

**STRATMOOR HILLS WATER DISTRICT**

FINANCIAL STATEMENTS AND SUPPLEMENTAL  
INFORMATION

With Independent Auditors' Report

December 31, 2018 and 2017

**STRATMOOR HILLS WATER DISTRICT**  
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**DECEMBER 31, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Stratmoor Hills Water District

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stratmoor Hills Water District, as of December 31, 2018 and 2017, and the 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.

## ***Other-Matters***

### *Required Supplementary Information*

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

### *Other Information*

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

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
February 26, 2019

**STRATMOOR HILLS WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED DECEMBER 31, 2018**

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

**FINANCIAL HIGHLIGHTS**

- The District's assets of \$3,999,914 exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3,103,825 (*net position*). Of this amount, \$614,850 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 \$272,181.
- Capital assets net of depreciation increased \$423,319 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 Revenue, Expenses and Changes in Fund 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 Revenue, Expenses and Changes in Fund Net Position* - All revenue and expenses are accounted for in this statement. This statement measures the results from operations and can be used to determine whether the District's rates, fees and other charges are adequate to recover expenses.

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

## OVERALL FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. For the year ended December 31, 2018, the District's assets exceeded liabilities and deferred inflows by \$2,831,644 resulting in a positive net position. The following reflects key financial information in a condensed format:

### Condensed Statements of Net Position

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 1,388,366	\$ 1,075,204
Capital assets, net	<u>2,611,548</u>	<u>2,188,229</u>
Total assets	<u>3,999,914</u>	<u>3,263,433</u>
Long-term liabilities	-	-
Other liabilities	<u>896,089</u>	<u>330,504</u>
Total liabilities	<u>896,089</u>	<u>330,504</u>
Deferred inflows	<u>-</u>	<u>101,285</u>
Net position:		
Investment in capital assets	2,611,548	2,188,229
Unrestricted	<u>492,277</u>	<u>643,415</u>
Total net position	<u>\$ 3,103,825</u>	<u>\$ 2,831,644</u>

Unrestricted net position of the District at the end of the year was \$492,277, a \$151,138 or 23.5% decrease from the prior year.

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

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 1,709,767	\$ 1,550,794
Operating expenses	<u>(1,777,600)</u>	<u>(1,753,433)</u>
Operating income (loss)	(67,833)	(202,639)
Non-operating revenue and expenses, net	<u>229,419</u>	<u>139,233</u>
Income (loss) before contributions	161,586	(63,406)
Capital contributions	<u>110,595</u>	<u>367,580</u>
Change in net position	272,181	304,174
Net position, beginning	<u>2,831,644</u>	<u>2,527,470</u>
Net position, ending	<u>\$ 3,103,825</u>	<u>\$ 2,831,644</u>

## BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with state law. An analysis of budget results in the following observations:

- Tap Fees obtained from the Resident's at Stratmoor multi-family project came in as anticipated in 2018 but construction fell behind schedule. The funds received from this project will show up as unrestricted in 2019.
- Late charges and reconnect fees were lower than in previous years as a result of working with customers to pay bills on time.
- Capital expenses included replacing 1,900 feet of water main, installing 200 feet of water main with pressure regulating valve to interconnect two pressure zones and completely rehabilitating Well 10.
- To address the discovery of Perfluorinated compounds (PFCs) the Widefield Aquifer, the District relocated and installed water treatment equipment at the Well 10 site so that it could be placed back in operation.
- The District was awarded a grant for \$285,000 for the design and engineering of a new groundwater treatment plant that will eventually allow the District to treat all of its groundwater at one location.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets as of December 31, 2018 amounts to \$2,188,229. This investment in capital assets includes land and easements, water rights, plant, office building, equipment and vehicles, and construction in progress.

	<u>2018</u>	<u>2017</u>
Capital assets, not being depreciated	\$ 366,987	\$ 311,962
Capital assets, being depreciated	5,906,813	5,310,569
Less accumulated depreciation	<u>(3,662,252)</u>	<u>(3,434,302)</u>
Total capital assets, net	<u>\$ 2,611,548</u>	<u>\$ 2,188,229</u>

The improvements to the water tower and the addition of water treatment equipment increased the value of the District's assets.

### Long-Term Debt

There was no outstanding debt at December 31, 2018.

## **ECONOMIC FACTORS AND OUTLOOK**

*Budgetary Highlights* – Water sales were slightly less than projected in 2018 but they are expected to increase in 2019 as a result of some growth. Increased water rates may also decrease sales slightly.

*Economic and Environmental Factors* - More stringent drinking water regulations will continue to drive up the costs for providing drinking water. The District is committed to providing the necessary treatment to improve water quality and the District is moving forward with the design of a new centralized water treatment plant. The District has been approved for a State Revolving Fund loan for the construction of the plant.

The District is in the process of purchasing property for the construction of a water treatment plant that could begin construction as early as Fall of 2019.

The District is continuing to grow at a steady pace with a few multi-family housing projects under construction. Construction has begun on a 90 room Motel to be located within the District's service area. The District anticipates several smaller commercial projects to be added within the next couple of years.

## **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 Manager, Kirk Medina, at 719-576-0311 or 1811 B Street, Colorado Springs, CO 80906.

## **BASIC FINANCIAL STATEMENTS**

**STRATMOOR HILLS WATER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	947,439	\$ 574,432
Cash with County Treasurer	1,189	990
Accounts receivable	184,931	184,192
Property taxes receivable	-	101,285
Inventory	96,474	60,505
Prepaid water	92,456	92,456
Other prepaid expenses	65,876	61,344
Total current assets	1,388,366	1,075,204
Noncurrent assets:		
Capital assets, not being depreciated	366,987	311,962
Capital assets being depreciated, net	2,244,561	1,876,267
Total noncurrent assets	2,611,548	2,188,229
Total assets	3,999,914	3,263,433
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable, trade	53,807	61,768
Accounts payable, Stratmoor Hills Sanitation District	100,307	73,056
Escrow deposits	4,561	4,561
Payroll taxes payable	10,189	11,946
Compensated absences	30,195	20,826
Customer deposits	25,135	26,885
Unearned revenue	671,895	131,462
Total current liabilities	896,089	330,504
Total liabilities	896,089	330,504
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable property tax revenue	-	101,285
Total deferred inflow of resources	-	101,285
<b>NET POSITION</b>		
Investment in capital assets	2,611,548	2,188,229
Unrestricted	492,277	643,415
Total net position	\$ 3,103,825	\$ 2,831,644

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

**STRATMOOR HILLS WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>OPERATING REVENUE</b>		
Water sales	\$ 1,236,269	\$ 1,100,609
Water lease income	29,575	20,734
Maintenance contract income	240,000	240,000
Billing fees	154,492	145,972
Late fees	39,120	41,835
Other income	10,311	1,644
	<u>1,709,767</u>	<u>1,550,794</u>
<b>OPERATING EXPENSES</b>		
Water operations	1,398,461	1,390,739
General administration	147,821	148,772
Depreciation	231,318	213,922
	<u>1,777,600</u>	<u>1,753,433</u>
Total operating expenses	<u>1,777,600</u>	<u>1,753,433</u>
Operating income (loss)	<u>(67,833)</u>	<u>(202,639)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Property tax	98,649	94,741
Specific ownership tax	12,797	12,794
Investment income	14,936	4,376
Rental income	66,761	64,077
Interest expense	(151)	(4,489)
Fountain Valley Authority debt service	(44,772)	(54,708)
Gain (loss) on disposal of fixed assets	81,199	22,442
	<u>229,419</u>	<u>139,233</u>
Total non-operating revenue (expenses)	<u>229,419</u>	<u>139,233</u>
Income (loss) before capital contributions	<u>161,586</u>	<u>(63,406)</u>
Capital contributions - developer conveyance	-	249,304
Capital contributions - tap fees	110,595	118,276
	<u>110,595</u>	<u>367,580</u>
Total capital contributions	<u>110,595</u>	<u>367,580</u>
Change in net position	272,181	304,174
Net position-beginning	2,831,644	2,527,470
Net position-ending	<u>\$ 3,103,825</u>	<u>\$ 2,831,644</u>

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

**STRATMOOR HILLS WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,707,276	\$ 1,589,567
Cash payments to suppliers for goods and services	(1,026,884)	(1,128,182)
Cash payments to employees for services	(532,995)	(476,578)
Cash received from miscellaneous income	<u>66,761</u>	<u>64,077</u>
Net cash provided (used) by operating activities	<u>214,158</u>	<u>48,884</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from general and specific ownership tax revenues	<u>111,247</u>	<u>107,332</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Insurance recoveries	81,199	22,442
Tap fees	651,027	7,903
Purchase of capital assets	(654,637)	(197,860)
Fountain Valley Authority debt service	(44,772)	(54,708)
Bond principal payments	-	(130,000)
Interest paid	<u>(151)</u>	<u>(6,656)</u>
Net cash provided (used) by capital and related financing activities	<u>32,666</u>	<u>(358,879)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>14,936</u>	<u>4,376</u>
Net increase (decrease) in cash and cash equivalents	373,007	(198,287)
Cash and cash equivalents at beginning of year	<u>574,432</u>	<u>772,719</u>
Cash and cash equivalents at ending of year	<u><u>\$ 947,439</u></u>	<u><u>\$ 574,432</u></u>

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

**STRATMOOR HILLS WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income (loss)	<u>\$ (67,833)</u>	<u>\$ (202,639)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	231,318	213,922
Miscellaneous income	66,761	64,077
Change in assets and liabilities:		
<i>(Increase) decrease in:</i>		
Accounts receivable	(739)	39,228
Inventory	(35,969)	6,169
Prepaid water	-	-
Other prepaid expenses	(4,532)	4,029
<i>Increase (decrease) in:</i>		
Accounts payable	19,290	(70,273)
Accrued liabilities	-	(11,760)
Compensated absences payable	9,369	2,674
Payroll taxes payable	(1,757)	3,912
Customer deposits	<u>(1,750)</u>	<u>(455)</u>
 Total Adjustments	 <u>281,991</u>	 <u>251,523</u>
 Net Cash Provided (Used) by Operating Activities	 <u><u>\$ 214,158</u></u>	 <u><u>\$ 48,884</u></u>
 <b>Non cash investing, capital and financing activities</b>	 None	 None

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

## **NOTES TO FINANCIAL STATEMENTS**

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

The Stratmoor Hills Water District (the District) was organized under the laws of the State of Colorado to operate and maintain a special district for the purpose of transmission and distribution of water to the residents of the Stratmoor Hills subdivision located adjacent to the City of Colorado Springs, Colorado.

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*

The 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 fund 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.

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

*D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS 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.

*Accounts receivable*

The accounts receivable are due from a large number of customers for the purchase of water and for sanitation assessments. An allowance for doubtful accounts is not required as the District can place a lien on property for unpaid water sales.

*Inventory*

Inventory consists of materials and supplies and is valued at cost, which approximates market, using the first-in, first-out method.

*Prepaid water*

This account represents the conveyance service charges for water to be delivered in the next fiscal year by the Fountain Valley Authority.

*Other prepaid expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items are recorded as expenses when consumed rather than when purchased.

*Water rights*

The cost of water rights includes acquisition costs, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

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

*Capital Assets*

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 are depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of buildings, equipment and vehicles is computed using the straight-line method over the estimated useful lives of the depreciable property. The estimated useful lives are as follows:

Plant:	
Transmission and distribution lines	5 to 45 years
Storage facilities	10 to 60 years
Equipment	10 to 45 years
Office building:	
Building and improvements	5 to 25 years
Land improvements	5 years
Equipment and vehicles:	
Office equipment	5 to 7 years
Other equipment	5 to 12 years
Vehicles	5 years

*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.

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

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

*Deferred outflows/inflows of resources (continued)*

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 for the years ended December 31, 2018 and 2017 were 2.071 mills and 2.105 mills, respectively. The District's assessed valuations for 2018 and 2017 were \$48,902,690 and \$44,860,270, respectively.

*Compensated Absences*

Employees earn one week of vacation after one year of service and two weeks after two or more years of service and three weeks after ten or more years of service. Vacation is earned on an employee's anniversary. Sick leave is earned at the rate of two hours per pay period with a limit of 720 accumulated hours. A liability is recorded in the amount of the earned accumulated rights to receive vacation and sick leave benefits.

*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 water and sanitation assessments, late and reconnect charges, and inspection fees. Operating expenses include all expenses incurred to provide water services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

*F. 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.

*G. COMPARATIVE DATA AND RECLASSIFICATIONS*

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. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGET 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. The budgeted revenues and expenses represent the original budget adopted or as amended by the Board.

Expenditures may not legally exceed budgeted appropriations.

The District follows these procedures in establishing the budgetary data reflected in the Financial Statements.

1. Prior to October 15, administrative personnel submit to the Board of Directors a proposed operating budget for the following fiscal year (calendar) beginning January 1. The operating budget includes proposed expenses and the means for financing them.
2. The proposed budget is advertised as available for inspection and comment by the electorate of the District.
3. Prior to December 15, the Board legally adopts the budget.
4. In December, the Board certifies the mill levy to El Paso County.
5. During the year, formal budgetary integration is employed as a management control device.

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Cash deposits with financial institutions*

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

As of December 31, 2018 and 2017, the carrying amounts of the District’s deposits were \$798,601 and \$428,656, respectively and the bank balances were \$ 909,041 and \$440,692, respectively. Of the total bank balances, \$250,000 and \$285,302 were covered by FDIC insurance for the year ended December 31, 2018 and 2017, respectively. The remaining balances of \$659,041 and \$155,389 at December 31, 2018 and 2017, respectively, fall under the provisions of the Colorado Public Deposit Protection Acts which are collateralized in single institution pools.

*Investments*

The District is authorized by Colorado State 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:* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

*Credit Risk:* The State law limits investments as described above. The District does not have an investment policy that would further limit its investment choices. As of December 31, 2018, the District’s investments were rated AAA by Standard & Poor’s.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less Than 90 Days</u>	<u>90 Days to 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 5 Years</u>
COLOTRUST	\$ 148,838	\$ 148,838	\$ -	\$ -	\$ -

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

*Investments (continued)*

As of December 31, 2017 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>
COLOTRUST	\$ 145,776	\$ 145,776	\$ -	\$ -	\$ -

COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

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

*Reconciliation of Deposits and Investments to the Statements of Net Position*

The District's restricted and unrestricted deposits and investments consist of the following at December 31, 2018:

	<u>Unrestricted Assets</u>	<u>Restricted Assets</u>	<u>Total</u>
Demand accounts	\$ 798,601	\$ -	\$ 798,601
COLOTRUST	148,838	-	148,838
Total deposits and investments	<u>\$ 947,439</u>	<u>\$ -</u>	<u>\$ 947,439</u>

The District's restricted and unrestricted deposits and investments consist of the following at December 31, 2017:

	<u>Unrestricted Assets</u>	<u>Restricted Assets</u>	<u>Total</u>
Demand accounts	\$ 428,656	\$ -	\$ 428,656
COLOTRUST	145,776	-	145,776
Total deposits and investments	<u>\$ 574,432</u>	<u>\$ -</u>	<u>\$ 574,432</u>

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 4 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and easements	\$ 85,767	\$ 9,000	\$ -	\$ 94,767
Water rights	210,863	-	-	210,863
Construction in progress	<u>15,332</u>	<u>248,678</u>	<u>(202,653)</u>	<u>61,357</u>
Total capital assets, not being depreciated	<u>311,962</u>	<u>257,678</u>	<u>(202,653)</u>	<u>366,987</u>
Capital assets, being depreciated:				
Plant	4,470,387	525,525	-	4,995,912
Office building	308,582	-	-	308,582
Equipment and vehicles	<u>531,600</u>	<u>74,087</u>	<u>(3,368)</u>	<u>602,319</u>
Total capital assets, being depreciated	5,310,569	599,612	(3,368)	5,906,813
Less accumulated depreciation	<u>(3,434,302)</u>	<u>(231,318)</u>	<u>3,368</u>	<u>(3,662,252)</u>
Total capital assets, being depreciated, net	<u>1,876,267</u>	<u>368,294</u>	<u>-</u>	<u>2,244,561</u>
Total capital assets, net	<u>\$ 2,188,229</u>	<u>\$ 625,972</u>	<u>\$ (202,653)</u>	<u>\$ 2,611,548</u>

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and easements	\$ 85,767	\$ -	\$ -	\$ 85,767
Water rights	210,863	-	-	210,863
Construction in progress	<u>9,830</u>	<u>15,332</u>	<u>(9,830)</u>	<u>15,332</u>
Total capital assets, not being depreciated	<u>306,460</u>	<u>15,332</u>	<u>(9,830)</u>	<u>311,962</u>
Capital assets, being depreciated:				
Plant	4,044,927	425,460	-	4,470,387
Office building	311,083	2,500	(5,001)	308,582
Equipment and vehicles	<u>527,189</u>	<u>13,702</u>	<u>(9,291)</u>	<u>531,600</u>
Total capital assets, being depreciated	4,883,199	441,662	(14,292)	5,310,569
Less accumulated depreciation	<u>(3,234,672)</u>	<u>(213,922)</u>	<u>14,292</u>	<u>(3,434,302)</u>
Total capital assets, being depreciated, net	<u>1,648,527</u>	<u>227,740</u>	<u>-</u>	<u>1,876,267</u>
Total capital assets, net	<u>\$ 1,954,987</u>	<u>\$ 243,072</u>	<u>\$ (9,830)</u>	<u>\$ 2,188,229</u>

Depreciation expense was charged to functions/programs of as follows:	<u>2018</u>	<u>2017</u>
Operating expenses	<u>\$ 231,318</u>	<u>\$ 213,922</u>
Total depreciation expense	<u>\$ 231,318</u>	<u>\$ 213,922</u>

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 5 - WATER RIGHTS**

Water rights were composed of the following as of December 31, 2018 and 2017:

Acquired from the J. Fred Abrahamson Trust in 1986:

Rights to successive use water - up to 40 acre feet annually	\$ 9,000
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Acquired from the Hassler and Bates Company:

38.7961% ownership of water rights for 5.616 cubic feet per second of Laughlin Ditch and 1.736 cubic feet per second of Laughlin Ditch Enlargement	<u>201,863</u>
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Total Water Rights	<u>\$ 210,863</u>
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**NOTE 6 - OPERATING LEASE**

The District has entered into an agreement to lease up to 61.2039% of water rights for 5.616 cubic feet per second of Laughlin Ditch and 1.736 cubic feet per second of Laughlin Ditch Enlargement. The lease may be terminated by either party, lessor or lessee, upon 30 days written notice to the other party. The District has the first right of refusal upon the sale of this water. The District will be assessed a lease rental of \$75 per acre-foot for water used for municipal purposes under this lease agreement. The District has no obligation to lease any water under this lease agreement.

**NOTE 7 - NET POSITION**

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

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

	2018	2017
Investment in Capital Assets:		
Capital assets, net of depreciation	<u>\$ 2,611,548</u>	<u>\$ 2,188,229</u>
Total Investment in Capital Assets	<u>\$ 2,611,548</u>	<u>\$ 2,188,229</u>

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 7 - NET POSITION (CONTINUED)**

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 had no restricted balances for the years ended December 31, 2018 and 2017.

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. The District utilizes net position-unrestricted before using net position-restricted.

**NOTE 8 - TRANSACTIONS WITH RELATED DISTRICTS**

The District provides substantially all maintenance operations for the Stratmoor Hills Sanitation District. In exchange for these services, the Sanitation District paid \$240,000 to the Stratmoor Hills Water District for the years ended December 31, 2018 and 2017.

The District also bills and collects the Sanitation District's user charges each month, issuing a joint billing to the customers. The District paid the Sanitation District 85% of the sanitation assessments in 2018 and 2017. For the amount remaining, the District prepares and mails the monthly bills, pays postage, and bears all losses from uncollectible amounts. The totals received by the District for 2018 and 2017 were \$154,492 and \$145,972, respectively.

The District's five-member board is the same as that of the Stratmoor Hills Sanitation District. As a matter of expedience, the Stratmoor Hills Sanitation District pays all members of the board for director's fees and related payroll taxes for both districts. The Sanitation District then bills Stratmoor Hills Water District for their share of the director's fees and related payroll taxes.

As of December 31, 2018 and 2017 the District had accounts payable to the Stratmoor Hills Sanitation District of \$100,307 and \$73,056, respectively.

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 9 – JOINTLY GOVERNED ORGANIZATION**

The District owns a 2.99% share in the Fountain Valley Authority (the Authority) which was established on July 10, 1979, for the primary purpose of construction and operating a water treatment plant for its five customers, each of which owns and operates a water system.

The Authority is empowered to acquire, operate, manage, and maintain all facilities required to deliver treated potable water to its customers. Customers include the City of Colorado Springs, the City of Fountain, the Security Water District, the Stratmoor Hills Water District, and the Widefield Water and Sanitation District.

The United States Department of Interior, Bureau of Reclamation (Bureau), has agreed to supply to these five customers, up to 20,100 acre-feet of water annually from the Frying Pan Arkansas Project. The District has been allocated 2.99% of this total.

In addition, the Bureau constructed a pipeline (the Fountain Valley Conduit) to transport this water from the Pueblo Reservoir, approximately 25 miles north, to the site of each system.

The Bureau's pipeline is operated by the Authority which pays all operating expenses plus a conveyance charge. The conveyance charge is designed to amortize the cost of the pipeline over a forty-year period. At the end of this period, title to the pipeline may be transferred by Congress to the Authority. The conveyance charge is to be allocated among the governments, based on their participation percentage and scheduled water deliveries.

The Authority has constructed an 18,000,000 gallon-per-day water treatment plant located approximately 17 miles south of the City of Colorado Springs. The purpose of this treatment plant is to treat water obtained by the customers from the Frying Pan Arkansas Project. All water transmitted through the Fountain Valley Conduit is treated at this plant. All costs incurred by the Authority will be recovered through charges to be paid by the member governments.

The water treatment and delivery charges paid by the District to the Authority are recorded as operating expenses in the accompanying financial statements while debt service charges are budgeted and recorded separately.

The following payments were made by the District to the Authority during the years ended December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Conveyance and treatment	\$ 355,653	\$ 374,126
Debt service	<u>44,772</u>	<u>54,708</u>
Total	<u>\$ 400,425</u>	<u>\$ 428,834</u>

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 9– JOINTLY GOVERNED ORGANIZATION (CONTINUED)**

The joint venture summary financial information as of December 31, 2017 and 2016 (most recent available) is as follows:

	<u>2017</u>	<u>2016</u>
Assets and Deferred outflows	\$ <u>58,975,144</u>	\$ <u>58,449,573</u>
Liabilities	36,610,201	44,746,756
Net Position (deficit)	<u>22,364,943</u>	<u>13,702,817</u>
Total Liabilities and Net Position	<u>\$ 58,975,144</u>	<u>\$ 58,449,573</u>
Revenues	\$ 16,259,167	\$ 12,221,924
Expenditures	<u>(7,597,041)</u>	<u>(6,658,490)</u>
Change in Net Position	<u>\$ 8,662,126</u>	<u>\$ 5,563,434</u>

Long-term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
Revenue bonds	\$ 2,565,000	\$ -	\$ 835,000	\$ 1,730,000	\$ 850,000
Unamortized Premium	<u>99,148</u>	<u>-</u>	<u>33,993</u>	<u>65,155</u>	<u>-</u>
	2,664,148	-	868,993	1,795,155	850,000
Loans payable	3,296,466	-	606,353	2,690,113	617,315
Obligations under capital lease	<u>33,132,461</u>	<u>-</u>	<u>6,796,120</u>	<u>26,336,341</u>	<u>4,550,547</u>
Total	<u>\$ 39,093,075</u>	<u>\$ -</u>	<u>\$ 8,271,466</u>	<u>\$ 30,821,609</u>	<u>\$ 6,017,862</u>

**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. No settled claims resulting from these risks exceeded commercial insurance coverage during the last three fiscal years.

**STRATMOOR HILLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 11 – EMPLOYEE IRA**

The District has set up a Simple IRA for substantially all employees. Employees contribute at least 3% of compensation and the District contributes 3% of compensation. The employer's contributions for 2018 and 2017 were \$12,242 and \$8,983, respectively.

**NOTE 12 - AMENDMENT TO COLORADO CONSTITUTION**

Colorado's voters passed an amendment to the State Constitution, Article X, Section 20 ("Amendment"), which has several limitations, including raising revenue, spending abilities and other specific requirements of state and local governments. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10.0% of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment. The District is of the opinion that it qualifies for this exclusion. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. However, the District has made certain interpretations of the Amendments' language in order to determine its compliance.

## **SUPPLEMENTAL INFORMATION**

**STRATMOOR HILLS WATER DISTRICT**  
**SCHEDULE OF EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Water operations:		
Cost of water	\$ 37,301	\$ 40,143
Fountain Valley Authority - water conveyance, operations, etc.	355,653	374,126
Salaries and wages	528,366	474,181
Outside labor	19,346	10,580
Employee health insurance	101,530	76,947
FICA expense	39,344	37,862
Unemployment insurance	1,145	1,422
Workers compensation insurance	15,631	16,757
Retirement expense	12,242	8,983
Plant maintenance	116,945	167,724
Vehicle and equipment maintenance	35,668	20,650
Office building maintenance	13,409	23,834
Repairs and maintenance	4,451	670
Utilities	36,325	32,011
Engineering	7,949	23,235
Gas and oil	19,310	12,747
Supplies	8,213	3,227
Small tools	11,717	8,878
Uniforms	5,173	4,300
Testing and analysis	18,745	27,610
Equipment leases	3,240	5,258
Distribution system maintenance	354	15,545
Personnel expenses	3,430	1,237
Trash and recycling	2,974	2,812
Total water operations	\$ 1,398,461	\$ 1,390,739
General administration:		
Insurance	\$ 35,925	\$ 34,749
Billing	19,706	18,545
Postage	10,266	11,971
Meeting	5,780	5,248
Telephone	6,268	6,720
Audit	8,750	10,750
Legal	925	827
Office supplies	4,222	7,535
Dues and subscriptions	6,716	8,844
Training and education	6,273	5,622
Miscellaneous	1,051	(319)
Tax collection	1,517	1,421
Election expense	35	-
Bank/service charges	38,001	34,887
Other utilities	2,386	1,972
Total general administration	\$ 147,821	\$ 148,772

See the accompanying independent auditors' report.

**STRATMOOR HILLS WATER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND NET POSITION**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Water sales	\$ 1,386,000	\$ 1,236,269	\$ (149,731)
Water lease income	17,000	29,575	12,575
Maintenance contract income	240,000	240,000	-
Billing fees	147,000	154,492	7,492
Property tax	101,285	98,649	(2,636)
Specific ownership tax	10,800	12,797	1,997
Investment income	5,400	14,936	9,536
Rental income	72,000	66,761	(5,239)
Late charges	40,000	39,120	(880)
Miscellaneous income	600	10,311	9,711
Insurance recovery	-	81,199	81,199
Capital contributions - tap fees	250,000	110,595	(139,405)
Beginning fund balance	723,442	643,415	(80,027)
<b>TOTAL REVENUES</b>	<b>2,993,527</b>	<b>2,738,119</b>	<b>(255,408)</b>
<b>EXPENDITURES</b>			
Operating expenditures:			
Cost of water	40,000	37,301	2,699
Fountain Valley Authority - water conveyance, treatment, operating, etc.	462,000	355,653	106,347
Salaries and wages	525,212	528,366	(3,154)
Outside labor	25,000	19,346	5,654
Employee health insurance	120,000	101,530	18,470
FICA expense	40,179	39,344	835
Unemployment insurance	1,500	1,145	355
Workers compensation insurance	14,000	15,631	(1,631)
Retirement expense	14,715	12,242	2,473
Plant maintenance	70,000	116,945	(46,945)
Vehicle and equipment maintenance	50,000	35,668	14,332
Office building maintenance	15,000	13,409	1,591
Repairs and maintenance	25,000	4,451	20,549
Utilities	40,500	36,325	4,175
Engineering	50,000	7,949	42,051
Gas and oil	14,500	19,310	(4,810)
Supplies	15,000	8,213	6,787
Small tools	12,000	11,717	283
Uniforms	6,000	5,173	827
Testing and analysis	\$ 25,000	\$ 18,745	\$ 6,255

See the accompanying independent auditors' report.

**STRATMOOR HILLS WATER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND NET POSITION**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES (continued)</b>			
Equipment leases	\$ 5,000	\$ 3,240	\$ 1,760
Distribution system maintenance	140,000	354	139,646
Personnel expenses	-	3,430	(3,430)
Trash and recycling	-	2,974	(2,974)
<b>TOTAL OPERATING EXPENDITURES</b>	<b>1,710,606</b>	<b>1,398,461</b>	<b>315,119</b>
General and administrative expenditures:			
Insurance	37,000	35,925	1,075
Billing	20,000	19,706	294
Postage	15,000	10,266	4,734
Meeting	6,300	5,780	520
Telephone	11,000	6,268	4,732
Audit	9,000	8,750	250
Legal	10,000	925	9,075
Office supplies	10,000	4,222	5,778
Dues and subscriptions	10,000	6,716	3,284
Training and education	10,000	6,273	3,727
Miscellaneous	3,500	1,051	2,449
Tax collection	1,400	1,517	(117)
Election Expense	1,500	35	1,465
Bank/service charges	30,000	38,001	(8,001)
Other utilities	-	2,386	(2,386)
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENDITURES</b>	<b>174,700</b>	<b>147,821</b>	<b>26,879</b>
BOND INTEREST EXPENSE	200	151	49
FOUNTAIN VALLEY AUTHORITY DEBT SERVICE	60,000	44,772	15,228
CAPITAL EXPENDITURES	430,000	654,637	(224,637)
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,375,506</b>	<b>\$ 2,245,842</b>	<b>\$ 132,638</b>

See the accompanying independent auditors' report.

**STRATMOOR HILLS WATER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND NET POSITION**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018**

	<u>Actual</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ 492,277
Less:	
Beginning fund balance	(643,415)
Depreciation	(231,318)
Add:	
Capital expenditures	<u>654,637</u>
<b>CHANGE IN NET POSITION</b>	<u><u>\$ 272,181</u></u>

Ending fund balance is calculated as follows:

Current assets	1,388,366
Current liabilities	<u>(896,089)</u>
	<u><u>\$ 492,277</u></u>

See the accompanying independent auditors' report.