

**STRATMOOR HILLS SANITATION
DISTRICT**

FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION

With Independent Auditors' Report

December 31, 2023 and 2022

**STRATMOOR HILLS SANITATION DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Stratmoor Hills Sanitation District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Stratmoor Hills Sanitation District, which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Stratmoor Hills Sanitation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stratmoor Hills Sanitation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stratmoor Hills Sanitation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stratmoor Hills Sanitation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived

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

Hoelting & Company Inc.

Colorado Springs, Colorado
July 17, 2024

STRATMOOR HILLS SANITATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2023

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

FINANCIAL HIGHLIGHTS

- The District’s total assets of \$2,504,147 exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$2,420,023 (*net position*). Of this amount, \$1,300,596 represents unrestricted net position, which may be used to meet the District’s ongoing obligations.
- The District’s total net position decreased during the year by \$66,559.
- Capital assets net of depreciation increased by \$109,499 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 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, 2023, the District's assets exceeded liabilities and deferred inflows by \$2,420,023 resulting in a positive net position. The following reflects key financial information in a condensed format:

Condensed Statements of Net Position

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 1,384,720	\$ 1,515,775
Capital assets, net	<u>1,119,427</u>	<u>1,009,928</u>
Total assets	<u>2,504,147</u>	<u>2,525,703</u>
Liabilities:		
Other liabilities	<u>84,124</u>	<u>39,121</u>
Total liabilities	<u>84,124</u>	<u>39,121</u>
Net position:		
Investment in capital assets	1,119,427	1,009,928
Unrestricted	<u>1,300,596</u>	<u>1,476,654</u>
Total net position	<u>\$ 2,420,023</u>	<u>\$ 2,486,582</u>

Unrestricted net position of the District at the end of the year was \$1,300,596, a decrease of \$176,058 from the prior year.

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

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 1,186,533	\$ 1,200,760
Operating expenses	<u>(1,305,948)</u>	<u>(1,183,806)</u>
Operating income (loss)	(119,415)	16,954
Non-operating revenue and expenses, net	<u>43,368</u>	<u>(748)</u>
Income (Loss) before contributions	(76,047)	16,206
Capital contributions	<u>9,488</u>	<u>9,962</u>
Change in net position	(66,559)	26,168
Net position, beginning	<u>2,486,582</u>	<u>2,460,414</u>
Net position, ending	<u>\$ 2,420,023</u>	<u>\$ 2,486,582</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 \$13,467 less than anticipated in 2023 due primarily to lower usage during the year.
- Operating expenses were \$61,414 more than anticipated in 2023. Most significant reasons for this were higher maintenance expenses than planned.
- Capital outlays were \$31,587 less than anticipated in 2023.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District’s investment in capital assets as of December 31, 2023 amounts to \$1,119,427. This investment in capital assets includes land and easements, sewage plants, buildings and improvements, and equipment.

	<u>2023</u>	<u>2022</u>
Capital assets, not being depreciated	\$ 12,000	\$ 12,000
Capital assets, being depreciated	2,451,734	2,336,388
Less accumulated depreciation	<u>(1,344,307)</u>	<u>(1,338,460)</u>
Total capital assets, net	<u>\$ 1,119,427</u>	<u>\$ 1,009,928</u>

Long-Term Debt

The District has no long-term debt at December 31, 2023.

ECONOMIC FACTORS AND OUTLOOK

Budgetary Highlights – Maintenance contract fees went up in 2023 increasing expenditures considerably. Connection fees are expected to increase in 2024 and sewer rates have also been increased in 2024 to address rising costs. Capital outlays have been increased to \$430,000 in 2024 to cover the costs of additional equipment and lift station improvement costs.

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. Maintenance costs are expected to decline as more of the sewer maintenance is being performed in-house.

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, Kirk Medina, 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, 2023 AND 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 1,221,544	\$ 1,361,410
Accounts receivable - Stratmoor Hills Water District	<u>163,176</u>	<u>154,365</u>
Total current assets	<u>1,384,720</u>	<u>1,515,775</u>
Noncurrent assets:		
Capital assets not being depreciated	12,000	12,000
Capital assets being depreciated, net	<u>1,107,427</u>	<u>997,928</u>
Total noncurrent assets	<u>1,119,427</u>	<u>1,009,928</u>
Total assets	<u>2,504,147</u>	<u>2,525,703</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	86,171	38,458
Payroll taxes payable	<u>(2,047)</u>	<u>663</u>
Total current liabilities	<u>84,124</u>	<u>39,121</u>
 NET POSITION		
Investment in capital assets	1,119,427	1,009,928
Unrestricted	<u>1,300,596</u>	<u>1,476,654</u>
Total net position	<u>\$ 2,420,023</u>	<u>\$ 2,486,582</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUE		
Sanitation assessments	\$ 1,186,533	\$ 1,200,760
Total operating revenue	<u>1,186,533</u>	<u>1,200,760</u>
OPERATING EXPENSES		
Sanitation operations	1,038,814	905,832
General administration	208,552	214,177
Depreciation	<u>58,582</u>	<u>63,797</u>
Total operating expenses	<u>1,305,948</u>	<u>1,183,806</u>
Operating income (loss)	<u>(119,415)</u>	<u>16,954</u>
NON-OPERATING REVENUE (EXPENSES)		
Investment income	43,699	13,577
Other	-	3,966
Loss on disposal of capital assets	<u>(331)</u>	<u>(18,291)</u>
Total non-operating revenue	<u>43,368</u>	<u>(748)</u>
Income (loss) before capital contributions	<u>(76,047)</u>	<u>16,206</u>
Capital contributions - tap fees	<u>9,488</u>	<u>9,962</u>
Total capital contributions	<u>9,488</u>	<u>9,962</u>
Change in net position	(66,559)	26,168
Net position-beginning	<u>2,486,582</u>	<u>2,460,414</u>
Net position-ending	<u><u>\$ 2,420,023</u></u>	<u><u>\$ 2,486,582</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, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,177,722	\$ 1,147,407
Cash payments to suppliers for goods and services	(1,202,363)	(1,074,651)
Cash received from other sources	-	3,966
Net cash provided (used) by operating activities	(24,641)	76,722
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(168,412)	-
Capital contributions	9,488	9,962
Net cash provided (used) by capital and related financing activities	(158,924)	9,962
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	43,699	13,577
Net cash provided (used) by investing activities	43,699	13,577
Net increase (decrease) in cash and cash equivalents	(139,866)	100,261
Cash and cash equivalents, beginning of year	1,361,410	1,261,149
Cash and cash equivalents, end of the year	\$ 1,221,544	\$ 1,361,410

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, 2023 AND 2022**

	2023	2022
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (119,415)	\$ 16,954
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation	58,582	63,797
Other revenue	-	3,966
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(8,811)	(53,353)
(Increase) decrease in prepaid expenses	-	9,193
Increase (decrease) in accounts payable	45,003	36,072
Increase (decrease) in payroll taxes payable	-	93
Total Adjustments	94,774	59,768
Net Cash Provided (Used) by Operating Activities	\$ (24,641)	\$ 76,722
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, 2023 AND 2022**

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, 2023 AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and cash equivalents

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

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, 2023 AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2023 AND 2022**

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.

Excess of Expenditures over Appropriations

For the year ended December 31, 2023, expenditures exceeded appropriations by \$26,124. These over-expenditures were funded by available beginning fund balance.

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, 2023 and 2022, the carrying amounts of the District's deposits were \$570,324 and \$743,262, respectively and the bank balances were \$621,841 and \$756,551 respectively. Of the total bank balances, \$250,000 and \$250,000 were covered by FDIC insurance for the years ended December 31, 2023 and 2022, respectively. The remaining balances of \$371,841 and \$506,551 at December 31, 2023 and 2022, 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, 2023 AND 2022**

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, 2023, the District’s investments were rated AAA by Standard & Poor’s.

As of December 31, 2023 the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 90 Days</u>	<u>Investment Maturities</u>		
			<u>90 Days to 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 5 Years</u>
CSAFE	\$ 535,898	\$ 535,898	\$ -	\$ -	\$ -
COLOTRUST	<u>115,322</u>	<u>115,322</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 651,220</u>	<u>\$ 651,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2022 the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 90 Days</u>	<u>Investment Maturities</u>		
			<u>90 Days to 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 5 Years</u>
CSAFE	\$ 508,676	\$ 508,676	\$ -	\$ -	\$ -
COLOTRUST	<u>109,472</u>	<u>109,472</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 618,148</u>	<u>\$ 618,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST and CSAFE are investment vehicles 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. These investment vehicles operate 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 and CSAFE in connection with the direct investment and withdrawal function of COLOTRUST AND CSAFE. Substantially all securities owned by COLOTRUST and CSAFE 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 and CSAFE. Investments of COLOTRUST and CSAFE 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 and CSAFE because they are not evidenced by securities that exist in physical or book entry form.

Reconciliation of Deposits and Investments to the Statements of Net Position

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents:		
Deposits	\$ 570,324	\$ 743,262
CSAFE	535,898	508,676
COLOTRUST	<u>115,322</u>	<u>109,472</u>
	<u>\$ 1,221,544</u>	<u>\$ 1,361,410</u>

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

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land 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	1,563,371	150,912	(1,300)	1,712,983
Other infrastructure	609,080	-	(6,245)	602,835
Equipment	<u>163,937</u>	<u>17,500</u>	<u>(45,521)</u>	<u>135,916</u>
Total capital assets, being depreciated	2,336,388	168,412	(53,066)	2,451,734
Less accumulated depreciation	<u>(1,338,460)</u>	<u>(58,582)</u>	<u>52,735</u>	<u>(1,344,307)</u>
Total capital assets, being depreciated net	<u>997,928</u>	<u>109,830</u>	<u>(331)</u>	<u>1,107,427</u>
Total capital assets, net	<u>\$ 1,009,928</u>	<u>\$ 109,830</u>	<u>\$ (331)</u>	<u>\$ 1,119,427</u>

Capital asset activity for the year ended December 31, 2022 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	1,575,220	-	(11,849)	1,563,371
Other infrastructure	609,301	-	(221)	609,080
Equipment	<u>251,417</u>	<u>-</u>	<u>(87,480)</u>	<u>163,937</u>
Total capital assets, being depreciated	2,435,938	-	(99,550)	2,336,388
Less accumulated depreciation	<u>(1,355,923)</u>	<u>(63,797)</u>	<u>81,260</u>	<u>(1,338,460)</u>
Total capital assets being depreciated, net	<u>1,080,015</u>	<u>(63,797)</u>	<u>(18,290)</u>	<u>997,928</u>
Total capital assets, net	<u>\$ 1,092,015</u>	<u>\$ (63,797)</u>	<u>\$ (18,290)</u>	<u>\$ 1,009,928</u>

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

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

	2023	2022
Investment in Capital Assets:		
Capital assets, net of depreciation	<u>\$ 1,119,427</u>	<u>\$ 1,009,928</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, 2023 and 2022.

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 \$420,000 and \$300,000 for the years ended December 31, 2023 and 2022.

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 \$177,980 and \$179,797 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022 the District had accounts receivable from Stratmoor Hills Water District of \$163,176 and \$154,365, respectively.

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

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.

SUPPLEMENTARY INFORMATION

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

	<u>2023</u>	<u>2022</u>
Sanitation operations:		
Sewage treatment	\$ 499,042	\$ 474,250
Maintenance contract	420,000	300,000
Plant maintenance	72,498	104,347
Utilities	7,951	7,346
Supplies	18,401	6,346
Equipment & vehicle maintenance	<u>20,922</u>	<u>13,543</u>
 Total sanitation operations	 <u><u>\$ 1,038,814</u></u>	 <u><u>\$ 905,832</u></u>
 General administration:		
Insurance	\$ -	\$ 9,193
Collection fees	177,980	179,797
Meetings	8,402	7,348
Audit	7,000	5,600
Legal	615	618
Dues and subscriptions	2,434	2,592
Miscellaneous	<u>12,121</u>	<u>9,029</u>
 Total general administration	 <u><u>\$ 208,552</u></u>	 <u><u>\$ 214,177</u></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, 2023

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Sanitation assessments	\$ 1,200,000	\$ 1,186,533	\$ (13,467)
Investment income	5,000	43,699	38,699
Tap fees	50,000	9,488	(40,512)
Beginning fund balance	1,516,833	1,476,655	(40,178)
Total revenues	<u>2,771,833</u>	<u>2,716,375</u>	<u>(55,458)</u>
EXPENDITURES			
Operating expenditures:			
Sewage treatment	450,000	499,042	(49,042)
Maintenance contract	400,000	420,000	(20,000)
Plant maintenance	75,000	72,498	2,502
Utilities	6,500	7,951	(1,451)
Supplies	15,900	18,401	(2,501)
Equipment & vehicle maintenance	20,000	20,922	(922)
Engineering	10,000	-	10,000
Total operating expenditures	<u>977,400</u>	<u>1,038,814</u>	<u>(61,414)</u>
General and administrative expenditures:			
Insurance	12,050	-	12,050
Collection fees	175,000	177,980	(2,980)
Meetings	14,700	8,402	6,298
Audit	6,000	7,000	(1,000)
Legal	1,050	615	435
Dues and subscriptions	2,000	2,434	(434)
Miscellaneous	105	12,121	(12,016)
Bank fees	150	-	150
FICA expense	1,200	-	1,200
Total general and administrative expenditures	<u>\$ 212,255</u>	<u>\$ 208,552</u>	<u>\$ 3,703</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, 2023**

	Final Budget	Actual	Variance with Final Budget
EXPENDITURES (continued)			
Capital expenditures	\$ 200,000	\$ 168,413	\$ 31,587
TOTAL EXPENDITURES	\$ 1,389,655	1,415,779	\$ (26,124)
EXCESS OF REVENUES OVER EXPENDITURES		1,300,596	
Add:			
Capital expenditures		168,413	
Less:			
Beginning fund balance		(1,476,655)	
Depreciation		(58,582)	
Loss on asset removal		(331)	
CHANGE IN NET POSITION		\$ (66,559)	
Ending fund balance is calculated as follows:			
Current assets		\$ 1,384,720	
Current liabilities		(84,124)	
		\$ 1,300,596	

See the accompanying independent auditors' report.