

**SECURITY SANITATION DISTRICT**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

Years Ended December 31, 2023 and 2022

**SECURITY SANITATION DISTRICT  
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DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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. 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 an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial

statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
June 18, 2024

**SECURITY SANITATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED DECEMBER 31, 2023**

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, 2023. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

**FINANCIAL HIGHLIGHTS**

- The District's total assets of \$53,650,288 exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$27,091,687 (*net position*). Of this amount, \$4,905,540 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 \$2,561,387.
- Capital assets net of depreciation increased by \$3,482,233 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, 2023, the District's assets exceeded liabilities and deferred inflows by \$27,091,687 resulting in a positive net position. The following reflects key financial information in a condensed format:

### Condensed Statements of Net Position

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 11,736,442	\$ 15,531,869
Capital assets, net	<u>41,913,846</u>	<u>38,431,613</u>
Total assets	<u>53,650,288</u>	<u>53,963,482</u>
Current and other liabilities	2,053,103	3,953,615
Long-term liabilities	<u>24,381,023</u>	<u>25,360,996</u>
Total liabilities	<u>26,434,126</u>	<u>29,314,611</u>
Deferred inflow of resources	<u>124,475</u>	<u>118,571</u>
Net position:		
Net investment in capital assets	22,148,630	20,121,959
Restricted	37,517	37,517
Unrestricted	<u>4,905,540</u>	<u>4,370,824</u>
Total net position	<u>\$ 27,091,687</u>	<u>\$ 24,530,300</u>

Unrestricted net position of the District at the end of the year was \$4,905,540, a increase of \$534,716 from the prior year.

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

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 4,082,005	\$ 3,760,192
Operating expenses	<u>(3,160,528)</u>	<u>(3,738,583)</u>
Operating income (loss)	921,477	21,609
Non-operating revenues and expenses, net	<u>1,593,563</u>	<u>(323,097)</u>
Income (loss) before contributions	2,515,040	(301,488)
Capital contributions – tap fees	<u>46,347</u>	<u>11,943</u>
Change in net position	2,561,387	(289,545)
Net position, beginning	19,908,419	20,344,735
Prior period adjustment	<u>4,621,881</u>	<u>4,475,110</u>
Net position, beginning, as restated	<u>24,530,300</u>	<u>24,819,845</u>
Net position, ending	<u>\$ 27,091,687</u>	<u>\$ 24,530,300</u>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets as of December 31, 2023 amounts to \$41,913,846. This investment in capital assets includes land, buildings and lagoon, equipment, and sewer main.

	<u>2023</u>	<u>2022</u>
Capital assets, not being depreciated	\$ 40,174,734	\$ 36,564,901
Capital assets, being depreciated	8,419,783	8,829,278
Less accumulated depreciation	<u>(6,680,671)</u>	<u>(6,962,566)</u>
Total capital assets, net	<u>\$ 41,913,846</u>	<u>\$ 38,431,613</u>

The major capital asset acquisitions during 2023 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	\$ 26,136,410	\$ -	\$ (985,191)	\$ 25,151,219
Compensated absences	<u>225,747</u>	<u>108,973</u>	<u>(75,222)</u>	<u>259,497</u>
Total long-term liabilities	<u>\$ 26,362,157</u>	<u>\$ 108,973</u>	<u>\$ (1,060,413)</u>	<u>\$ 25,410,716</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 2023, 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.

The general economy within the region remains strong, and the impacts to the District of COVID-19 and world and national economic issues, including inflation and supply chain disruptions subsided somewhat in 2023. Certain economic factors may continue to create challenges into 2024, however the financial effects are 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, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 616,167	\$ 662,755
Investments	4,996,737	6,386,821
Cash in escrow	5,386,003	7,826,756
Due from County Treasurer	953	1,010
Accounts receivable	451,396	387,958
Property taxes receivable	124,475	118,571
Interest receivable	31,343	26,524
Prepaid expenses	129,368	121,474
Total current assets	11,736,442	15,531,869
Noncurrent assets:		
Capital assets, net of depreciation	41,913,846	38,431,613
Total assets	53,650,288	53,963,482
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	807,654	2,708,249
Compensated absences payable	22,356	15,970
Payroll taxes payable	938	825
Accrued interest	210,928	239,952
Unearned assessment revenue	3,890	3,428
Current portion - loans payable	1,007,337	985,191
Total current liabilities	2,053,103	3,953,615
Noncurrent liabilities:		
Loans payable	24,143,882	25,151,219
Compensated absences	237,141	209,777
Total noncurrent liabilities	24,381,023	25,360,996
Total liabilities	26,434,126	29,314,611
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property tax	124,475	118,571
Total deferred inflows of resources	124,475	118,571
<b>NET POSITION</b>		
Net investment in capital assets	22,148,630	20,121,959
Restricted	37,517	37,517
Unrestricted	4,905,540	4,370,824
Total net position	\$ 27,091,687	\$ 24,530,300

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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Charges for sales and services		
Sanitation assessments	\$ 4,064,014	\$ 3,743,714
Other	17,991	16,478
Total operating revenues	<u>4,082,005</u>	<u>3,760,192</u>
Operating expenses:		
Sewage pumping and treatment	1,727,677	1,416,368
Waste disposal	266,967	1,176,268
Maintenance	177,697	186,329
Administration and general	753,876	710,203
Depreciation	234,311	249,415
Total operating expenses	<u>3,160,528</u>	<u>3,738,583</u>
Operating income (loss)	<u>921,477</u>	<u>21,609</u>
Nonoperating revenues (expenses):		
General property and specific ownership taxes	131,012	130,865
Intergovernmental	1,537,586	146,771
Investment income	327,187	(715)
Gain(Loss) on disposal of capital assets	97,980	(101,653)
Interest expense	(500,202)	(498,365)
Total non-operating revenues (expenses)	<u>1,593,563</u>	<u>(323,097)</u>
Income (loss) before capital contributions	2,515,040	(301,488)
Capital contributions - tap fees	<u>46,347</u>	<u>11,943</u>
Change in net position	<u>2,561,387</u>	<u>(289,545)</u>
Net position-beginning	19,908,419	20,344,735
Prior period adjustment	<u>4,621,881</u>	<u>4,475,110</u>
Net position-beginning, as restated	<u>24,530,300</u>	<u>24,819,845</u>
Net position-ending	<u><u>\$ 27,091,687</u></u>	<u><u>\$ 24,530,300</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, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 4,001,037	\$ 3,743,220
Cash payments to suppliers for goods and services	(2,637,138)	(2,523,090)
Cash payments to employees for services	(1,336,270)	(1,325,576)
Other operating revenues	17,991	16,478
Net cash provided (used) by operating activities	45,620	(88,968)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from general and specific ownership tax revenues	131,069	130,905
Net cash provided (used) by noncapital financing activities	131,069	130,905
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Intergovernmental	1,537,586	146,771
Capital contributions	46,347	11,943
Proceeds from the sale of assets	12,350	21,675
Insurance proceeds	94,710	-
Acquisition and construction of capital assets	(4,553,058)	(6,071,843)
Principal on loan	(985,191)	(964,774)
Interest on loan	(529,226)	(488,612)
Net cash provided (used) by capital and related financing activities	(4,376,482)	(7,344,840)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(6,803,764)	(3,570,370)
Proceeds from matured securities	8,360,000	6,545,000
Interest received	156,216	109,086
Net cash provided (used) by investing activities	1,712,452	3,083,716
Net increase (decrease) in cash and cash equivalents	(2,487,341)	(4,219,187)
Cash and cash equivalents at beginning of year	8,489,511	12,708,698
Cash and cash equivalents at end of year	\$ 6,002,170	\$ 8,489,511
<b>Reconciliation of cash and cash equivalents to the statements of net position:</b>		
Cash and cash equivalents	\$ 616,167	\$ 662,755
Restricted cash and cash equivalents	5,386,003	7,826,756
Cash and cash equivalents at end of year	\$ 6,002,170	\$ 8,489,511

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

**SECURITY SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 921,477	\$ 21,609
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	234,311	249,415
Changes in assets and liabilities:		
<i>(Increase) decrease in assets:</i>		
Accounts receivable	(63,438)	(620)
Prepaid expenses	(7,894)	(52,260)
<i>Increase (decrease) in liabilities:</i>		
Accounts payable	(1,073,161)	(262,572)
Compensated absences payable	33,750	(44,666)
Payroll taxes payable	113	-
Unearned assessment revenue	462	126
Total Adjustments	(875,857)	(110,577)
Net Cash Provided (Used) by Operating Activities	\$ 45,620	\$ (88,968)
<b>Schedule of non-cash investing, capital and financing activities:</b>		
Increase (decrease) in fair value of investments	\$ (244,016)	\$ (156,096)
Amortization of investment premium	\$ 77,864	\$ 45,144

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

## **NOTES TO FINANCIAL STATEMENTS**

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**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, 2023 AND 2022**

**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, 2023 and 2022, 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 \$5,000.

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, 2023 AND 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

*Leases*

Lessee: The District recognizes a lease liability and an intangible right-to-use lease assets in the financial statements. The District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 0.652 and 0.651 mills for the years ended December 31, 2023 and 2022, respectively. The District's assessed valuations for 2023 and 2022 were \$181,774,790 and \$182,151,010, 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.

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

*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 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.

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

At December 31, 2023 and 2022, the carrying amounts of the District's deposits were (\$423,916) and (\$335,249), and the bank balances were \$44,878 and \$125,163 respectively. All of the total bank balances at December 31, 2023 and 2022 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, 2023, 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, 2023 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	\$ 961,191	\$ 961,191	\$ -	\$ -	\$ -
COLOTRUST	78,792	78,792	-	-	-
U.S. Treasuries	2,112,209	1,016,919	1,095,290	-	-
U.S. Agencies	1,388,400	523,078	865,322	-	-
ST Notes	<u>1,496,128</u>	<u>1,496,128</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,036,720</u>	<u>\$ 4,076,108</u>	<u>\$ 1,960,612</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2023, the District has invested \$78,792 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.

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

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>2023</u>	<u>2022</u>
Cash and cash equivalents:		
Cash on hand	\$ 100	\$ 100
Deposits	(423,916)	(335,249)
Money Market Funds	961,191	923,111
COLOTRUST	<u>78,792</u>	<u>74,795</u>
	<u>\$ 616,167</u>	<u>\$ 662,755</u>
Investments:		
U.S. Treasuries	\$ 2,112,209	\$ 3,620,646
U.S. Agencies	1,388,400	2,766,175
Commercial Paper	<u>1,496,128</u>	<u>-</u>
	<u>\$ 4,996,737</u>	<u>\$ 6,386,821</u>

**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.

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 4 – FAIR VALUE MEASUREMENT (CONTINUED)**

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, 2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - unrestricted				
U.S. Treasury Notes	\$ -	\$ 2,112,209	\$ -	\$ 2,112,209
Agency Notes	-	1,388,400	-	1,388,400
Commercial Paper	-	<u>1,496,178</u>	-	<u>1,496,178</u>
Total Investments - unrestricted	<u>\$ -</u>	<u>\$ 4,996,737</u>	<u>\$ -</u>	<u>\$ 4,996,737</u>
	December 31, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - unrestricted				
U.S. Treasury Notes	\$ -	\$ 3,620,646	\$ -	\$ 3,620,646
Agency Notes	-	<u>2,766,175</u>	-	<u>2,766,175</u>
Total Investments - unrestricted	<u>\$ -</u>	<u>\$ 6,386,821</u>	<u>\$ -</u>	<u>\$ 6,386,821</u>

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023 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>36,551,683</u>	<u>3,609,833</u>	<u>-</u>	<u>40,161,516</u>
Total capital assets, not being depreciated	<u>36,564,901</u>	<u>3,609,833</u>	<u>-</u>	<u>40,174,734</u>
Capital assets, being depreciated:				
Buildings and lagoon	999,350	-	-	999,350
Sanitation plant	4,734,960	-	(492,425)	4,242,535
Sewer main	1,291,548	52,975	-	1,344,523
Equipment	<u>1,803,420</u>	<u>62,816</u>	<u>(32,861)</u>	<u>1,833,375</u>
Total capital assets, being depreciated	8,829,278	115,791	(525,286)	8,419,783
Less accumulated depreciation	<u>(6,962,566)</u>	<u>(234,311)</u>	<u>516,206</u>	<u>(6,680,671)</u>
Total capital assets, being depreciated, net	<u>1,866,712</u>	<u>(118,520)</u>	<u>(9,080)</u>	<u>1,739,112</u>
Total capital assets, net	<u>\$ 38,431,613</u>	<u>\$ 3,491,313</u>	<u>\$ (9,080)</u>	<u>\$ 41,913,846</u>

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**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>
2024	\$ 1,007,337	\$ 506,226
2025	1,030,830	483,476
2026	1,058,852	460,726
2027	1,080,796	437,976
2028	1,097,774	415,726
2029 – 2033	5,800,038	1,783,530
2034 – 2038	6,206,410	1,367,441
2039 – 2043	4,296,455	663,705
2044 – 2048	2,941,693	270,195
2049	<u>631,034</u>	<u>10,680</u>
Total	<u>\$ 25,151,219</u>	<u>\$ 6,399,681</u>

*Compensated absences*

Compensated absences consisted of the following:

	<u>2023</u>	<u>2022</u>
Sick leave benefits	\$ 198,045	\$ 168,814
Vacation benefits	<u>61,452</u>	<u>56,933</u>
Total	<u>\$ 259,497</u>	<u>\$ 225,747</u>

The changes in long-term liabilities for the year ended December 31, 2023 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	\$ 26,136,410	\$ -	\$ (985,191)	\$ 25,151,219	\$ 1,007,337
Compensated absences	<u>225,747</u>	<u>108,973</u>	<u>(75,222)</u>	<u>259,497</u>	<u>22,356</u>
Total long-term liabilities	<u>\$ 26,362,157</u>	<u>\$ 108,973</u>	<u>\$(1,060,413)</u>	<u>\$ 25,410,716</u>	<u>\$ 1,029,693</u>

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**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, 2023 and 2022, net investment in capital assets was as follows:

	2023	2022
Capital assets, net of depreciation	\$ 41,913,846	\$ 38,431,613
Capital related debt	(25,151,219)	(26,136,410)
Remaining project cash	5,386,003	7,826,756
Net investment in capital assets	\$ 22,148,630	\$ 20,121,959

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, 2023 and 2022, 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, 2023 AND 2022**

**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, 2023, 2022 and 2021 were \$43,119, \$37,577, and \$38,788. Employees also made additional contributions for the years ending December 31, 2023, 2022 and 2021 of \$17,652, \$24,121, and \$28,122. 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 2023 and 2022.

**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, 2023 and 2022, see Note 7 – Net Position.

**SECURITY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

The district has restated the financial statements for the year ended December 31, 2023 and 2022 to record state grants received through construction draws. The effect of this restatement increased cash in escrow and increased net position balances by \$4,621,881 and \$4,475,110, for the years 2023 and 2022 respectively.

These restatements had the following effect on net position:

Fund Balance, January 1, 2023, as originally stated	\$ 19,908,419
Prior period adjustment	<u>4,621,881</u>
Fund Balance, January 1, 2023, as Restated	<u>\$ 24,530,300</u>
Net position, January 1, 2022, as originally stated	\$ 20,344,735
Prior period adjustment	<u>4,475,110</u>
Net position, January 1, 2022, as Restated	<u>\$ 24,819,845</u>

## **SUPPLEMENTARY INFORMATION**

**SECURITY SANITATION DISTRICT  
SCHEDULES OF OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Pumping and treatment:		
Production payroll	\$ 905,195	\$ 853,064
Production cost	471,903	293,657
Insurance expense	334,006	247,982
Professional services	4,800	6,040
Trade services	11,773	15,625
	<u>1,727,677</u>	<u>1,416,368</u>
<b>TOTAL PUMPING AND TREATMENT</b>		
Waste disposal:		
Production cost	224,134	1,115,451
Professional services	42,833	60,817
	<u>266,967</u>	<u>1,176,268</u>
<b>TOTAL WASTE DISPOSAL</b>		
Maintenance:		
Truck expense	69,347	37,499
Equipment and maintenance	108,350	148,830
	<u>177,697</u>	<u>186,329</u>
<b>TOTAL MAINTENANCE</b>		
Administration and general:		
Office payroll	464,938	427,847
Office expense	69,866	74,074
Insurance	76,443	70,205
Professional services	86,096	76,345
Trade services	6,505	8,132
Collection expense	43,308	42,652
Temporary Office Labor	6,720	10,948
	<u>753,876</u>	<u>710,203</u>
<b>TOTAL ADMINISTRATION AND GENERAL</b>		
DEPRECIATION	<u>234,311</u>	<u>249,415</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 3,160,528</u></u>	<u><u>\$ 3,738,583</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, 2023**  
**(With comparative actuals for the year ended December 31, 2022)**

	2022	2023	Budget	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Beginning fund balance	\$ 19,583,715	\$ 12,235,100	\$ 6,782,631	\$ 5,452,469
Sanitation assessments	3,743,714	4,064,014	4,200,000	(135,986)
Other	16,478	17,991	130,700	(112,709)
General property taxes	118,509	118,584	118,771	(187)
S.O.T. Taxes	12,356	12,428	12,000	428
Intergovernmental	146,771	1,537,586	-	1,537,586
Investment income	(715)	327,187	349,000	(21,813)
Tap fees	11,943	46,347	46,350	(3)
Insurance proceeds	(123,328)	94,710	-	94,710
Proceeds from sale of capital assets	21,675	12,350	12,350	-
<b>TOTAL REVENUES</b>	<b>23,531,118</b>	<b>18,466,297</b>	<b>11,651,802</b>	<b>6,814,495</b>
<b>EXPENDITURES</b>				
Production Payroll and Payroll Taxes	864,011	911,915	1,056,400	144,485
Production cost:				
Supplies and tools	-	5,895	15,000	9,105
Electricity	204,641	243,591	240,000	(3,591)
Natural gas	43,020	52,230	34,000	(18,230)
Communication	21,080	24,944	31,000	6,056
Water	12,971	24,189	5,000	(19,189)
Uniforms	11,945	11,933	18,000	6,067
Air Filters	-	753	5,000	4,247
Chemical/polymer	-	108,367	150,000	41,633
Sludge removal	1,010,436	113,729	200,000	86,271
Laboratory testing & supplies	105,015	110,405	140,000	29,595
Total Production Cost	1,409,108	696,036	838,000	141,964
Truck expense:				
Repairs and maintenance	25,515	56,697	24,000	(32,697)
Gas and oil	11,984	12,650	14,000	1,350
Total Truck Expense	\$ 37,499	\$ 69,347	\$ 38,000	\$ (31,347)

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, 2023**  
**(With comparative actuals for the year ended December 31, 2022)**

	<u>2022</u>	<u>2023</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES (continued)</b>				
Equipment and maintenance:				
Repairs and maintenance	\$ 103,145	\$ 81,945	\$ 133,000	\$ 51,055
Small tools and supplies	40,399	22,654	17,000	(5,654)
Building: office and warehouse	5,285	3,751	3,000	(751)
Total Equipment and Maintenance	<u>148,829</u>	<u>108,350</u>	<u>153,000</u>	<u>44,650</u>
Office Payroll, Payroll Taxes and Directors Fees	<u>427,848</u>	<u>464,938</u>	<u>565,500</u>	<u>100,562</u>
Office expense:				
Supplies	7,229	1,602	10,000	8,398
Election	-	-	2,000	2,000
Miscellaneous office expenses	33,217	36,050	30,000	(6,050)
Lease	960	960	960	-
Equipment maintenance	13,721	16,589	15,000	(1,589)
Health administrative fees	72	-	-	-
Bank charges	18,876	14,664	25,000	10,336
Total Office Expense	<u>74,075</u>	<u>69,865</u>	<u>82,960</u>	<u>13,095</u>
Insurance:				
Liability and errors/omissions	60,571	101,083	105,000	3,917
Health	235,494	290,089	302,000	11,911
Workman's compensation	18,580	15,902	22,000	6,098
PEPSCO	2,175	2,725	6,000	3,275
Damages	489	-	5,000	5,000
Unum LTC	878	650	-	(650)
Total Insurance	<u>\$ 318,187</u>	<u>\$ 410,449</u>	<u>\$ 440,000</u>	<u>\$ 29,551</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, 2023**  
**(With comparative actuals for the year ended December 31, 2022)**

	<u>2022</u>	<u>2023</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES (continued)</b>				
Professional services:				
Audit	\$ 19,525	\$ 16,800	\$ 21,000	\$ 4,200
Legal	32,473	28,586	50,000	21,414
Engineering	53,011	33,596	52,000	18,404
Pretreatment	6,040	4,800	7,200	2,400
Stream discharge fees	7,805	9,238	12,000	2,762
Other professional services	24,348	40,710	33,000	(7,710)
Total Professional Services	<u>143,202</u>	<u>133,730</u>	<u>175,200</u>	<u>41,470</u>
Trade services:				
Dues and membership	8,132	6,505	16,000	9,495
Schools and conventions	15,625	11,773	16,000	4,227
Total Trade Services	<u>23,757</u>	<u>18,278</u>	<u>32,000</u>	<u>13,722</u>
Collection expense:				
Advertising	2,718	2,200	3,500	1,300
Postage	31,686	33,039	35,000	1,961
Tax collection fees	1,778	1,779	2,800	1,021
Billing expense	6,470	6,291	12,000	5,709
Total Collection Expense	<u>42,652</u>	<u>43,309</u>	<u>53,300</u>	<u>9,991</u>
Debt service:				
Principal on loan	964,774	985,191	985,191	-
Interest expense	498,365	500,202	529,226	29,024
Total Debt Service	<u>1,463,139</u>	<u>1,485,393</u>	<u>1,514,417</u>	<u>29,024</u>
Capital outlay	<u>6,343,714</u>	<u>3,725,627</u>	<u>3,402,500</u>	<u>(323,127)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 11,296,021</u>	<u>\$ 8,137,237</u>	<u>\$ 8,351,277</u>	<u>\$ 214,040</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, 2023**  
**(With comparative actuals for the year ended December 31, 2022)**

	2022	2023	Budget	Variance Favorable (Unfavorable)
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	\$ 12,235,097	\$ 10,329,060	\$ 3,300,525	\$ 7,028,535
Less:				
Depreciation	(249,415)	(234,311)		
Insurance proceeds	123,328	(94,710)		
Beginning fund balance	(19,583,715)	(12,235,100)		
Add:				
Gain (loss) on disposal of capital assets	(101,653)	97,980		
Proceeds on asset disposal	(21,675)	(12,350)		
Principal paid on loan	964,774	985,191		
Capital outlay	6,343,714	3,725,627		
<b>CHANGE IN NET POSITION</b>	<b>\$ (289,545)</b>	<b>\$ 2,561,387</b>		

Ending fund balance is calculated as follows:

Current assets	15,531,869	11,736,442	
Current liabilities	(3,953,615)	(2,053,103)	
Current portion - loan payable	985,191	1,007,337	
Compensated absences	(209,777)	(237,141)	
Deferred inflows	(118,571)	(124,475)	
	<b>\$ 12,235,097</b>	<b>\$ 10,329,060</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, 2023**

	Actual	General Fund	Enterprise Fund
Budget sources:			
Sanitation assessments	\$ 4,064,013	\$ -	\$ 4,064,013
General property taxes	118,584	118,584	-
S.O.T. Taxes	12,428	12,428	-
Investment income	327,187	-	327,187
Tap fees	46,348	-	46,348
Intergovernmental	1,537,586	-	1,537,586
Proceeds from asset sales / insurance	97,980	-	97,980
Other	17,991	-	17,991
<b>TOTAL BUDGET SOURCES</b>	<b>6,222,117</b>	<b>131,012</b>	<b>6,091,105</b>
Budget uses:			
Production payroll	911,915	-	911,915
Production costs	696,036	3,654	692,382
Truck	69,347	316	69,031
Equipment and maintenance	108,350	-	108,350
Office payroll	464,938	232,469	232,469
Other office expense	69,865	69,865	-
Insurance	410,449	77,093	333,356
Professional services	133,730	86,096	47,634
Trade services	18,278	6,505	11,773
Collection	43,309	34,818	8,491
Debt service	1,485,393	-	1,485,393
Capital outlay	3,725,627	3,929	3,721,698
<b>TOTAL BUDGET USES</b>	<b>8,137,237</b>	<b>514,745</b>	<b>7,622,492</b>
<b>BUDGET SOURCES OVER USES</b>	<b>\$ (1,915,120)</b>	<b>\$ (383,733)</b>	<b>\$ (1,531,387)</b>

See accompanying independent auditors' report.