Southgate Sanitation District

Annual Financial Report

December 31, 2025 and 2024

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Independent Auditors' Report

Board of Directors and Management
Southgate Sanitation District

Opinions

We have audited the accompanying financial statements of the business-type activities of Southgate Sanitation District (the District) as of December 31, 2025 and 2024 and for the years then ended and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Southgate Sanitation District, as of December 31, 2025 and 2024 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southgate 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.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southgate 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 Southgate 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

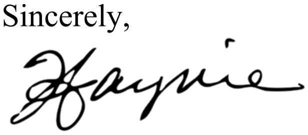
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southgate Sanitation District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Sincerely,



Littleton, Colorado
June 24, 2026

Southgate Sanitation District
Management Discussion and Analysis

The Southgate Sanitation District (the "District") offers the readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the Fiscal Year ended December 31, 2025. Please read it in conjunction with the financial statements.

CONTENTS

In addition to this Management Discussion and Analysis this annual report includes:

Independent Auditors' Report

Financial Statements- *The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.*

Statement of Net Position - *The Statement of Net Position provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.*

Statement of Revenues, Expenses and Changes in Net Position- *This statement measures the results of the District's operations over the past year and illustrates the manner in which it has funded its operations and activities. It is the basis for determining profitability and credit worthiness.*

Statement of Cash Flows - *The purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.*

Notes to the Financial Statements explain in more detail much of the information in the financial statements.

Supplementary Information, consisting of:

Budgetary Comparison Schedule - Budgetary Basis Non-GAAP - 2025

Budgetary Comparison Schedule- Budgetary Basis Non-GAAP - 2024

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and Statement of Activities work to answer that question.

A summary of the District's Statement of Net Position is presented in the following table.

	2023	2024	2025	'24-'25 Change	'24-'25 %
Current Assets	$ 40,711,985	$ 50,808,210	$ 50,745,410	$ (62,800)	-0.12%
Property, Plant & Equipment	41,194,856	40,318,356	39,879,049	(439,307)	-1.09%
Noncurrent Assets	3,586,639	1,580,466	5,317,949	3,737,483	236.48%
Total Assets	85,493,480	92,707,032	95,942,408	3,235,376	3.49%
Current Liabilites	123,222	224,604	292,796	68,192	30.36%
Deferred Inflows of Resources	1,249,126	1,300,000	1,300,000	-	0.00%
Total Liabilites	1,372,348	1,524,604	1,592,796	68,192	4.47%
Net Investment in Capital Assets	41,194,856	40,318,356	39,879,049	(439,307)	-1.09%
Restricted-TABOR reserve	65,343	52,277	54,845	2,568	4.91%
Unrestricted	42,860,933	50,811,795	54,415,718	3,603,923	7.09%
Total Net Position	$ 84,121,132	$ 91,182,428	$ 94,349,612	$ 3,167,184	3.47%

Current assets primarily consist of cash held in banks and liquid investments and property tax receivables related to amounts to be collected by the District in 2026. The 2025 increase is primarily related to current year earnings. These amounts are used to fund cash flow needs and to cover capital improvements. Property, plant and equipment declined due to depreciation expense exceeding capital outlays. Current liabilities increased in 2025 due an increase in accounts payable for professional services. Deferred inflows of resources include the deferred property tax (a function of timing of mill levy certification versus timing of the receipt of funds).

A significant portion of the District's net position reflects its investment in capital assets which are used to provide services to its customers; consequently, these assets are not available for future spending. Restricted net position reflects the required amounts pursuant to the TABOR (Taxpayer Bill of Rights) calculation. Unrestricted net position may be used to meet the District's ongoing obligations.

A summary of the District's activities and changes in net position is presented below.

	2023	2024	2025	'24-'25 Change	'24-'25 %
Operating Revenue	$ 681,551	$ 880,895	$ 972,796	$ 91,901	10.43%
Non-Operating Revenue	2,873,732	3,808,927	3,628,430	(180,497)	-4.74%
Total Revenues	3,555,283	4,689,822	4,601,226	(88,596)	-1.89%
Depreciation Expense	1,669,980	1,639,057	1,625,769	(13,288)	-0.81%
Govt/Admin/Other Operating Expense	2,178,109	1,742,555	1,828,177	85,622	4.91%
Non-Operating Expense	17,481	19,307	19,184	(123)	-0.64%
Total Expenses	3,865,570	3,400,919	3,473,130	72,211	2.12%
Income/Loss Before Contributions	(310,287)	1,288,903	1,128,096	(160,807)	-12.48%
Capital Contributions	2,099,146	5,772,393	2,039,088	(3,733,305)	-64.68%
	1,788,859	7,061,296	3,167,184	(3,894,112)	-55.15%
Net Position- Beginning of Year	82,332,273	84,121,132	91,182,428	7,061,296	8.39%
Net Position - End of Year	$ 84,121,132	$ 91,182,428	$ 94,349,612	$ 3,167,184	3.47%

The District funds its activities from interest earnings, new tap sales (included in Capital Contributions), a small property tax, a small charge collected on the District's behalf by the City of

Englewood, and miscellaneous revenues. The District has experienced a temporary mill levy reduction in recent years due to the Tabor limit which caps growth to a maximum of 5.5% per year.

When the assessed valuation grows above those limits, the District will reevaluate the maximum allowed and determine the reduced mill levy for that year. If the assessed valuation in the District's service area slows down, the District can increase the amount and charge the .554 mills currently allowed. Capital projects are funded by tap fees (included in Capital Contributions) augmented by existing reserve funds. Operating revenues reflect: 1) the service charge collected by the City of Englewood, and 2) the miscellaneous revenue. The increase in Non-Operating revenues was due to increased interest income from investments. Capital Contributions decreased from 2024 which is due to construction wrapping up on projects in 2024. Through prudent budgeting and accumulation of operational and capital reserves, the District is able to maintain established programs at the optimal level of service.

Governmental and Administration Expense reflects a general tightening of expenditure practices within the amounts authorized by budget. Other Operating Expense reflects a necessary increase in operational and system repair costs. Income/Loss Before Contributions reflects the effects of a stable economy and a resulting increase in interest earned on the District's investments. The overall health of the District remains strong as reflected in the Net Position – End of Year.

As you review the Financial Statements you will note that the District invests under the provisions and restraints of a written Investment Policy and conforms to the requirements of the Colorado Public Deposit Protection Act (PDPA) relative to use of eligible public depositories. While the District limits its investments to the more conservative and higher rated instruments allowed under the Colorado Statutes, there is opportunity for diversification and the investment portfolio has been laddered to take advantage of any up-turn in the investment market.

Capital Assets

At the end of 2025, the District had invested $64.7 million, (less $24.8 million in accumulated depreciation), in a broad range of infrastructure, including: approximately 225 miles of collection and transmission lines, one tunnel, maintenance and administration facilities, vehicles, and equipment as shown in the following table.

	2023	2024	2025	'24-'25 Change	'24-'25 %
Sewer System	$ 74,054,394	$ 60,971,908	$ 61,037,410	$ 65,502	0.11%
Special Projects/Studies	1,110,968	-	-	-	0.00%
Capital Equipment	2,650,929	158,263	158,263	-	0.00%
Building & Land	1,960,319	1,802,262	1,861,325	59,063	3.28%
Easements	5,900	5,900	5,900	-	0.00%
Construction in Progress	12,973	536,489	1,598,386	1,061,897	198%
Subtotal	79,795,483	63,474,822	64,661,284	1,186,462	1.87%
Accumulated Depreciation	(38,600,627)	(23,156,466)	(24,782,235)	(1,625,769)	7.02%
Net Property Plant & Equipment	$ 41,194,856	$ 40,318,356	$ 39,879,049	$ (439,307)	-1.09%

This table fully reflects the results of the GASB 34 asset valuation and depreciation efforts. The increase in Construction in Progress is a reflection of the capital improvements which were started in

2025. Recently the overlapping municipalities have approved new development at substantially higher density and with substantially greater demand upon the wastewater collection system. The affected basins have been hydraulically modeled, through the counties. The annual fluctuation for Capital Outlay is evident.

With recognition that capital improvements are usually multi-year undertakings, (and that the schedule can be affected by many things), the District budgets for possible maximum expenditure in any given year and re-budgets the unexpended portion, (for in-progress projects), the following fiscal year to continue the capital program.

LONG-TERM DEBT

The District has no long-term debt and does not anticipate a need to issue new debt in the foreseeable future.

BUDGETARY HIGHLIGHTS

As required by State Law, the District adopts a budget and appropriates funds for the following year by December 15 of each year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado. Budget to actual statements are included as Supplemental Information in the audited financial statements. There were no supplemental appropriations made to the 2024 or 2025 budgets.

The District operates within the context of a 50-year fiscal model. The Board of Directors and Management are attentive and fiscally prudent. The District has been successful in meeting the needs of its constituents within the restraints of the tax and budgetary limitations of Colorado's TABOR Amendment.

The following table presents the District’s budget and actual expenditures for 2023, 2024 and 2025:

	2023		2024		2025	
	Budget	Actual	Budget	Actual	Budget	Actual
System Charges	$ 2,277,000	$ 1,752,531	$ 2,200,000	$ 5,596,446	$ 2,200,000	$ 1,973,586
Investment Income	425,000	1,588,368	1,515,041	2,413,112	1,729,000	2,242,470
Rates and Charges	950,000	673,976	828,000	868,156	860,000	918,104
Miscellaneous Income	4,307,334	1,292,939	5,184,717	1,408,554	5,229,526	1,440,652
Total Revenues	$ 7,959,334	$ 5,307,814	$ 9,727,758	$ 10,286,268	$ 10,018,526	$ 6,574,812
Admin & Operations	2,055,527	2,069,500	2,083,500	1,610,430	2,483,500	1,712,793
Professional Services	161,720	126,090	161,000	151,432	167,000	134,568
Capital Outlay	4,050,000	304,592	6,890,000	586,610	6,964,000	1,120,960
Total Expenditures	6,267,247	2,500,182	9,134,500	2,348,472	9,614,500	2,968,321
Revenues Less Expenditures	$ 1,692,087	$ 2,807,632	$ 593,258	$ 7,937,796	$ 404,026	$ 3,606,491

System Charges (tap fees) have been unpredictable in recent years due to the fluctuating market conditions. Investment yields and market valuation increased (reflective of the overall economy), and above the anticipated returns. At Rates and Charges, you will observe the service charge collected through the City of Englewood. It is anticipated that the service charge will stay consistent over coming years. While we had anticipated the need to expend monies from the District's reserves to cover operational expenses and capital improvements in each of the years: 1) 2025 expenditures increased slightly due to more operating expenses in the current year, 2) in 2025, system charges were lower than expected, while capital outlay did not reach the budgeted expectation.

ECONOMIC CONSIDERATIONS

The District is located in the economically attractive southeast corridor of the Denver metropolitan area and has growth potential for some time to come. Most of the District's infrastructure is in place. The District's wastewater treatment needs have been secured through intergovernmental agreement with the City of Englewood.

/s/ David A. Irish,
District Manager

Note: This Discussion and Analysis contains some forward-looking statements giving our current expectations or forecasts of future events. You can identify these statements by the fact that they do not refer strictly to historical or current facts and include words such as "anticipate ', "estimate", "project", "intend", "plan", "believe", "hope", and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future revenues, capita expenditures, the impact of new accounting pronouncements, and other statements regarding matters that are not historical facts or statements of current condition. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. We undertake no obligation (and expressly disclaim any such obligation) to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise; except as required by law.

Requests for Information

This financial report is designed to give its readers a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

David Irish, District Manager
Southgate Sanitation District
3722 East Orchard Road
Centennial, CO 80121

Basic Financial Statements

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

	2025	2024
Assets		
Current assets		
Cash and cash equivalents (Note 3)	47,980,263	47,258,208
Investments (Note 3)	1,219,251	2,026,054
Receivables		
Interest receivable	58,513	6,626
Property taxes	1,300,000	1,300,000
County treasurer	6,979	6,895
Note, current portion (Note 5)	87,592	84,630
Due from other governments (Note 7)	11,954	46,552
Prepaid expense	65,526	64,802
Inventory	15,332	14,443
Total current assets	50,745,410	50,808,210
Property, plant and equipment		
Net property, plant and equipment	39,879,049	40,318,356
Noncurrent assets		
Investments (Note 3)	4,760,848	935,774
Long-term note from joint venture (Note 5)	557,101	644,692
Total noncurrent assets	5,317,949	1,580,466
Total assets	$95,942,408	$ 92,707,032
Liabilities, Deferred Inflows and Net Position		
Current liabilities		
Accounts payable	$ 167,861	$ 111,625
Retainage payable	27,882	4,608
Accrued liabilities	80,754	84,776
Developer advances and participation agreements	16,299	23,595
Total current liabilities	292,796	224,604
Deferred Inflows of Resources		
Unavailable revenue—property taxes	1,300,000	1,300,000
Net Position		
Net Investment in capital assets	39,879,049	40,318,356
Restricted - TABOR reserve (Note 11)	54,845	52,277
Unrestricted	54,415,718	50,811,795
Total net position	94,349,612	91,182,428
Total liabilities, deferred inflows and net position	$95,942,408	$ 92,707,032

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

Southgate Sanitation District

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Rates and service charges	$ 918,104	$ 868,156
Plan review and inspection fees	44,390	12,400
Other income	10,302	339
Total operating revenues	972,796	880,895
Operating expenses		
Accounting and audit	32,055	33,148
Conferences and seminars	29,928	32,914
Director's fees	4,500	4,900
Employee compensation (Note 7)	1,032,220	1,025,720
Insurance	55,302	53,145
Legal	29,580	26,337
Office expense	151,232	170,248
Special projects expensed	17,389	5,339
Engineering	93,311	91,947
Maintenance	339,446	254,439
Small equipment	-	9,260
Utilities	43,214	35,158
Depreciation (Note 4)	1,625,769	1,639,057
Total operating expenses	3,453,946	3,381,612
Operating Income (loss)	(2,481,150)	(2,500,717)
Non-operating revenues (expenses)		
Property taxes	1,277,351	1,286,222
Specific ownership tax	83,083	81,205
County Treasurer's fees	(19,184)	(19,307)
Interest earnings from joint venture loan	25,526	28,388
Investment income	2,242,470	2,413,112
Total non-operating revenues (expenses)	3,609,246	3,789,620
Income (Loss) Before Contributions	1,128,096	1,288,903
Capital Contributions (Taps and Project Reimbursements)	2,039,088	5,772,393
Change in Net Position	3,167,184	7,061,296
Net position—beginning of year	91,182,428	84,121,132
Net position—end of year	$ 94,349,612	$ 91,182,428

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

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

	2025	2024
Cash flows from operating activities		
Cash received from customers	$ 972,712	$ 879,762
Cash paid to suppliers for goods and services	(725,356)	(637,290)
Cash paid to employees for services	(1,036,242)	(1,000,528)
Net cash from operating activities	(788,886)	(758,056)
Cash flows from noncapital financing activities		
Cash received from taxes	1,360,434	1,367,427
Cash paid to County Treasurer	(19,184)	(19,307)
Net cash from noncapital financing activities	1,341,250	1,348,120
Cash flows from capital and related financing activities		
Purchases and construction of property and equipment	(1,120,960)	(586,610)
Proceeds (payments) received from participation agreement	34,598	(471)
Capital contributed—tap fees	1,973,586	5,596,446
Payments received for loan to joint venture	84,629	81,768
Interest received (paid) from loan to joint venture	(26,361)	68,183
Net cash from capital and related financing activities	945,492	5,159,316
Cash flows from investing activities		
Net sale (purchase) of investments	(2,924,128)	4,940,000
Interest received in investments	2,148,327	2,260,253
Net cash from investing activities	(775,801)	7,200,253
Net change in cash and cash equivalents	722,055	12,949,633
Cash and cash equivalents—beginning of year	47,258,208	34,308,575
Cash and cash equivalents—end of year	$ 47,980,263	$ 47,258,208
Reconciliation of operating loss to net cash from operating activities		
Operating (loss)	$ (2,481,150)	$ (2,500,717)
Depreciation	1,625,769	1,639,057
Adjustments to reconcile operating loss to net cash from operating activities		
Change in accounts receivable	(84)	(1,133)
Change in prepaid expense	(724)	(1,942)
Change in inventory	(889)	5,297
Change in accounts payable and accrued liabilities	75,488	108,005
Change in developer advances	(7,296)	(6,623)
Net cash from operating activities	$ (788,886)	$ (758,056)
Schedule of noncash investing, capital and financing activities		
Property contributed by developers (Note 4)	$ 65,502	$ 175,947

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

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

1. Organization

Organization

Southgate Sanitation District (the District) is a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to develop and provide for the construction and maintenance of a wastewater system. Wastewater treatment is provided by the City of Englewood, and charges for these services are billed and collected directly from District customers by the City of Englewood.

2. Significant Accounting Policies

General Accounting Policies

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District presents its financial statements as an enterprise fund. Enterprise funds are used to account for operations (a) which are intended to be self-supporting through user charges or (b) where the Board of Directors has determined that periodic determination of net income is appropriate for management control and accountability.

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

2. Summary of Significant Accounting Policies (continued)

Fund Accounting - The District uses a proprietary fund type, as is required by the State of Colorado, and in accordance with generally accepted accounting principles.

Capital Assets- Capital assets consist of property, plant and equipment and are recorded at cost. Contributions from developers are recorded at the developers' cost or estimated fair market value. It is the District's policy to capitalize capital expenditures which exceed $5,000.

Depreciation has been charged by the straight-line method using the following estimated useful lives:

Building	25 years
Sewer lines and related facilities	40 years
Furniture, fixtures and vehicles	3-5 years
Master plan studies	5 years
Capital equipment	3-5 years

Property Tax - Property taxes are levied by December 31, based on the assessed valuation of the property as of the prior January 1. Property taxes are due on the following January 1. However, property taxes are collected on April 30, if paid in full, or February 28 and June 15, if paid in installments. The statement of net position reflects property taxes assessed in 2025 and 2024 as property tax receivable and deferred inflow of resources, since the District will not collect the 2025 taxes until 2026 or the 2024 taxes until 2025.

Budgetary Accounting - In accordance with the Colorado State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year.

The District's Board of Directors can modify the budget within the appropriation. The appropriation resolution may be amended only after completion of notification and publication requirements. The budget for the proprietary fund is prepared on a basis other than the financial reporting basis.

Cash Equivalents - For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Summary of Significant Accounting Policies (continued)

Fair Value- Certain District investments are required to be categorized within the fair value hierarchy. Government investment pools and money market funds are not required to be categorized. The District's investments in government-sponsored enterprises, U.S. Treasuries, Municipal Bonds and negotiable certificates of deposit are categorized as level 2 investments. Negotiable certificates of deposit are valued using a market value pricing model and U.S. Treasuries and Government Agency Bonds, Notes, Municipal and Corporate Bonds are priced by a computer pricing service, and for less traded issues, by utilizing a yield-based matrix pricing system.

Contributed Capital- System charges (tap fees) are recorded as revenue when received. The District, from time to time, requires developers to contract at their expense or pay the cost of certain wastewater collection and transmission facilities. The costs of construction are considered to be contributed capital when conveyed to the District.

Personal Leave Benefits - The District has a policy which allows employees to accumulate personal leave benefits on a monthly basis from the date of employment. Employees may accrue a maximum of 400 hours. (See Note 7, Related Party Transactions)

Inventories- Inventories are valued at the lower of cost or net realizable value and consist of expendable supplies.

Deferred Inflows of Resources- In addition to liabilities, the statement of net 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. Property tax revenue that is related to a future period is recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The net position amount is also adjusted by any bond issuance premiums and discounts. Net position is reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

2. Summary of Significant Accounting Policies (continued)

Operations - Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's ongoing operations. The District's principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

3. Cash Deposits, Marketable Securities and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by the statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District had cash balances on deposit with original maturities of less than three months stated at cost, which approximates market, as follows:

December 31, 2025	**Carrying**	**Bank**
Composition of cash balances:		
Cash in checking	$ 1,104,062	$ 1,162,003
December 31, 2024		
Composition of cash balances:		
Cash in checking	$ 816,120	$ 954,080

3. Cash Deposits, Marketable Securities and Investments (continued)

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2025 and 2024, the District's bank balance was not exposed to custodial credit risk. Of the bank balances, $250,000 was covered by federal depository insurance for each of the years ended December 31, 2025 and 2024. As of December 31, 2025 and 2024, $912,003 and $704,080, respectively, were collateralized by PDPA.

Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through PDPA.

Investments

Investment policies are governed by Colorado statute and the District’s own investment policies. Investments of the District may include the following (certain limitations apply):

- Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers’ acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from prevailing market interest rates, the District's investment policy states that the weighted average maturity of the portfolio shall be no greater than 2.5 years, and all investments shall have a final maturity not exceeding 5 years from the date of purchase.

Credit Risk - The District's investment policy is to apply the prudent person rule where investments are made as a prudent person would be expected to act. The District's investment policy limits investments in fixed income securities to U.S. Treasury bills, notes and bonds; certificates of deposit; commercial paper; money market mutual funds and local government investment pools. The investment policy limits investments in commercial paper to be rated A-1 by Standard & Poor's, P-1 by Moody's Investors Service or F-1 by Fitch at the time of purchase. Money market mutual funds must be registered as an investment company and have a rating of AAAm by Standard & Poor's, Aaa by Moody's Investors Service or AAAN1+ by Fitch. Investments in time certificates of deposit are not rated and must be in FDIC-insured banks or collateralized in accordance with PDPA.

3. Cash Deposits, Marketable Securities and Investments (continued)

As of December 31, 2025 and 2024, the District had $5,980,099 and $2,961,828, respectively, in U.S, Treasuries, U.S. Instrumentalities, Municipal Bonds and negotiable certificates of deposit. These investments in U.S. Treasuries and U.S. instrumentalities were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The District's investments in negotiable certificates of deposit are not rated. The Municipal Bond ratings will vary based on the issuing entity and specific bond characteristics.

Local Government Investment Pools - As of December 31, 2025 and 2024, the District had $46,876,201 and $46,442,088 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE. The three portfolios differ in the types of the investments held, but all invest in investments allowed by Colorado statutes for local governments. COLOTRUST PRIME AND COLOTRUST PLUS+ invest in securities with a weighted average maturity of 60 days or less, while COLOTRUST EDGE invests in securities with a weighted average maturity of less than five years. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. 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. These pools are not required to be, and are not, registered with the SEC.

COLOTRUST’s PRIME and PLUS+ funds are rated AAAm by Standard & Poor’s rating service. The COLOTRUST EDGE fund is rated AAAf/S1 by FitchRatings rating service. As of December 31, 2024, all COLOTRUST balances held by the District were invested in COLOTRUST PLUS+. COLOTRUST records its investments at net asset value and the District records its investment in COLOTRUST at fair value. There are no unfunded commitments, the redemption frequency is daily for COLOTRUST PRIME and COLOTRUST PLUS+, and weekly for COLOTRUST EDGE. There is no redemption notice period.

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2025 and 2024

3. Cash Deposits, Marketable Securities and Investments (continued)

At December 31, 2025, the District had the following investments and maturities:

Investment Type	Maturities: Less than one year	1-3 years	3-5 years	Fair Value	Percent of total investments
Negotiable Certificates of Deposit	1,219,251	493,868	247,366	1,960,485	33%
US Government Agency Bonds	-	1,504,291	1,501,970	3,006,261	50%
US Treasury Notes	-	762,419	-	762,419	13%
Corporate Bonds	-	250,934	-	250,934	4%
Total	$1,219,251	$3,011,512	$1,749,336	$ 5,980,099	100%

At December 31, 2024, the District had the following investments and maturities:

Investment Type	Maturities: Less than one year	1-3 years	3-5 years	Fair Value	Percent of total investments
Negotiable Certificates of Deposit	482,875	935,774	-	1,418,649	48%
US Government Agency Bonds	976,392	-	-	976,392	33%
Municipal Bonds	566,787	-	-	566,787	19%
Total	$2,026,054	$ 935,774	$ -	$ 2,961,828	100%

Concentration of Credit Risk - It is the intent of the District to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The District's policy specifies that at least 40% of the investment portfolio shall be in U.S. Treasury obligations. The maximum amount of the District's total portfolio that can be invested in federal instrumentality securities is 60%, commercial paper is 10% and 30% of the total portfolio in any combination of money market mutual funds and local government investment pools.

Investments in time certificates of deposit are allowed with maturities not exceeding five years from the trade date. The District's total portfolio was within these limits for the years ended December 31, 2025 and 2024.

Cash deposits and investments, as reflected on the December 31, 2025 statement of net position, are as follows:

Cash & cash equivalents	$ 47,980,263
Investments - current	1,219,251
Investments - noncurrent	4,760,848
Total	$ 53,960,362

3. Cash Deposits, Marketable Securities and Investments (continued)

Cash deposits and investments, as reflected on the December 31, 2024 statement of net position, are as follows:

Cash & cash equivalents	$ 47,258,208
Investments - current	2,026,054
Investments - noncurrent	935,774
Total	$ 50,220,036

4. Property, Plant and Equipment

In accordance with the policy established by the Board of Directors, the District capitalizes items with a useful life greater than one year. An analysis of the changes in property and equipment for the year ended December 31, 2025 follows:

	Balance December 31, 2024	Additions	Retirements / Transfers	Balance December 31, 2025
Capital assets, not being depreciated:				
Land	$ 11,100	$ -	$ -	$ 11,100
Easements	5,900	-	-	5,900
Construction in progress	536,489	1,061,897	-	1,598,386
Total capital assets, not being depreciated	553,489	1,061,897	-	1,615,386
Capital assets, being depreciated:				
Sewer system	60,971,908	65,502	-	61,037,410
Capital equipment	158,263	-	-	158,263
Buildings and improvements	1,791,162	59,063	-	1,850,225
Total capital assets, being depreciated	62,921,333	124,565	-	63,045,898
Total capital assets	63,474,822	1,186,462	-	64,661,284
Total accumulated depreciation	(23,156,466)	(1,625,769)	-	(24,782,235)
Total capital assets, net	$ 40,318,356	$ (439,307)	$ -	$ 39,879,049

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2025 and 2024

4. Property, Plant and Equipment (continued)

A summary of changes in property, plant and equipment for the year ended December 31, 2024 is as follows:

	Balance December 31, 2023	Additions	Retirements / Transfers	Balance December 31, 2024
Capital assets, not being depreciated:				
Land	$ 11,100	$ -	$ -	$ 11,100
Easements	5,900	-	-	5,900
Construction in progress	12,973	523,516	-	536,489
Total capital assets, not being depreciated	29,973	523,516	-	553,489
Capital assets, being depreciated:				
Sewer system	74,054,394	175,947	(13,258,433)	60,971,908
Special projects/studies	1,110,968	-	(1,110,968)	-
Capital equipment	2,650,929	28,206	(2,520,872)	158,263
Buildings and improvements	1,949,219	34,888	(192,945)	1,791,162
Total capital assets, being depreciated	79,765,510	239,041	(17,083,218)	62,921,333
Total capital assets	79,795,483	762,557	(17,083,218)	63,474,822
Total accumulated depreciation	(38,600,627)	(1,639,057)	17,083,218	(23,156,466)
Total capital assets, net	$ 41,194,856	$ (876,500)	$ -	$ 40,318,356

During 2025 and 2024, developers contributed $65,502 and $175,947, respectively, for sewer lines and easements.

During 2024, capital assets and the related accumulated depreciation of $17,083,218 were retired since they were fully depreciated and not in use.

5. Joint Venture

Effective August 1, 1990, the District entered into the Basin Interceptor Agreement (the Agreement) with three other governmental entities to provide for the maintenance and capital improvements of the Big Dry Creek Interceptor (the Interceptor). The other parties to this agreement are the City of Englewood (COE), South Arapahoe Sanitation District (SASD) and South Englewood Sanitation District No. 1. Portions of the Interceptor are titled in the name of the District, and other portions are titled in the name of COE.

This Agreement provides for a service fee for operations and maintenance of the Interceptor, which is billed to each customer in the service area by COE, as well as line charges for capital improvements to the Interceptor, which are charged by COE upon each new Single-Family Equivalent (SFE) tap sold.

These fees and charges are collected by COE and accounted for in a trust account and further segregated into a project fund and a maintenance fund. These accounts are maintained by COE. The District has been designated as project manager for the eight capital projects encompassed within the Agreement. As project manager, the District will be advanced funds sufficient to fund the projects. These advanced funds will be placed in a separate account, held in trust by the District, for payment of project costs. Upon completion of the project, remaining funds will be returned to the Project Fund maintained by COE. Any interest earned on the Project Fund shall be credited to the Joint Venture parties, according to their line charge payments, into the Project Fund. Upon completion of all projects, remaining funds in the Project Fund will be refunded to the Joint Venture parties in proportion to their line charges. Equity in the Interceptor is allocated to the District and COE as the parties holding an ownership interest in the Interceptor. Net earnings attributable to the Project Fund, as well as line charges treated as contributed capital, have been allocated to the District and COE based upon the estimated construction cost encompassed in each capital project and the respective Interceptor ownership. This amounts to 55% for the District and 45% for COE. Contributed capital recorded for specific project construction is allocated to the District and COE based upon their ownership portions of the capital project funded. Maintenance fund revenues have been allocated 67.7% to the District and 32.3% to COE, which is in proportion to their respective ownership/maintenance responsibilities of the Interceptor.

In 1990, the District negotiated an agreement with SASD to accommodate the District's entrance into the Joint Venture. The District will guarantee to SASD capacity usage of up to 13,331 SFE taps, only to the extent permitted and made possible by and through the Basin Interceptor Agreement. The District will pay the line charges for each new tap sold in the SASD area up to a limit of 1,000 taps, and the District will pay the balance owed SASD under a 1961 taps allotment agreement. SASD assigns any rights to reimbursement from the joint venture upon project completion to the District based upon the line charges paid by the District on SASD's behalf. In exchange, legal title to the segment of the Interceptor previously in SASD is transferred to the District.

5. Joint Venture (continued)

COE maintains the accounting records of the Joint Venture, which is included in the COE financial statements. COE can provide copies of the COE audited financial statements. As of the date of this report, stand-alone financial statements of the Joint Venture for the years ending December 31, 2004, through 2013 have not been audited.

The balance of the investment in the Joint Venture constitutes a significant estimate by management. District management believes that the allocation of Joint Venture income will not be significant to the District's financial statements, and the ongoing operations of the Joint Venture will not result in significant additional financial burden on the District. Total investment in the Joint Venture as of December 31, 2006, was $2,728,515. For the year ended December 31, 2007, the District received payment of its equity portion of the Joint Venture and therefore, no longer includes an investment on the balance sheet.

In 2007, it was agreed by all parties that the eight capacity capital projects stipulated by the agreement were complete. As a result, each party's equity portion of the Joint Venture was returned to them. The agreement calls for continued collection of base line charges used to progressively refund to participants the participants' previous expenses for capital projects, until each participant is fully reimbursed. Advance line charges collected in relation to the capacity projects were discontinued. The service charge billed by COE directly to customers was increased to fund future rehabilitation, replacement, continued maintenance and repayment of the loan to the Joint Venture. The service charge billed to customers is subject to periodic increases to maintaining funding requirements.

The loan to the Joint Venture from the District provided a starting balance in the Joint Venture for operations, rehabilitation and maintenance. The District loaned the Joint Venture $1,800,000. The loan bears annual interest of 3.5% and is due in annual installments each December 31, beginning in 2008, for 25 years.

A schedule of future receipts related to the loan is as follows:

Year	Principal	Interest	Total
2026	$ 87,592	$ 22,564	$ 110,156
2027	90,657	19,499	110,156
2028	93,830	16,326	110,156
2029	97,114	13,041	110,155
2030	100,513	9,642	110,155
2031-2032	174,987	8,607	183,594
	$ 644,693	$ 89,679	$ 734,372

6. Employee Retirement Benefits

In 1980, the District adopted a defined contribution money purchase pension plan administered by a third-party trustee. The administrator is responsible for establishing plan benefits, contributions and other provisions and for approving all plan amendments. The plan covers all employees of the District, who are age 18 and have entered the plan on January 1 following the date of initial employment and other contribution eligibility criteria. The District amended the plan on October 6, 2009, to allow plan entry for employees who are age 18 on the first day of the month following 6 months of employment.

Employees are fully vested after five years of service. The District contributes 7.5% of total employee compensation. There is no employee contribution required. The District's portion of the contribution attributable to 2025 and 2024 salaries was $59,778 and $54,779, respectively. There is no liability on the part of the District beyond the annual contribution. (See Note 7, Related Party Transactions)

7. Related Party Transactions

The District has an agreement to reimburse Southgate Water District for costs of services provided by the District's employees on behalf of the Southgate Water District. These costs include salaries, payroll expenses and employee benefits. For the years ended December 31, 2025 and 2024, reimbursements under the above agreements were $1,032,220 and $1,025,720, respectively. Related-party accounts receivable was $11,954 and $46,552 at December 31, 2025 and 2024, respectively.

The District acquired a one-half interest in the building and related office equipment of Southgate Water District under a capital lease which contained a purchase option under which the District purchased an undivided one-half interest in the building and equipment for $1 at August 15, 1994.

Subsequent to exercising this purchase option, the District entered into a Joint Use Agreement with Southgate Water District which provides for the joint use or right of use to certain assets and property, regardless of how these assets are titled.

8. Intergovernmental Agreement

The District entered into a connector's agreement on November 16, 1988, with COE. COE owns and operates a sewage system, including the sewage treatment plant that is jointly owned by the City of Littleton and is physically situated to receive and treat sewage collected by the District. COE bills District customers directly for use of the sewage treatment system.

8. Intergovernmental Agreement (continued)

The term of the agreement was for a three-year period with automatic renewals for six subsequent three-year periods, expiring on November 16, 2009. The District executed an amended agreement on April 6, 2009, to extend the agreement for an additional three years, plus six subsequent three-year renewals, expiring November 16, 2030.

9. Contingencies

The District has used the resources of COE for its sewage treatment. COE is a 50% participant in the Bi-City Joint Venture. The Bi-City Joint Venture has received notice from the Environmental Protection Agency that it is a "potentially responsible party" under the Comprehensive Environmental Response Compensation and Liability Act (as amended by the Superfund Amendment and Reauthorization Act), and may be required to share in the cost of a study and any clean-up of the Superfund site known as the Lowry Landfill. Under the Bi-City Joint Venture agreement, COE would be required to share 50% of any amounts assessed to the Bi-City Joint Venture. The District's percentage of the COE's assessment could be approximately 33%, although the District has not been named as a "potentially responsible party."

There is currently a movement in Congress to remove local governments from Superfund liability. The ultimate outcome of this matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements, although the District is sensitive to potential claims and has discussed utilization of reserves for this purpose.

10. Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“the Pool”). The Pool is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public official’s liability, property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. During the years ended December 31, 2025 and 2024, the Pool has made no distributions nor required additional contributions from the District.

10. Risk Management (continued)

In addition, the District has completed a vulnerability assessment and updated the emergency response plan as required by the Environmental Protection Agency of the United States government.

11. Tax Spending and Debt Limitation

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. Enterprises, defined by TABOR as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

TABOR establishes 1992 as the initial base for spending and revenue limits. Future spending and revenue limits can be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending (excluding bonded debt service). Excess funds within the spending and revenue limits can be reserved for general use and, when spent in subsequent years, are not subject to the spending limits mentioned above. The District's TABOR reserve at December 31, 2025 and 2024 is $54,845 and $52,277, respectively.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing taxes or spending above the limits prescribed above, increasing a mill levy, extending an expiring tax or implementing a tax policy change directly causing a net tax revenue gain to any local government. Multiple fiscal year debt requires voter approval, except for bond refinancing at lower interest rates or adding employees to existing pension plans.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors and qualifications as an Enterprise, will require judicial interpretation.

Supplementary Information

Southgate Sanitation District

Schedule of Revenues and Expenditures with Budget Comparison
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenue			
Property taxes	$ 1,300,000	$ 1,277,351	$ (22,649)
Specific ownership taxes	89,000	83,083	(5,917)
System charges	2,200,000	1,973,586	(226,414)
Rates and service charges	860,000	918,104	58,104
Plan review /inspection	10,000	44,390	34,390
Investment income	1,729,000	2,242,470	513,470
Interest income from COE loan	25,526	25,526	-
Project reimbursement - BDCI	3,800,000	-	(3,800,000)
Miscellaneous income	5,000	10,302	5,302
Total revenue	10,018,526	6,574,812	(3,443,714)
Expenditures			
Operating expenditures and capital outlay			
Accounting and audit	45,000	32,055	12,945
Election expense	100,000	-	100,000
Conferences and seminars	35,000	29,928	5,072
County Treasurer's fees	24,000	19,184	4,816
Directors' fees	7,500	4,500	3,000
Employee compensation	1,211,000	1,032,220	178,780
Insurance	60,000	55,302	4,698
Legal	32,000	29,580	2,420
Office expense	40,000	9,202	30,798
Special projects expensed	25,000	17,389	7,611
Engineering	90,000	93,311	(3,311)
Maintenance	670,000	339,446	330,554
Network administrative maintenance	109,000	74,576	34,424
Software / subscriptions	93,000	67,454	25,546
Small equipment	15,000	-	15,000
Utilities	44,000	43,214	786
Capital outlay	6,964,000	1,120,960	5,843,040
Contingency	50,000	-	50,000
Total expenditures	9,614,500	2,968,321	6,646,179
Excess of revenue over expenditures	404,026	$ 3,606,491	$ 3,202,465
Beginning funds available	50,584,226		
Ending funds available	$ 50,988,252		

Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP)	
Excess of revenues over expenditures, budgetary basis	$ 3,606,491
Adjustments	
Revenues which are not revenues for budgetary purposes	
Capital contributions	65,502
Expenses which are not expenditures for budgetary purposes	
Depreciation	(1,625,769)
Expenditures for budgetary purposes	
Capital outlay	1,120,960
Change in Net Position (GAAP basis)	$ 3,167,184

Southgate Sanitation District

Schedule of Revenues and Expenditures with Budget Comparison

For the Year Ended December 31, 2024

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenue			
Property taxes	$ 1,249,126	$ 1,286,222	$ 37,096
Specific ownership taxes	87,203	81,205	(5,998)
System charges	2,200,000	5,596,446	3,396,446
Rates and service charges	828,000	868,156	40,156
Plan review /inspection	10,000	12,400	2,400
Investment income	1,515,041	2,413,112	898,071
Interest income from COE loan	28,388	28,388	-
Project reimbursement - BDCI	3,800,000	-	(3,800,000)
Miscellaneous income	10,000	339	(9,661)
Total revenue	9,727,758	10,286,268	558,510
Expenditures			
Operating expenditures and capital outlay			
Accounting and audit	40,000	33,148	6,852
Election expense	-	-	-
Conferences and seminars	35,000	32,914	2,086
County Treasurer's fees	24,000	19,307	4,693
Directors' fees	7,500	4,900	2,600
Employee compensation	1,172,000	1,025,720	146,280
Insurance	60,000	53,145	6,855
Legal	32,000	26,337	5,663
Office expense	40,000	28,218	11,782
Special projects expensed	25,000	5,339	19,661
Engineering	89,000	91,947	(2,947)
Maintenance	450,000	254,439	195,561
Network administrative maintenance	96,000	74,576	21,424
Software / subscriptions	65,000	67,454	(2,454)
Small equipment	15,000	9,260	5,740
Utilities	44,000	35,158	8,842
Capital outlay	6,890,000	586,610	6,303,390
Contingency	50,000	-	50,000
Total expenditures	9,134,500	2,348,472	6,786,028
Excess of revenue over expenditures	593,258	$ 7,937,796	$ 7,344,538
Beginning funds available	46,821,950		
Ending funds available	$ 47,415,208		

Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP)	
Excess of revenues over expenditures, budgetary basis	$ 7,937,796
Adjustments	
Revenues which are not revenues for budgetary purposes	
Capital contributions	175,947
Expenses which are not expenditures for budgetary purposes	
Depreciation	(1,639,057)
Expenditures for budgetary purposes	
Capital outlay	586,610
Change in Net Position (GAAP basis)	$ 7,061,296