

**STRATMOOR HILLS SANITATION
DISTRICT**

FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION

With Independent Auditors' Report

December 31, 2019 and 2018

**STRATMOOR HILLS SANITATION DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Stratmoor Hills Sanitation District

We have audited the accompanying financial statements of Stratmoor Hills Sanitation District, which comprise the statements of net position as of December 31, 2019 and 2018, 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 Sanitation District, as of December 31, 2019 and 2018, 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise Stratmoor Hills Sanitation 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
May 11, 2020

STRATMOOR HILLS SANITATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2019

As management of Stratmoor Hills Sanitation District (the District) we offer readers of the District’s annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The District’s total assets of \$1,980,377 exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$1,959,087 (*net position*). Of this amount, \$942,372 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 \$256,357.
- Capital assets net of depreciation increased by \$92,068 from the prior year.
- Operating revenues increased by \$129,736 from the previous 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 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) and obligations (liabilities) and deferred inflows and outflows. The difference between assets and 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 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, 2019, the District's assets exceeded liabilities and deferred inflows by \$1,959,087 resulting in a positive net position. The following reflects key financial information in a condensed format:

Condensed Statements of Net Position

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 951,662	\$ 841,057
Capital assets, net	<u>1,028,715</u>	<u>936,647</u>
Total assets	<u>1,980,377</u>	<u>1,777,704</u>
Liabilities:		
Other liabilities	<u>21,290</u>	<u>74,974</u>
Total liabilities	<u>21,290</u>	<u>74,974</u>
Net position:		
Investment in capital assets		936,647
Unrestricted	<u>942,372</u>	<u>766,083</u>
Total net position	<u>\$ 1,959,087</u>	<u>\$ 1,702,730</u>

Unrestricted net position of the District at the end of the year was \$942,372, an increase of \$176,289 from the prior year.

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

	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 1,159,681	\$ 1,029,945
Operating expenses	<u>(980,578)</u>	<u>(958,603)</u>
Operating income (loss)	179,103	71,342
Non-operating revenue and expenses, net	<u>12,787</u>	<u>42,167</u>
Income (Loss) before contributions	191,890	113,509
Capital contributions	<u>64,467</u>	<u>12,005</u>
Change in net position	256,357	125,514
Net position, beginning	<u>1,702,730</u>	<u>1,577,216</u>
Net position, ending	<u>\$ 1,959,087</u>	<u>\$ 1,702,730</u>

BUDGETARY HIGHLIGHTS

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

- Sanitation assessments came in \$34,201 more than anticipated in 2019.
- Operating expenses were \$120,500 less than anticipated in 2019.
- Capital outlays were \$99,998 less than anticipated in 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of December 31, 2019 amounts to \$1,028,715. This investment in capital assets includes land and easements, sewage plants, buildings and improvements, and equipment.

	<u>2019</u>	<u>2018</u>
Capital assets, not being depreciated	\$ 12,000	\$ 211,608
Capital assets, being depreciated	2,274,289	1,931,050
Less accumulated depreciation	<u>(1,257,574)</u>	<u>(1,206,011)</u>
Total capital assets, net	<u>\$ 1,028,715</u>	<u>\$ 936,647</u>

Major capital asset acquired during the year included continued upgrading lift stations and equipment additions.

Long-Term Debt

The District has no long-term debt at December 31, 2019.

ECONOMIC FACTORS AND OUTLOOK

Budgetary Highlights – Connection fees are expected to decrease in 2020 but total revenues are expected to stay about the same. Plant maintenance costs are expected to be similar to 2019 with a 50% (\$40,000) planned increase in collection system and other equipment maintenance. Capital outlays are budgeted at \$200,000 an increase of about \$50,000 from 2019 outlays.

Economic and Environmental Factors – The District's sewer maintenance and inspection program continues to identify areas in need of repairs and capital projects have been added to address these challenges. The B Plant lift station project was completed in 2019. Other lift station improvement projects are included in the capital improvement program.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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, Kevin Niles, at 719-576-0311 or at 1811 B Street, Colorado Springs, Colorado 80906.

BASIC FINANCIAL STATEMENTS

STRATMOOR HILLS SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 786,015	\$ 731,198
Cash with County Treasurer	-	304
Accounts receivable - Stratmoor Hills Water District	154,637	100,307
Prepaid expenses	<u>11,010</u>	<u>9,248</u>
Total current assets	<u>951,662</u>	<u>841,057</u>
Noncurrent assets:		
Capital assets not being depreciated	12,000	211,608
Capital assets being depreciated, net	<u>1,016,715</u>	<u>725,039</u>
Total noncurrent assets	<u>1,028,715</u>	<u>936,647</u>
Total assets	<u>1,980,377</u>	<u>1,777,704</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	962	14,151
Payroll taxes payable	734	626
Unearned revenue	<u>19,594</u>	<u>60,197</u>
Total current liabilities	<u>21,290</u>	<u>74,974</u>
 NET POSITION		
Investment in capital assets	1,016,715	936,647
Unrestricted	<u>942,372</u>	<u>766,083</u>
Total net position	<u><u>\$ 1,959,087</u></u>	<u><u>\$ 1,702,730</u></u>

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

STRATMOOR HILLS SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING REVENUE		
Sanitation assessments	\$ 1,159,681	\$ 1,029,945
Total operating revenue	1,159,681	1,029,945
OPERATING EXPENSES		
Sanitation operations	721,100	734,624
General administration	202,031	181,358
Depreciation	57,447	42,621
Total operating expenses	980,578	958,603
Operating income (loss)	179,103	71,342
NON-OPERATING REVENUE (EXPENSES)		
Property tax	-	26,681
Specific ownership tax	-	3,465
Investment income	13,253	12,021
Other	21	-
Loss on disposal of capital assets	(487)	-
Total non-operating revenue	12,787	42,167
Income (loss) before capital contributions	191,890	113,509
Capital contributions - tap fees	64,467	12,005
Total capital contributions	64,467	12,005
Change in net position	256,357	125,514
Net position-beginning	1,702,730	1,577,216
Net position-ending	\$ 1,959,087	\$ 1,702,730

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

**STRATMOOR HILLS SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,064,747	\$ 1,062,891
Cash payments to suppliers for goods and services	(937,973)	(919,365)
Cash received from other sources	21	-
	126,795	143,526
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received from general and specific ownership tax revenues	304	30,110
	304	30,110
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(150,002)	(263,355)
Capital contributions	64,467	12,005
	(85,535)	(251,350)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	13,253	12,021
	13,253	12,021
Net increase (decrease) in cash and cash equivalents	54,817	(65,693)
Cash and cash equivalents, beginning of year	731,198	796,891
	\$ 786,015	\$ 731,198

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

**STRATMOOR HILLS SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 179,103	\$ 71,342
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation	57,447	42,621
Other revenue	21	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(54,330)	(27,251)
(Increase) decrease in prepaid expenses	(1,762)	897
Increase (decrease) in accounts payable	(13,081)	(4,280)
Increase (decrease) in unearned revenue	(40,603)	60,197
Total Adjustments	(52,308)	72,184
Net Cash Provided (Used) by Operating Activities	\$ 126,795	\$ 143,526
Non cash investing, capital and financing activities	None	None

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

NOTES TO FINANCIAL STATEMENTS

STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Stratmoor Hills Sanitation District (the District) was organized under the laws of the State of Colorado to operate and maintain a special district for the purpose of collection and treatment of wastewater for 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, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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 SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and cash equivalents

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

Accounts Receivable-Stratmoor Hills Water District

Accounts Receivable is related to billing and other transactions between the two districts. An allowance for doubtful accounts is not considered necessary as all amounts are expected to be paid.

Capital Assets

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are recorded at acquisition value.

If proprietary fund assets are constructed, interest is capitalized on the assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

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:

Sewage infrastructure:	
Collection and transmission lines	10 to 50 years
Other infrastructure	12 to 50 years
Equipment	5 to 10 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 SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION
(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 were 0.000 and 0.583 for the years ended December 31, 2019 and 2018, respectively. The District's assessed valuations for 2019 and 2018 were \$46,048,340 and \$47,039,670, respectively

Operating and non-operating revenues and expenses

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

F. ESTIMATES

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

G. COMPARATIVE DATA 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.

**STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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, 2019 and 2018, the carrying amounts of the District's deposits were \$679,256 and \$626,902, respectively and the bank balances were \$722,935 and \$621,853, respectively. Of the total bank balances, \$250,000 and \$250,000 were covered by FDIC insurance for the years ended December 31, 2019 and 2018, respectively. The remaining balances of \$472,935 and \$376,902 at December 31, 2019 and 2018, respectively, fall under the provisions of the Colorado Public Deposit Protection Acts which are collateralized in single institution pools.

**STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2019, the District’s investments were rated AAA by Standard & Poor’s.

As of December 31, 2019 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	\$ 106,759	\$ 106,759	\$ -	\$ -	\$ -

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	\$ 104,296	\$ 104,296	\$ -	\$ -	\$ -

**STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

Reconciliation of Deposits and Investments to the Statements of Net Position

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents:		
Deposits	\$ 679,256	\$ 626,902
COLOTRUST	<u>106,759</u>	<u>104,296</u>
	<u>\$ 786,015</u>	<u>\$ 731,198</u>

**STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land Easements	\$ 12,000	\$ -	\$ -	\$ 12,000
Construction in progress	<u>199,608</u>	<u>51,675</u>	<u>251,283</u>	<u>-</u>
Total capital assets not being depreciated	<u>211,608</u>	<u>51,675</u>	<u>251,283</u>	<u>12,000</u>
Capital assets, being depreciated:				
Collection and transmission lines	1,400,846	-	3,002	1,397,844
Other infrastructure	361,387	251,283	3,369	609,301
3,369	<u>168,817</u>	<u>98,327</u>	<u>-</u>	<u>267,144</u>
Total capital assets, being depreciated	1,931,050	349,610	(6,371)	2,274,289
Less accumulated depreciation	<u>(1,206,011)</u>	<u>(57,447)</u>	<u>5,884</u>	<u>1,257,574</u>
Total capital assets, being depreciated net	<u>725,038</u>	<u>292,163</u>	<u>487</u>	<u>1,016,715</u>
Total capital assets , net	<u>\$ 936,647</u>	<u>\$ 343,838</u>	<u>\$ (251,770)</u>	<u>\$ 1,028,715</u>

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 Easements	\$ 3,000	\$ 9,000	\$ -	\$ 12,000
Construction in progress	<u>52,630</u>	<u>146,978</u>	<u>-</u>	<u>199,608</u>
Total capital assets not being depreciated	<u>55,630</u>	<u>155,978</u>	<u>-</u>	<u>201,608</u>
Capital assets, being depreciated:				
Collection and transmission lines	1,301,010	99,836	-	1,400,846
Other infrastructure	362,572	-	1,185	361,387
Equipment	<u>161,276</u>	<u>7,541</u>	<u>-</u>	<u>168,817</u>
Total capital assets, being depreciated	1,824,858	107,377	1,185	1,931,050
Less accumulated depreciation	<u>(1,164,575)</u>	<u>(42,621)</u>	<u>(1,185)</u>	<u>(1,206,011)</u>
Total capital assets being depreciated, net	<u>660,283</u>	<u>64,756</u>	<u>-</u>	<u>725,039</u>
Total capital assets, net	<u>\$ 715,913</u>	<u>\$ 220,734</u>	<u>\$ -</u>	<u>\$ 936,647</u>

**STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	2019	2018
Depreciation expense was charged to functions/programs of as follows:		
Sanitation operations	<u>\$ 57,447</u>	<u>\$ 42,621</u>

NOTE 5 – 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, 2019 and 2018, net investment in capital assets was as follows:

	2019	2018
Investment in Capital Assets:		
Capital assets, net of depreciation	<u>\$ 1,016,715</u>	<u>\$ 936,647</u>

Net position-restricted is the difference between non-capital assets whose use is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation, and related liabilities and deferred inflows of resources (excluding capital-related borrowings). The District has no restricted balances for years ended December 31, 2019 and 2018.

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

NOTE 6 - TRANSACTIONS WITH RELATED DISTRICTS

Stratmoor Hills Water District provides substantially all maintenance operations for Stratmoor Hills Sanitation District. In exchange for these services, the Sanitation District paid \$240,000 for the years ended December 31, 2019 and 2018.

The District sells its accounts receivable for sewer services to the Stratmoor Hills Water District for billing and collection. The Water District pays the Sanitation District \$.85 for each \$1.00 of billings and is thus compensated \$.15 for each \$1.00 of billings purchased. The total collection fee paid to the Water District was \$173,952 and \$154,492 for the years ended December 31, 2019 and 2018, respectively.

The District’s five-member board is the same as that of the Stratmoor Hills Water District. As a matter of expedience, Stratmoor Hills Sanitation District pays all members of the board for directors’ 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.

**STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 - TRANSACTIONS WITH RELATED DISTRICTS (CONTINUED)

As of December 31, 2019 and 2018 the District had accounts receivable from Stratmoor Hills Water District of \$154,637 and \$100,307, respectively.

NOTE 7 - 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage during any of the last three fiscal years.

NOTE 8 - 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 SANITATION DISTRICT
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Sanitation operations:		
Sewage treatment	\$ 395,638	\$ 397,001
Maintenance contract	240,000	240,000
Plant maintenance	64,228	73,363
Utilities	5,187	5,424
Supplies	9,382	10,417
Equipment & vehicle maintenance	6,665	1,017
Engineering	-	7,402
	<u> </u>	<u> </u>
Total sanitation operations	<u>\$ 721,100</u>	<u>\$ 734,624</u>
General administration:		
Insurance	\$ 8,366	\$ 10,145
Collection fees	173,952	154,492
Meetings	7,805	5,780
Audit	4,660	4,400
Legal	52	59
Dues and subscriptions	1,716	1,190
Miscellaneous	2,660	4,857
Tax collection	-	400
Election expense	2,820	35
	<u> </u>	<u> </u>
Total general administration	<u>\$ 202,031</u>	<u>\$ 181,358</u>

See the accompanying independent auditors' report.

STRATMOOR HILLS SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Sanitation assessments	\$ 1,125,480	\$ 1,159,681	\$ 34,201
Investment income	11,000	13,253	2,253
Tap fees	35,000	64,467	29,467
Other	-	21	
Beginning fund balance	671,638	766,083	94,445
Total revenues	<u>1,843,118</u>	<u>2,003,505</u>	<u>160,366</u>
EXPENDITURES			
Operating expenditures:			
Sewage treatment	415,000	395,638	19,362
Maintenance contract	240,000	240,000	-
Plant maintenance	126,600	64,228	62,372
Utilities	10,000	5,187	4,813
Supplies	20,000	9,382	10,618
Equipment & vehicle maintenance	20,000	6,665	13,335
Engineering	10,000	-	10,000
Total operating expenditures	<u>841,600</u>	<u>721,100</u>	<u>120,500</u>
General and administrative expenditures:			
Insurance	11,487	8,366	3,121
Collection fees	153,000	173,952	(20,952)
Meetings	6,667	7,805	(1,138)
Audit	6,000	4,660	1,340
Legal	1,000	52	948
Dues and subscriptions	2,600	1,716	884
Miscellaneous	100	2,660	(2,560)
Bank fees	100	-	100
FICA expense	500	-	500
Election Expense	-	2,820	(2,820)
Total general and administrative expenditures	<u>\$ 181,454</u>	<u>\$ 202,031</u>	<u>\$ (20,577)</u>

See the accompanying independent auditors' report.

STRATMOOR HILLS SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (continued)			
Capital expenditures	\$ 250,000	\$ 150,002	\$ 99,998
TOTAL EXPENDITURES	\$ 1,273,054	1,073,133	\$ 199,921
EXCESS OF REVENUES OVER EXPENDITURES		930,372	
Add:			
Capital expenditures		150,002	
Less:			
Beginning fund balance		(766,083)	
Depreciation		(57,447)	
Loss on asset removal		(487)	
CHANGE IN NET POSITION		\$ 256,357	
Ending fund balance is calculated as follows:			
Current assets		\$ 951,662	
Current liabilities		(21,290)	
		\$ 930,372	

See the accompanying independent auditors' report.