capital assets	(9,284,879)	(11,721,778)
Principal on loan	(944,581)	(642,489)
Interest on loan	(466,838)	(414,098)
	<u>(10,539,392)</u>	<u>2,321,323</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(7,275,466)	(11,012,525)
Proceeds from matured securities	8,750,000	9,535,000
Interest received	142,895	223,915
	<u>1,617,429</u>	<u>(1,253,610)</u>
Net cash provided (used) by investing activities	<u>1,617,429</u>	<u>(1,253,610)</u>
Net increase (decrease) in cash and cash equivalents	(8,217,919)	3,685,747
Cash and cash equivalents at beginning of year	16,451,507	12,765,760
	<u>16,451,507</u>	<u>12,765,760</u>
Cash and cash equivalents at end of year	<u>\$ 8,233,588</u>	<u>\$ 16,451,507</u>
<b>Reconciliation of cash and cash equivalents to the statements of net position:</b>		
Cash and cash equivalents	\$ 1,074,923	\$ 2,135,884
Restricted cash and cash equivalents	7,158,665	14,315,623
	<u>7,158,665</u>	<u>14,315,623</u>
Cash and cash equivalents at end of year	<u>\$ 8,233,588</u>	<u>\$ 16,451,507</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, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 1,149,123	\$ 779,316
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	240,466	242,772
Changes in assets and liabilities:		
<i>(Increase) decrease in assets:</i>		
Accounts receivable	(71,426)	60,133
Prepaid expenses	(69,214)	-
<i>Increase (decrease) in liabilities:</i>		
Accounts payable	(666,827)	1,387,640
Compensated absences payable	(4,220)	22,557
Payroll taxes payable	-	(93)
Unearned assessment revenue	83	169
Total Adjustments	(571,138)	1,713,178
Net Cash Provided (Used) by Operating Activities	\$ 577,985	\$ 2,492,494
<b>Schedule of non-cash investing, capital and financing activities:</b>		
Increase (decrease) in fair value of investments	\$ (199,721)	\$ (31,097)
Amortization of investment premium	\$ 68,261	\$ 16,253

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

## **NOTES TO FINANCIAL STATEMENTS**

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**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, 2021 AND 2020**

**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 with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

*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.

*Prepaid expenses*

Payments made to vendors for services that will benefit periods beyond December 31, 2021 and 2020, are recorded as prepaid items.

*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.

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Capital Assets (continued)*

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.

*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.

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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 0.757 and 0.757 mills for the years ended December 31, 2021 and 2020, respectively. The District's assessed valuations for 2021 and 2020 were \$149,029,070 and \$149,666,040, 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.

*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.

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

*BUDGETARY INFORMATION (CONTINUED)*

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 15<sup>th</sup> 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.

**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, 2021 and 2020, the carrying amounts of the District's deposits were (\$828,603) and (\$134,165), and the bank balances were \$43,268 and \$38,472 respectively. All of the total bank balances at December 31, 2021 and 2020 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.

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

*Credit Risk:* The District's investment policy limits investments as described above. As of December 31, 2021, the District's U.S. Treasuries and Agencies were rated Aaa, by Moody's Investor Services, and all other investments were rated AAA.

As of December 31, 2021 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	\$ 1,829,917	\$ 1,829,917	\$ -	\$ -	\$ -
COLOTRUST	73,509	73,509	-	-	-
U.S. Treasuries	5,411,004	500,339	3,301,083	1,609,582	-
U.S. Agencies	<u>4,061,381</u>	<u>1,001,284</u>	<u>1,264,784</u>	<u>1,795,313</u>	<u>-</u>
Total	<u>\$ 11,375,811</u>	<u>\$ 3,405,049</u>	<u>\$ 4,565,867</u>	<u>\$ 3,404,895</u>	<u>\$ -</u>

As of December 31, 2021, the District has invested \$73,509 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>2021</u>	<u>2020</u>
Cash and cash equivalents:		
Cash on hand	\$ 100	\$ 100
Deposits	(828,603)	(134,165)
Money Market Funds	1,829,917	2,196,476
COLOTRUST	<u>73,509</u>	<u>73,473</u>
	<u>\$ 1,074,923</u>	<u>\$ 2,135,884</u>
Investments:		
U.S. Treasuries	\$ 5,411,004	\$ 4,121,146
U.S. Agencies	4,061,381	5,377,601
Short Term Notes	<u>-</u>	<u>1,579,631</u>
	<u>\$ 9,472,385</u>	<u>\$ 11,078,378</u>

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**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, 2021			
	Level 1	Level 2	Level 3	Total
Investments - unrestricted				
U.S. Treasury Notes	\$ -	\$ 5,411,004	\$ -	\$ 5,411,004
Agency Notes	-	<u>4,061,381</u>	-	<u>4,061,381</u>
Total Investments - unrestricted	<u>\$ -</u>	<u>\$ 9,472,385</u>	<u>\$ -</u>	<u>\$ 9,472,385</u>
	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments - unrestricted				
U.S. Treasury Notes	\$ -	\$ 4,121,146	\$ -	\$ 4,121,146
Agency Notes	-	5,377,601	-	5,377,601
Short Term Notes	-	<u>1,579,631</u>	-	<u>1,579,631</u>
Total Investments - unrestricted	<u>\$ -</u>	<u>\$ 11,078,378</u>	<u>\$ -</u>	<u>\$ 11,078,378</u>

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 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
Construction in progress	<u>20,699,212</u>	<u>9,715,758</u>	<u>(61,150)</u>	<u>30,353,820</u>
Total capital assets, not being depreciated	<u>20,712,430</u>	<u>9,715,758</u>	<u>(61,150)</u>	<u>30,367,038</u>
Capital assets, being depreciated:				
Buildings and lagoon	947,340	61,150	-	1,008,490
Sanitation plant	6,074,584	5,980	-	6,080,564
Sewer main	1,291,548	-	-	1,291,548
Equipment	<u>1,830,529</u>	<u>-</u>	<u>-</u>	<u>1,830,529</u>
Total capital assets, being depreciated	10,144,001	67,130	-	10,211,131
Less accumulated depreciation	<u>(7,877,061)</u>	<u>(240,466)</u>	<u>-</u>	<u>(8,117,527)</u>
Total capital assets, being depreciated, net	<u>2,266,940</u>	<u>(173,336)</u>	<u>-</u>	<u>2,093,604</u>
Total capital assets, net	<u>\$ 22,979,370</u>	<u>\$ 9,542,422</u>	<u>\$ (61,150)</u>	<u>\$ 32,460,642</u>

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 6 - LONG-TERM LIABILITIES**

*CWRPDA 2018 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.

*CWRPDA 2020 Loan*

On May 1, 2020, the District entered into a loan agreement with Colorado Water Resource & Power Development Authority in the sum of \$14,610,008. Principal and interest are payable semi-annually with interest at 1.75%. This loan is to be repaid from and secured by a pledge of net revenues.

Annual debt service for the loans are as follows:

<u>Fiscal Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 964,774	\$ 552,476
2023	985,191	529,226
2024	1,007,337	506,226
2025	1,030,830	483,476
2026	1,058,852	460,726
2027 – 2031	5,611,226	1,974,130
2032 – 2036	6,013,145	1,560,667
2037 – 2041	5,775,589	932,265
2042 – 2046	2,807,346	403,770
2047 – 2049	<u>1,846,894</u>	<u>78,420</u>
Total	<u>\$ 27,101,184</u>	<u>\$ 7,481,383</u>

*Compensated absences*

Compensated absences consisted of the following:

	<u>2021</u>	<u>2020</u>
Sick leave benefits	\$ 195,190	\$ 212,933
Vacation benefits	<u>75,222</u>	<u>61,699</u>
Total	<u>\$ 270,412</u>	<u>\$ 274,632</u>

The changes in long-term liabilities for the year ended December 31, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
CWRPDA Loans	\$ 28,045,765	\$ -	\$ (944,581)	\$ 27,101,184	\$ 964,774
Compensated absences	<u>274,632</u>	<u>114,054</u>	<u>(118,274)</u>	<u>270,412</u>	<u>14,853</u>
Total long-term liabilities	<u>\$ 28,320,397</u>	<u>\$ 114,054</u>	<u>\$(1,062,855)</u>	<u>\$ 27,371,596</u>	<u>\$ 979,627</u>

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**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, 2021 and 2020, net investment in capital assets was as follows:

	2021	2020
Capital assets, net of depreciation	\$ 32,460,642	\$ 22,979,370
Capital related debt	(27,101,184)	(28,045,765)
Remaining project cash	7,153,502	14,310,137
Net investment in capital assets	\$ 12,512,960	\$ 9,243,742

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, 2021 and 2020, 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 – DEFINED CONTRIBUTION PENSION PLAN**

*Pension Plan*

Plan Description

The District contributes to the Colorado Retirement Association Retirement Plan (Retirement Plan), a cost-sharing multiple-employer defined contribution pension plan administered by the Colorado Retirement Association (CRA) formerly the Colorado County Officials and Employees Retirement Association (CCOERA). The CRA 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. CRA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Retirement Plan. That report may be obtained by writing to Colorado Retirement Association, 751 Southpark Drive, Littleton, Colorado 80210 or by calling CRA 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, 2021 AND 2020**

**NOTE 8 – DEFINED CONTRIBUTION PENSION PLAN (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. Employees are immediately vested in their own contributions and investment earnings. Employees vest in District contributions and in the earnings, losses, and changes in fair value of retirement plan assets at rates ranging from 10% per year to immediately. Any District contribution forfeited by a participant due to termination of employment before becoming fully vested is available to the District to offset against future contributions or to be allocated to remaining participants. Total required contributions made by both the District and participants for the years ending December 31, 2021, 2020 and 2019 were \$38,788, \$40,752, and \$38,232. Employees also made additional contributions for the years ending December 31, 2021, 2020 and 2019 of \$28,122, \$36,866, and \$26,839. No material liability exists as of the report date.

**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 2021 and 2020.

**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, 2021 and 2020, see Note 7 – Net Position.

## **SUPPLEMENTARY INFORMATION**

**SECURITY SANITATION DISTRICT  
SCHEDULES OF OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Pumping and treatment:		
Production payroll	\$ 859,570	\$ 916,322
Production cost	236,926	162,642
Insurance expense	253,113	271,752
Professional services	8,539	4,245
Trade services	4,584	2,610
	<u>1,362,732</u>	<u>1,357,571</u>
<b>TOTAL PUMPING AND TREATMENT</b>		
Waste disposal:		
Production cost	153,252	233,444
Professional services	54,834	49,591
	<u>208,086</u>	<u>283,035</u>
<b>TOTAL WASTE DISPOSAL</b>		
Maintenance:		
Truck expense	26,192	14,134
Equipment and maintenance	101,946	87,803
	<u>128,138</u>	<u>101,937</u>
<b>TOTAL MAINTENANCE</b>		
Administration and general:		
Office payroll	356,566	353,736
Office expense	71,942	79,682
Insurance	54,498	58,938
Professional services	77,791	83,678
Trade services	11,137	6,556
Collection expense	41,062	41,249
	<u>612,996</u>	<u>623,839</u>
<b>TOTAL ADMINISTRATION AND GENERAL</b>		
DEPRECIATION	<u>240,466</u>	<u>242,772</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 2,552,418</u></u>	<u><u>\$ 2,609,154</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, 2021**  
**(With comparative actuals for the year ended December 31, 2020)**

	2020	2021	Budget	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Beginning fund balance	\$ 20,872,849	\$ 24,392,240	\$ 24,744,737	\$ (352,497)
Sanitation assessments	3,372,010	3,675,573	3,735,000	(59,427)
Other	16,460	25,968	34,900	(8,932)
General property taxes	113,008	112,847	113,014	(167)
S.O.T. Taxes	12,332	13,265	12,000	1,265
Loan Proceeds	14,610,008	-	-	-
Investment income	189,775	(4,202)	20,300	(24,502)
Tap fees	506,984	156,906	185,000	(28,094)
<b>TOTAL REVENUES</b>	<b>39,693,426</b>	<b>28,372,597</b>	<b>28,844,951</b>	<b>(472,354)</b>
<b>EXPENDITURES</b>				
Production Payroll and Payroll Taxes	916,322	859,570	964,500	104,930
Production cost:				
Supplies and tools	3,845	4,148	10,000	5,852
Electricity	98,868	145,928	150,000	4,072
Natural gas	16,783	24,885	31,000	6,115
Communication	26,268	20,652	29,500	8,848
Water	-	29,074	-	(29,074)
Uniforms	16,878	12,239	16,000	3,761
Sludge removal	153,689	62,200	265,000	202,800
Laboratory testing & supplies	79,755	91,052	120,000	28,948
Total Production Cost	396,086	390,178	621,500	231,322
Truck expense:				
Repairs and maintenance	6,331	17,591	20,000	2,409
Gas and oil	7,803	8,601	12,000	3,399
Total Truck Expense	\$ 14,134	\$ 26,192	\$ 32,000	\$ 5,808

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, 2021**  
**(With comparative actuals for the year ended December 31, 2020)**

	<u>2020</u>	<u>2021</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<b>EXPENDITURES (continued)</b>				
Equipment and maintenance:				
Repairs and maintenance	\$ 69,467	\$ 92,650	\$ 102,000	\$ 9,350
Small tools and supplies	15,360	10,245	18,000	7,755
Building: office and warehouse	2,976	(949)	10,000	10,949
	<u>87,803</u>	<u>101,946</u>	<u>130,000</u>	<u>28,054</u>
Total Equipment and Maintenance				
Office Payroll, Payroll Taxes and Directors Fees	<u>353,736</u>	<u>356,566</u>	<u>382,500</u>	<u>25,934</u>
Office expense:				
Supplies	6,622	5,069	11,000	5,931
Election	131	-	-	-
Miscellaneous office expenses	32,881	28,578	22,000	(6,578)
Lease	960	960	960	-
Equipment maintenance	14,209	13,561	15,000	1,439
Health administrative fees	901	856	-	(856)
Bank charges	23,978	22,918	35,000	12,082
	<u>79,682</u>	<u>71,942</u>	<u>83,960</u>	<u>12,018</u>
Total Office Expense				
Insurance:				
Liability and errors/omissions	54,384	59,567	60,000	433
Health	257,693	225,971	377,000	151,029
Workman's compensation	12,364	18,328	20,000	1,672
PEPSCO	2,400	2,250	6,000	3,750
Damages	2,800	606	5,000	4,394
Unum LTC	1,049	888	-	(888)
	<u>\$ 330,690</u>	<u>\$ 307,610</u>	<u>\$ 468,000</u>	<u>\$ 160,390</u>
Total Insurance				

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, 2021**  
**(With comparative actuals for the year ended December 31, 2020)**

	<u>2020</u>	<u>2021</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<b>EXPENDITURES (continued)</b>				
Professional services:				
Audit	\$ 18,155	\$ 18,700	\$ 19,000	\$ 300
Legal	30,283	35,244	50,000	14,756
Engineering	40,964	47,186	55,000	7,814
Pretreatment	4,245	8,539	6,500	(2,039)
Stream discharge fees	8,627	7,648	14,000	6,352
Other professional services	<u>35,240</u>	<u>23,848</u>	<u>30,000</u>	<u>6,152</u>
Total Professional Services	<u>137,514</u>	<u>141,165</u>	<u>174,500</u>	<u>33,335</u>
Trade services:				
Dues and membership	6,556	11,137	20,000	8,863
Schools and conventions	<u>2,610</u>	<u>4,584</u>	<u>15,000</u>	<u>10,416</u>
Total Trade Services	<u>9,166</u>	<u>15,721</u>	<u>35,000</u>	<u>19,279</u>
Collection expense:				
Advertising	2,949	3,954	3,000	(954)
Postage	27,111	29,056	33,000	3,944
Tax collection fees	1,696	1,693	2,800	1,107
Billing expense	<u>9,493</u>	<u>6,359</u>	<u>14,000</u>	<u>7,641</u>
Total Collection Expense	<u>41,249</u>	<u>41,062</u>	<u>52,800</u>	<u>11,738</u>
Debt service:				
Debt issuance expense	17,304	-	-	-
Principal on capital lease	642,489	944,581	944,581	-
Interest expense	<u>561,800</u>	<u>409,049</u>	<u>575,976</u>	<u>166,927</u>
Total Debt Service	<u>1,221,593</u>	<u>1,353,630</u>	<u>1,520,557</u>	<u>166,927</u>
Capital outlay	<u>11,713,211</u>	<u>9,721,738</u>	<u>14,905,000</u>	<u>5,183,262</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 15,301,186</u>	<u>\$ 13,387,320</u>	<u>\$ 19,370,317</u>	<u>\$ 5,982,997</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, 2021**  
**(With comparative actuals for the year ended December 31, 2020)**

	2020	2021	Budget	Variance Favorable (Unfavorable)
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	\$ 24,392,240	\$ 14,985,277	\$ 9,474,634	\$ 5,510,643
Less:				
Depreciation	(242,772)	(240,466)		
Loan proceeds	(14,610,008)	-		
Beginning fund balance	(20,872,849)	(24,392,240)		
Add:				
Gain(loss) on disposal of capital assets	(6,190)	-		
Principal paid on capital lease	642,489	944,581		
Capital outlay	11,713,211	9,721,738		
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,016,121</b>	<b>\$ 1,018,890</b>		

Ending fund balance is calculated as follows:

Current assets	\$ 28,000,810	\$ 18,307,735
Current liabilities	(4,186,477)	(3,913,078)
Current portion - loan payable	944,581	964,774
Compensated absences	(253,860)	(255,559)
Deferred inflows	(112,814)	(118,595)
	<b>\$ 24,392,240</b>	<b>\$ 14,985,277</b>

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, 2021**

	<u>Actual</u>	<u>General Fund</u>	<u>Enterprise Fund</u>
Budget sources:			
Sanitation assessments	\$ 3,675,573	\$ -	\$ 3,675,573
General property taxes	112,847	112,847	-
S.O.T. Taxes	13,266	13,266	-
Investment income	(4,202)	-	(4,202)
Tap fees	156,906	-	156,906
Other	25,968	-	25,968
<b>TOTAL BUDGET SOURCES</b>	<u>3,980,358</u>	<u>126,113</u>	<u>3,854,245</u>
Budget uses:			
Production payroll	859,570	-	859,570
Production costs	390,178	2,189	387,989
Truck	26,192	215	25,977
Equipment and maintenance	101,946	-	101,946
Office payroll	356,566	178,283	178,283
Other office expense	71,942	71,942	-
Insurance	307,610	55,385	252,225
Professional services	141,165	77,791	63,374
Trade services	15,721	11,137	4,584
Collection	41,062	30,749	10,313
Debt service	1,353,630	-	1,353,630
Capital outlay	9,721,738	-	9,721,738
<b>TOTAL BUDGET USES</b>	<u>13,387,320</u>	<u>427,691</u>	<u>12,959,629</u>
<b>BUDGET SOURCES OVER USES</b>	<u>\$ (9,406,962)</u>	<u>\$ (301,578)</u>	<u>\$ (9,105,384)</u>

See accompanying independent auditors' report.

## **SINGLE AUDIT**

**SECURITY SANITATION DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Federal Expenditures</b>
<b>Environmental Protection Agency</b>				
<i>Clean Water State Revolving Fund Cluster</i>				
Passed Through Colorado Water Resources & Power Development Authority				
Capitalization Grants for Clean Water State Revolving Funds	66.458	W20AX416	\$ -	<u>\$ 1,829,861</u>
Total Federal Awards				<u><u>\$ 1,829,861</u></u>

See the accompanying independent auditors' report.

**SECURITY SANITATION DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Security Sanitation District under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Security Sanitation District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Security Sanitation District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Security Sanitation District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
Security Sanitation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Security Sanitation District, which comprise the statements of net position as of December 31, 2021 and 2020, 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, which collectively comprise Security Sanitation District’s basic financial statements, and have issued our report thereon dated July 20, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Security Sanitation District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Security Sanitation District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Security Sanitation District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Security Sanitation District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
July 20, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Security Sanitation District

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Security Sanitation District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Security Sanitation District's major federal programs for the year ended December 31, 2021. Security Sanitation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Security Sanitation District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Security Sanitation District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Security Sanitation District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Security Sanitation District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Security Sanitation District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Security Sanitation District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Security Sanitation District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Security Sanitation District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Security Sanitation District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Security Sanitation District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Security Sanitation District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
July 20, 2022



**SECURITY SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Section II—Financial Statement Findings

No findings reported.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.