

**STRATMOOR HILLS SANITATION
DISTRICT**

FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION
With Independent Auditors' Report

December 31, 2020 and 2019

**STRATMOOR HILLS SANITATION DISTRICT
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DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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
March 12, 2021

STRATMOOR HILLS SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2020

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, 2020. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The District's total assets of \$2,189,124 exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$2,188,539 (*net position*). Of this amount, \$1,239,305 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 \$229,452.
- Capital assets net of depreciation decreased by \$67,481 from the prior year.
- Operating revenues increased by \$32,674 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, 2020, the District's assets exceeded liabilities and deferred inflows by \$2,188,539 resulting in a positive net position. The following reflects key financial information in a condensed format:

Condensed Statements of Net Position

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 1,227,890	\$ 951,662
Capital assets, net	<u>961,234</u>	<u>1,028,715</u>
Total assets	<u>2,189,124</u>	<u>1,980,377</u>
Liabilities:		
Other liabilities	<u>585</u>	<u>21,290</u>
Total liabilities	<u>585</u>	<u>21,290</u>
Net position:		
Investment in capital assets	949,234	1,016,715
Unrestricted	<u>1,239,305</u>	<u>942,372</u>
Total net position	<u>\$ 2,188,539</u>	<u>\$ 1,959,087</u>

Unrestricted net position of the District at the end of the year was \$1,239,305, an increase of \$296,933 from the prior year.

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

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 1,192,355	\$ 1,159,681
Operating expenses	<u>(985,553)</u>	<u>(980,578)</u>
Operating income (loss)	206,802	179,103
Non-operating revenue and expenses, net	<u>649</u>	<u>12,787</u>
Income (Loss) before contributions	207,451	191,890
Capital contributions	<u>22,001</u>	<u>64,467</u>
Change in net position	229,452	256,357
Net position, beginning	<u>1,959,087</u>	<u>1,702,730</u>
Net position, ending	<u>\$ 2,188,539</u>	<u>\$ 1,959,087</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 \$66,875 more than anticipated in 2020.
- Operating expenses were \$117,673 less than anticipated in 2020.
- Capital outlays were \$198,305 less than anticipated in 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of December 31, 2020 amounts to \$961,234. This investment in capital assets includes land and easements, sewage plants, buildings and improvements, and equipment.

	<u>2020</u>	<u>2019</u>
Capital assets, not being depreciated	\$ 12,000	\$ 12,000
Capital assets, being depreciated	2,242,496	2,274,289
Less accumulated depreciation	<u>(1,293,262)</u>	<u>(1,257,574)</u>
Total capital assets, net	<u>\$ 961,234</u>	<u>\$ 1,028,715</u>

The only capital asset acquired during the year consisted of a locator.

Long-Term Debt

The District has no long-term debt at December 31, 2020.

ECONOMIC FACTORS AND OUTLOOK

Budgetary Highlights – Connection fees are expected to increase in 2021 and total revenues are expected to stay about the same. Total repair and maintenance costs are expected to be similar too. Capital outlays are budgeted at \$200,000 which is the same as 2020.

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. Grahams lift station is scheduled for updated improvements in 2021.

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, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 1,049,015	\$ 786,015
Accounts receivable - Stratmoor Hills Water District	170,010	154,637
Prepaid expenses	<u>8,865</u>	<u>11,010</u>
Total current assets	<u>1,227,890</u>	<u>951,662</u>
Noncurrent assets:		
Capital assets not being depreciated	12,000	12,000
Capital assets being depreciated, net	<u>949,234</u>	<u>1,016,715</u>
Total noncurrent assets	<u>961,234</u>	<u>1,028,715</u>
Total assets	<u>2,189,124</u>	<u>1,980,377</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	-	962
Payroll taxes payable	585	734
Unearned revenue	<u>-</u>	<u>19,594</u>
Total current liabilities	<u>585</u>	<u>21,290</u>
 NET POSITION		
Investment in capital assets	949,234	1,016,715
Unrestricted	<u>1,239,305</u>	<u>942,372</u>
Total net position	<u>\$ 2,188,539</u>	<u>\$ 1,959,087</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
Sanitation assessments	\$ 1,192,355	\$ 1,159,681
Total operating revenue	<u>1,192,355</u>	<u>1,159,681</u>
OPERATING EXPENSES		
Sanitation operations	715,827	721,100
General administration	205,706	202,031
Depreciation	<u>64,020</u>	<u>57,447</u>
Total operating expenses	<u>985,553</u>	<u>980,578</u>
Operating income (loss)	<u>206,802</u>	<u>179,103</u>
NON-OPERATING REVENUE (EXPENSES)		
Investment income	4,505	13,253
Other	-	21
Loss on disposal of capital assets	<u>(3,856)</u>	<u>(487)</u>
Total non-operating revenue	<u>649</u>	<u>12,787</u>
Income (loss) before capital contributions	<u>207,451</u>	<u>191,890</u>
Capital contributions - tap fees	<u>22,001</u>	<u>64,467</u>
Total capital contributions	<u>22,001</u>	<u>64,467</u>
Change in net position	229,452	256,357
Net position-beginning	<u>1,959,087</u>	<u>1,702,730</u>
Net position-ending	<u><u>\$ 2,188,539</u></u>	<u><u>\$ 1,959,087</u></u>

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, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,157,388	\$ 1,064,747
Cash payments to suppliers for goods and services	(920,499)	(937,973)
Cash received from other sources	-	21
	236,889	126,795
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received from general and specific ownership tax revenues	-	304
	-	304
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,695)	(150,002)
Proceeds from sale of assets	1,300	-
Capital contributions	22,001	64,467
	21,606	(85,535)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	4,505	13,253
	4,505	13,253
Net increase (decrease) in cash and cash equivalents	263,000	54,817
Cash and cash equivalents, beginning of year	786,015	731,198
	\$ 1,049,015	\$ 786,015
Cash and cash equivalents, end of the year	\$ 1,049,015	\$ 786,015

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, 2020 AND 2019**

	2020	2019
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 206,802	\$ 179,103
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation	64,020	57,447
Other revenue	-	21
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(15,373)	(54,330)
(Increase) decrease in prepaid expenses	2,145	(1,762)
Increase (decrease) in accounts payable	(962)	(13,081)
Increase (decrease) in payroll taxes payable	(149)	-
Increase (decrease) in unearned revenue	(19,594)	(40,603)
Total Adjustments	30,087	(52,308)
Net Cash Provided (Used) by Operating Activities	\$ 236,889	\$ 126,795
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, 2020 AND 2019**

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.

**STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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.

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, 2020 AND 2019**

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

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, 2020 AND 2019**

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, 2020 and 2019, the carrying amounts of the District's deposits were \$941,477 and \$679,256, respectively and the bank balances were \$942,160 and \$722,935, respectively. Of the total bank balances, \$250,000 and \$250,000 were covered by FDIC insurance for the years ended December 31, 2020 and 2019, respectively. The remaining balances of \$692,160 and \$472,935 at December 31, 2020 and 2019, 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, 2020 AND 2019**

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, 2020, the District’s investments were rated AAA by Standard & Poor’s.

As of December 31, 2020 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	<u>\$ 107,538</u>	<u>\$ 107,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	<u>\$ 106,759</u>	<u>\$ 106,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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>2020</u>	<u>2019</u>
Cash and cash equivalents:		
Deposits	\$ 941,477	\$ 679,256
COLOTRUST	<u>107,538</u>	<u>106,759</u>
	<u>\$ 1,049,015</u>	<u>\$ 786,015</u>

**STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
Capital assets, being depreciated:				
Collection and transmission lines	1,397,844	-	(16,066)	1,381,778
Other infrastructure	609,301	-	-	609,301
Equipment	<u>267,144</u>	<u>1,695</u>	<u>(17,422)</u>	<u>251,417</u>
Total capital assets, being depreciated	2,274,289	1,695	(33,488)	2,242,496
Less accumulated depreciation	<u>(1,257,574)</u>	<u>(64,020)</u>	<u>28,332</u>	<u>(1,293,262)</u>
Total capital assets, being depreciated net	<u>1,016,715</u>	<u>(62,325)</u>	<u>(5,156)</u>	<u>949,234</u>
Total capital assets , net	<u>\$ 1,028,715</u>	<u>\$ (62,325)</u>	<u>\$ (5,156)</u>	<u>\$ 961,234</u>

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
Equipment	<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>

**STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019, net investment in capital assets was as follows:

	2020	2019
Investment in Capital Assets:		
Capital assets, net of depreciation	\$ 949,234	\$ 1,016,715

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, 2020 and 2019.

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, 2020 and 2019.

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 \$178,844 and \$173,952 for the years ended December 31, 2020 and 2019, 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.

As of December 31, 2020 and 2019 the District had accounts receivable from Stratmoor Hills Water District of \$170,010 and \$154,637, respectively.

**STRATMOOR HILLS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Sanitation operations:		
Sewage treatment	\$ 430,281	\$ 395,638
Maintenance contract	240,000	240,000
Plant maintenance	19,730	64,228
Utilities	4,990	5,187
Supplies	15,103	9,382
Equipment & vehicle maintenance	5,723	6,665
	<u> </u>	<u> </u>
Total sanitation operations	<u>\$ 715,827</u>	<u>\$ 721,100</u>
General administration:		
Insurance	\$ 8,041	\$ 8,366
Collection fees	178,844	173,952
Meetings	8,245	7,805
Audit	4,900	4,660
Legal	-	52
Dues and subscriptions	2,036	1,716
Miscellaneous	2,298	2,660
Election expense	1,342	2,820
	<u> </u>	<u> </u>
Total general administration	<u>\$ 205,706</u>	<u>\$ 202,031</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, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Sanitation assessments	\$ 1,125,480	\$ 1,192,355	\$ 66,875
Investment income	14,000	4,505	(9,495)
Tap fees	30,000	22,001	(7,999)
Proceeds from sale of assets	-	1,300	1,300
Beginning fund balance	795,311	930,372	135,061
Total revenues	1,964,791	2,150,533	185,742
EXPENDITURES			
Operating expenditures:			
Sewage treatment	430,000	430,281	(281)
Maintenance contract	240,000	240,000	-
Plant maintenance	102,000	19,730	82,270
Utilities	9,000	4,990	4,010
Supplies	22,500	15,103	7,397
Equipment & vehicle maintenance	20,000	5,723	14,277
Engineering	10,000	-	10,000
Total operating expenditures	833,500	715,827	117,673
General and administrative expenditures:			
Insurance	11,487	8,041	3,446
Collection fees	170,000	178,844	(8,844)
Meetings	6,667	8,245	(1,578)
Audit	6,000	4,900	1,100
Legal	1,000	-	1,000
Dues and subscriptions	2,600	2,036	564
Miscellaneous	100	2,298	(2,198)
Bank fees	100	-	100
FICA expense	520	-	520
Election Expense	-	1,342	(1,342)
Total general and administrative expenditures	\$ 198,474	\$ 205,706	\$ (7,232)

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, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (continued)			
Capital expenditures	\$ 200,000	\$ 1,695	\$ 198,305
TOTAL EXPENDITURES	\$ 1,231,974	923,228	\$ 308,746
EXCESS OF REVENUES OVER EXPENDITURES		1,227,305	
Add:			
Capital expenditures		1,695	
Less:			
Beginning fund balance		(930,372)	
Depreciation		(64,020)	
Loss on asset removal		(5,156)	
CHANGE IN NET POSITION		\$ 229,452	
Ending fund balance is calculated as follows:			
Current assets		\$ 1,227,890	
Current liabilities		(585)	
		\$ 1,227,305	

See the accompanying independent auditors' report.