

STRATMOOR HILLS WATER DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
With Independent Auditors' Report

December 31, 2023 and 2022

**STRATMOOR HILLS WATER DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Stratmoor Hills Water District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Stratmoor Hills Water 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 Water 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 Water 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 Water 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 Water 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 Water 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 WATER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2023

As management of Stratmoor Hills Water District (the District) we offer readers of the District’s annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The District’s assets of \$10,006,988 exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,027,408 (*net position*). Of this amount, \$1,816,660 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 \$177,117.
- Capital assets net of depreciation decreased \$240,693 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serve as an introduction to the District’s basic financial statements. The District’s basic financial statements consist of the following components: (1) Statement of Net Position, (2) Statement of Revenue, Expenses and Changes in Fund Net Position, (3) Statement of Cash Flows, and (4) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Statement of Net Position - This statement reports all financial and capital resources (assets), obligations (liabilities), and deferred inflows and outflows. The difference between assets, liabilities, and deferred inflows and outflows is net position. The statement also provides the basis for evaluating the capital structure and assessing liquidity and financial flexibility.

Statement of Revenue, Expenses and Changes in Fund Net Position - All revenue and expenses are accounted for in this statement. This statement measures the results from operations and can be used to determine whether the District’s rates, fees and other charges are adequate to recover expenses.

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

OVERALL FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. For the year ended December 31, 2023, the District's assets exceeded liabilities and deferred inflows of resources by \$6,027,408 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	\$ 3,088,535	\$ 2,780,072
Capital assets, net	<u>6,918,453</u>	<u>7,159,146</u>
Total assets	<u>10,006,988</u>	<u>9,939,218</u>
Long-term liabilities	2,611,900	2,707,705
Other liabilities	<u>373,090</u>	<u>364,918</u>
Total liabilities	<u>2,984,990</u>	<u>3,072,623</u>
Deferred inflows of resources		
Deferred lease revenue	<u>994,590</u>	<u>1,016,304</u>
Net position:		
Investment in capital assets	4,210,748	4,356,113
Unrestricted	<u>1,816,660</u>	<u>1,494,178</u>
Total net position	<u>\$ 6,027,408</u>	<u>\$ 5,850,291</u>

Unrestricted net position of the District at the end of the year was \$1,816,660, a \$322,482 increase from the prior year.

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

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 2,239,991	\$ 2,136,115
Operating expenses	<u>(2,373,310)</u>	<u>(2,399,280)</u>
Operating income (loss)	(133,319)	(263,165)
Non-operating revenue and expenses, net	<u>115,569</u>	<u>55,775</u>
Income (loss) before contributions	(17,750)	(207,390)
Capital contributions	<u>194,867</u>	<u>123,557</u>
Change in net position	177,117	(83,833)
Net position, beginning	<u>5,850,291</u>	<u>5,934,124</u>
Net position, ending	<u>\$ 6,027,408</u>	<u>\$ 5,850,291</u>

BUDGETARY HIGHLIGHTS

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

- Water sales came in \$154,770 less than anticipated in 2023 due primarily to lower usage during the year.
- Operating expenses were \$106,284 less than anticipated in 2023. Most significant reasons for this were lower personnel costs and fewer purchased services than planned.
- Capital outlays were \$1,120,050 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 \$6,918,453. This investment in capital assets includes land and easements, water rights, plant, office building, equipment and vehicles, and construction in progress.

	<u>2023</u>	<u>2022</u>
Capital assets, not being depreciated	\$ 486,410	\$ 426,287
Capital assets, being depreciated	9,990,345	10,429,551
Less accumulated depreciation	<u>(3,558,302)</u>	<u>(3,696,692)</u>
Total capital assets, net	<u>\$ 6,918,453</u>	<u>\$ 7,159,146</u>

Long-Term Debt

At December 31, 2023, the District had a \$2,707,705 remaining principal balance on its Drinking Water Revolving Fund loan for the construction of its water treatment plant. The District paid debt payments in compliance with debt agreements.

ECONOMIC FACTORS AND OUTLOOK

Budgetary Highlights – Water assessments were lower than expected. However, the District received tap fees for the new construction of a new Arby’s restaurant in 2023. The District increased water rates by 3% across the board for water services. The District also received ARPA grant funding for the design of a Colorado Springs Utilities interconnect. Construction of the interconnect will not begin until 2024, and will also be paid for using ARPA Grant funding.

Economic and Environmental Factors – More stringent drinking water regulations and water delivery expenses will continue to drive up the costs for providing drinking water. The District is committed to providing the necessary treatment to improve water quality and the District utilizing the treatment facility for PFAS removal.

REQUESTS FOR INFORMATION

This financial report is designed to provide our customers, creditors and other financial users with a general overview of the District's finances. If you have questions about this report or need additional financial information, please contact the District's Manager, Kirk Medina, at 719-576-0311 or 1811 B Street, Colorado Springs, CO 80906.

BASIC FINANCIAL STATEMENTS

STRATMOOR HILLS WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,665,580	\$ 1,399,369
Accounts receivable, users	221,722	255,156
Accounts receivable, Air Force	14,870	1,747
Accounts receivable, other	416	3,750
Lease receivable	994,590	1,016,304
Inventory	136,745	94,517
Other prepaid expenses	54,612	9,229
Total current assets	3,088,535	2,780,072
Noncurrent assets:		
Capital assets, not being depreciated	486,410	426,287
Capital assets being depreciated, net	6,432,043	6,732,859
Total noncurrent assets	6,918,453	7,159,146
Total assets	10,006,988	9,939,218
LIABILITIES		
Current liabilities:		
Accounts payable, trade	29,736	29,048
Accounts payable, Stratmoor Hills Sanitation District	163,176	154,365
Accrued interest	2,256	2,336
Escrow deposits	4,561	4,561
Payroll taxes payable	3,152	8,365
Compensated absences	23,515	22,009
Customer deposits	27,490	26,415
Unearned revenue, rent	23,399	22,491
Current portion, notes payable	95,805	95,328
Total current liabilities	373,090	364,918
Noncurrent liabilities:		
Notes payable, less current portion	2,611,900	2,707,705
Total liabilities	2,984,990	3,072,623
DEFERRED INFLOWS OF RESOURCES		
Deferred lease revenue	994,590	1,016,304
NET POSITION		
Net investment in capital assets	4,210,748	4,356,113
Unrestricted	1,816,660	1,494,178
Total net position	\$ 6,027,408	\$ 5,850,291

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

STRATMOOR HILLS WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUE		
Water sales	\$ 1,544,730	\$ 1,585,143
Water lease income	30,954	20,837
Maintenance contract income	420,000	300,000
Billing fees	177,980	179,797
Late fees	42,585	40,080
Other income	23,742	10,258
	<u>2,239,991</u>	<u>2,136,115</u>
Total operating revenue		
OPERATING EXPENSES		
Water operations	1,750,268	1,864,010
General administration	256,544	208,517
Depreciation	366,498	326,753
	<u>2,373,310</u>	<u>2,399,280</u>
Total operating expenses		
Operating income (loss)	<u>(133,319)</u>	<u>(263,165)</u>
NON-OPERATING REVENUE (EXPENSES)		
Investment income	59,994	18,785
Rental income	69,277	55,880
Grants	59,791	-
Interest expense	(13,817)	(14,292)
Fountain Valley Authority debt service	(5,533)	(14,019)
Gain (loss) on disposal of fixed assets	(54,143)	9,421
	<u>115,569</u>	<u>55,775</u>
Total non-operating revenue (expenses)		
Income (loss) before capital contributions	<u>(17,750)</u>	<u>(207,390)</u>
Capital contributions - tap fees	124,683	44,458
Capital contributions - Air Force	70,184	79,099
	<u>194,867</u>	<u>123,557</u>
Total capital contributions		
Change in net position	177,117	(83,833)
Net position-beginning	5,850,291	5,934,124
	<u>5,850,291</u>	<u>5,934,124</u>
Net position-ending	<u>\$ 6,027,408</u>	<u>\$ 5,850,291</u>

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

STRATMOOR HILLS WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,277,836	\$ 2,061,602
Cash payments to suppliers for goods and services	(1,368,210)	(1,204,935)
Cash payments to employees for services	(722,236)	(674,720)
Cash received from other governments	57,061	134,761
Cash received from miscellaneous income	69,277	55,880
	<u>313,728</u>	<u>372,588</u>
Net cash provided (used) by operating activities	<u>313,728</u>	<u>372,588</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sale of capital assets and insurance recoveries	-	15,105
Capital contributions	125,591	44,458
Capital grants	59,791	-
Purchase of capital assets	(178,135)	(1,228,455)
Fountain Valley Authority debt service	(5,533)	(14,019)
Loan principal payments	(95,328)	(94,853)
Interest paid	(13,897)	(14,371)
	<u>(107,511)</u>	<u>(1,292,135)</u>
Net cash provided (used) by capital and related financing activities	<u>(107,511)</u>	<u>(1,292,135)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	59,994	18,785
	<u>59,994</u>	<u>18,785</u>
Net increase (decrease) in cash and cash equivalents	266,211	(900,762)
Cash and cash equivalents at beginning of year	1,399,369	2,300,131
	<u>1,399,369</u>	<u>2,300,131</u>
Cash and cash equivalents at ending of year	<u>\$ 1,665,580</u>	<u>\$ 1,399,369</u>

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

STRATMOOR HILLS WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and cash equivalents	<u>\$ 1,665,580</u>	<u>\$ 1,399,369</u>
Total cash and cash equivalent at end of year	<u><u>\$ 1,665,580</u></u>	<u><u>\$ 1,399,369</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	<u>\$ (133,319)</u>	<u>\$ (263,165)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	366,498	326,753
Miscellaneous income	69,277	55,880
Cash received from other governments	57,061	-
Change in assets and liabilities:		
<i>(Increase) decrease in:</i>		
Accounts receivable, users	33,435	941,306
Accounts receivable, other	3,335	3,750
Inventory	(42,228)	98,792
Other prepaid expenses	(45,383)	38,314
<i>Increase (decrease) in:</i>		
Accounts payable	7,684	(824,627)
Compensated absences payable	1,506	(1,584)
Payroll taxes payable	(5,213)	434
Customer deposits	<u>1,075</u>	<u>(3,265)</u>
Total Adjustments	<u>447,047</u>	<u>635,753</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 313,728</u></u>	<u><u>\$ 372,588</u></u>
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 WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles as applied to local governments and promulgated by the Governmental Accounting Standards Board (GASB). A summary of the significant accounting policies used in the preparation of these financial statements follows.

A. REPORTING ENTITY

The District is a special district governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The District has no component units for which either discrete or blended presentation is required.

B. BASIS OF PRESENTATION—FINANCIAL STATEMENTS

The basic financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in fund net position) report information on all of the non-fiduciary activities of the District.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District accounts for all of its activities in a single proprietary – enterprise fund for its activities which are similar to those found in the private sector, where the determination of changes in net position is necessary or useful to sound financial administration. The business type activities of the District rely significantly upon service charges.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and cash equivalents

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

Accounts receivable, users

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

Inventory

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

Prepaid water

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

Other prepaid expenses

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

Water rights

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Lessee: The District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor:

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. REVENUES AND EXPENSES

Compensated Absences

Employees earn two weeks of paid time off after one year of service, three weeks after two or more years of service and four weeks after ten or more years of service. Paid time off is earned on an employee's anniversary. Employees can accrue a maximum of 110 days of paid time off and carry it over from year to year. Upon termination, employees with accrued but unused paid time off shall be paid at their current regular hourly rate for such time. A liability is recorded in the amount of the earned accumulated rights to receive paid time off benefits.

Operating and non-operating revenues and expenses

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

F. ESTIMATES

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

G. COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative total data for the prior year have been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

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

Expenditures may not legally exceed budgeted appropriations.

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

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

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 \$697,162 and \$480,131, respectively and the bank balances were \$809,320 and \$544,876, respectively. Of the total bank balances, \$250,000 were covered by FDIC insurance for the year ended December 31, 2023 and 2022. The remaining balances of \$559,320 and \$294,876 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 WATER 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>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>
CSAFE	\$ 803,844	\$ 803,844	\$ -	\$ -	\$ -
COLOTRUST	<u>164,574</u>	<u>164,574</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 968,418</u>	<u>\$ 968,418</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>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>
CSAFE	\$ 763,013	\$ 763,013	\$ -	\$ -	\$ -
COLOTRUST	<u>156,225</u>	<u>156,225</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 919,238</u>	<u>\$ 919,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE 3 – DEPOSITS AND 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.

Colorado Surplus Asset Fund Trust (CSAFE) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to CSAFE in connection with the direct investment and withdrawal functions of CSAFE. All securities owned by 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 CSAFE. Investments of CSAFE consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes

Reconciliation of Deposits and Investments to the Statements of Net Position

The District’s restricted and unrestricted deposits and investments consist of the following at December 31, 2023:

	<u>Unrestricted Assets</u>	<u>Restricted Assets</u>	<u>Total</u>
Demand accounts	\$ 697,162	\$ -	\$ 697,162
CSAFE	803,844	-	803,844
COLOTRUST	<u>164,574</u>	<u>-</u>	<u>164,574</u>
Total deposits and investments	<u>\$ 1,665,580</u>	<u>\$ -</u>	<u>\$ 1,665,580</u>

The District’s restricted and unrestricted deposits and investments consist of the following at December 31, 2022:

	<u>Unrestricted Assets</u>	<u>Restricted Assets</u>	<u>Total</u>
Demand accounts	\$ 480,131	\$ -	\$ 480,131
CSAFE	763,013	-	763,013
COLOTRUST	<u>156,225</u>	<u>-</u>	<u>156,225</u>
Total deposits and investments	<u>\$ 1,399,369</u>	<u>\$ -</u>	<u>\$ 1,399,369</u>

**STRATMOOR HILLS WATER 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 and easements	\$ 215,424	\$ -	\$ -	\$ 215,424
Water rights	210,863	-	-	210,863
Construction in progress	<u>-</u>	<u>60,123</u>	<u>-</u>	<u>60,123</u>
Total capital assets, not being depreciated	<u>426,287</u>	<u>60,123</u>	<u>-</u>	<u>486,410</u>
Capital assets, being depreciated:				
Plant	9,376,054	119,827	(518,577)	8,977,304
Office building	288,643	-	-	288,643
Equipment and vehicles	<u>764,854</u>	<u>-</u>	<u>(40,456)</u>	<u>724,398</u>
Total capital assets, being depreciated	10,429,551	119,827	(559,033)	9,990,345
Less accumulated depreciation	<u>(3,696,692)</u>	<u>(366,498)</u>	<u>504,888</u>	<u>(3,558,302)</u>
Total capital assets, being depreciated, net	<u>6,732,859</u>	<u>(246,671)</u>	<u>(54,145)</u>	<u>6,432,043</u>
Total capital assets, net	<u>\$ 7,159,146</u>	<u>\$ (186,548)</u>	<u>\$ (54,145)</u>	<u>\$ 6,918,453</u>

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

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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 and easements	\$ 215,424	\$ -	\$ -	\$ 215,424
Water rights	210,863	-	-	210,863
Construction in progress	<u>3,538,741</u>	<u>627,067</u>	<u>(4,165,808)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>3,965,028</u>	<u>627,067</u>	<u>(4,165,808)</u>	<u>426,287</u>
Capital assets, being depreciated:				
Plant	5,723,961	4,226,988	(574,895)	9,376,054
Office building	291,841	-	(3,198)	288,643
Equipment and vehicles	<u>711,553</u>	<u>99,450</u>	<u>(46,149)</u>	<u>764,854</u>
Total capital assets, being depreciated	6,727,355	4,326,438	(624,242)	10,429,551
Less accumulated depreciation	<u>(3,988,497)</u>	<u>(326,753)</u>	<u>618,558</u>	<u>(3,696,692)</u>
Total capital assets, being depreciated, net	<u>2,738,858</u>	<u>3,999,685</u>	<u>(5,684)</u>	<u>6,732,859</u>
Total capital assets, net	<u>\$ 6,703,886</u>	<u>\$ 4,626,752</u>	<u>\$ (4,171,492)</u>	<u>\$ 7,159,146</u>

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

NOTE 5 - WATER RIGHTS

Water rights were composed of the following as of December 31, 2023 and 2022:

Acquired from the J. Fred Abrahamson Trust in 1986:

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

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

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

NOTE 7 - LONG-TERM DEBT

Loan Payable

On December 3, 2019, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) in the amount of \$3,000,000. The loan is payable semiannually with payments of \$54,612 beginning May 1, 2021 and an initial payment of \$8,984 due November 1, 2020, including interest at 0.5%. This loan is to be repaid from and secured by a pledge of net revenues.

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

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the CWRPDA loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 95,805	\$ 13,419
2025	96,284	12,939
2026	96,766	12,457
2027	97,251	11,973
2028	97,738	11,486
2029 – 2033	496,078	50,041
2034 – 2038	508,620	37,499
2039 – 2043	521,479	24,639
2044 – 2048	534,664	11,455
2049 – 2050	<u>163,020</u>	<u>816</u>
Total	<u>\$ 2,707,705</u>	<u>\$ 186,724</u>

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2023:

	<u>Balance</u> <u>12/31/22</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/23</u>	<u>Due Within</u> <u>One year</u>
Loans	\$ <u>2,803,033</u>	\$ <u>-</u>	\$ <u>(95,328)</u>	\$ <u>2,707,705</u>	\$ <u>95,805</u>

NOTE 8 - 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:

	<u>2023</u>	<u>2022</u>
Net investment in Capital Assets:		
Capital assets, net of depreciation	\$ 6,918,453	\$ 7,159,146
Related debt	<u>(2,707,705)</u>	<u>(2,803,033)</u>
Total	<u>\$ 4,210,748</u>	<u>\$ 4,356,113</u>

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

NOTE 8 - NET POSITION (CONTINUED)

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

NOTE 9 - TRANSACTIONS WITH RELATED DISTRICTS

The District provides substantially all maintenance operations for the Stratmoor Hills Sanitation District. In exchange for these services, the Sanitation District paid \$420,000 and \$300,000 to the Stratmoor Hills Water District for the years ended December 31, 2023 and 2022, respectively.

The District also bills and collects the Sanitation District's user charges each month, issuing a joint billing to the customers. The District paid the Sanitation District 85% of the sanitation assessments in 2023 and 2022. For the amount remaining, the District prepares and mails the monthly bills, pays postage, and bears all losses from uncollectible amounts. The totals received by the District for 2023 and 2022 were \$177,980 and \$179,797, respectively.

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

As of December 31, 2023 and 2022 the District had accounts payable to the Stratmoor Hills Sanitation District of \$163,176 and \$154,365, respectively.

NOTE 10 – JOINTLY GOVERNED ORGANIZATION

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

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

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

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

NOTE 10 – JOINTLY GOVERNED ORGANIZATION (CONTINUED)

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

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

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

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

The following payments were made by the District to the Authority during the years ended December 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Conveyance and treatment	\$ 384,660	\$ 365,440
Debt service	<u>5,533</u>	<u>14,019</u>
Total	<u>\$ 390,193</u>	<u>\$ 379,459</u>

The joint venture summary financial information as of December 31, 2023 and 2022 (most recent available) is as follows:

	<u>2023</u>	<u>2022</u>
Assets and Deferred outflows	<u>\$ 71,046,256</u>	<u>\$ 64,874,587</u>
Liabilities	769,425	1,129,997
Net Position (deficit)	<u>70,276,831</u>	<u>63,744,590</u>
Total Liabilities and Net Position	<u>\$ 71,046,256</u>	<u>\$ 64,874,587</u>
Revenues	\$ 13,286,105	\$ 14,636,923
Expenditures	<u>(6,753,864)</u>	<u>(6,178,455)</u>
Change in Net Position	<u>\$ 6,532,241</u>	<u>\$ 8,458,468</u>

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

NOTE 10– JOINTLY GOVERNED ORGANIZATION (CONTINUED)

Long-term liability activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
Loans payable	\$ 381,020	\$ -	\$ (184,907)	\$ 196,113	\$ 196,113

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker’s compensation. No settled claims resulting from these risks exceeded commercial insurance coverage during the last three fiscal years.

NOTE 12 – EMPLOYEE IRA

The District has set up a Simple IRA for substantially all employees. Employees contribute at least 3% of compensation and the District contributes 3% of compensation. The employer’s contributions for 2023 and 2022 were \$11,234 and \$13,941, respectively.

NOTE 13 - AMENDMENT TO COLORADO CONSTITUTION

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

SUPPLEMENTAL INFORMATION

STRATMOOR HILLS WATER DISTRICT
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Water operations:		
Cost of water	\$ 40,754	\$ 42,767
Fountain Valley Authority - water conveyance, operations, etc.	384,660	365,440
Salaries and wages	707,295	659,629
Outside labor	44,266	52,385
Employee health insurance	113,533	133,282
FICA expense	52,103	50,444
Unemployment insurance	646	1,022
Workers compensation insurance	10,831	9,748
Retirement expense	11,234	13,941
Plant maintenance	144,539	353,122
Vehicle and equipment maintenance	49,871	11,999
Office building maintenance	13,308	6,496
Repairs and maintenance	2,895	412
Utilities	72,068	69,736
Engineering	-	2,895
Gas and oil	28,868	28,376
Supplies	11,142	19,301
Small tools	16,450	10,418
Uniforms	11,737	4,498
Testing and analysis	16,246	12,067
Equipment leases	11,594	11,200
Trash and recycling	6,228	4,832
Total water operations	\$ 1,750,268	\$ 1,864,010
General administration:		
Insurance	\$ 53,591	\$ 42,723
Billing	17,915	15,043
Postage	13,381	11,633
Meeting	9,285	7,684
Telephone	3,481	5,546
Audit	11,400	14,750
Legal	2,381	30,214
Office supplies	9,248	6,309
Dues and subscriptions	11,112	13,245
Training and education	14,123	6,687
Miscellaneous	49,544	343
Election expense	747	205
Bank/service charges	55,427	50,429
Other utilities	4,909	3,706
Total general administration	\$ 256,544	\$ 208,517

See the accompanying independent auditors' report.

STRATMOOR HILLS WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Water sales	\$ 1,699,500	\$ 1,544,730	\$ (154,770)
Water lease income	77,000	30,954	(46,046)
Maintenance contract income	400,000	420,000	20,000
Billing fees	175,000	177,980	2,980
Investment income	5,500	59,994	54,494
Rental income	50,000	69,277	19,277
Late charges	35,000	42,585	7,585
Miscellaneous income	1,900	23,742	21,842
Operating contributions - Air Force	-	70,184	70,184
Capital contributions - tap fees	100,000	124,683	24,683
Grant Funding	712,500	59,791	(652,709)
Beginning fund balance	-	1,494,178	1,494,178
TOTAL REVENUES	3,256,400	4,118,098	861,698
EXPENDITURES			
Operating expenditures:			
Cost of water	40,000	40,754	(754)
Fountain Valley Authority - water conveyance, treatment, operating, etc.	513,702	384,660	129,042
Salaries and wages	650,000	707,295	(57,295)
Outside labor	25,000	44,266	(19,266)
Employee health insurance	150,000	113,533	36,467
FICA expense	49,500	52,103	(2,603)
Unemployment insurance	2,100	646	1,454
Workers compensation insurance	16,500	10,831	5,669
Retirement expense	17,000	11,234	5,766
Plant maintenance	35,000	144,539	(109,539)
Vehicle and equipment maintenance	40,750	49,871	(9,121)
Office building maintenance	10,000	13,308	(3,308)
Repairs and maintenance	-	2,895	(2,895)
Utilities	70,000	72,068	(2,068)
Engineering	20,000	-	20,000
Gas and oil	30,000	28,868	1,132
Supplies	11,000	11,142	(142)
Small tools	5,000	16,450	(11,450)
Uniforms	4,000	11,737	(7,737)
Testing and analysis	\$ 15,000	\$ 16,246	\$ (1,246)

See the accompanying independent auditors' report.

STRATMOOR HILLS WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (continued)			
Equipment leases	\$ 2,000	\$ 11,594	\$ (9,594)
Distribution system maintenance	150,000	-	150,000
Trash and recycling	-	6,228	(6,228)
TOTAL OPERATING EXPENDITURES	1,856,552	1,750,268	106,284
General and administrative expenditures:			
Insurance	52,200	53,591	(1,391)
Billing	15,750	17,915	(2,165)
Postage	10,000	13,381	(3,381)
Meeting	5,000	9,285	(4,285)
Telephone	11,550	3,481	8,069
Audit	11,000	11,400	(400)
Legal	2,000	2,381	(381)
Office supplies	10,000	9,248	752
Dues and subscriptions	10,500	11,112	(612)
Licenses and fees	2,000	-	2,000
Training and education	10,000	14,123	(4,123)
Miscellaneous	1,050	49,544	(48,494)
Election Expense	1,500	747	753
Bank/service charges	40,050	55,427	(15,377)
Other utilities	-	4,909	(4,909)
TOTAL GENERAL AND ADMINISTRATIVE EXPENDITURES	182,600	256,544	(73,944)
INTEREST EXPENSE	250	-	250
LOAN PRINCIPAL PAYMENT	94,380	95,328	(948)
LOAN INTEREST EXPENSE	14,965	13,817	1,148
FOUNTAIN VALLEY AUTHORITY DEBT SERVICE	10,000	5,533	4,467
CAPITAL EXPENDITURES	1,300,000	179,950	1,120,050
TOTAL EXPENDITURES	\$ 3,458,747	\$ 2,301,440	\$ 1,157,307

See the accompanying independent auditors' report.

STRATMOOR HILLS WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2023

	<u>Actual</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 1,816,658
Less:	
Beginning fund balance	(1,494,178)
Loss on disposal of assets	(54,143)
Depreciation	(366,498)
Add:	
Capital expenditures	179,950
Loan principal payment	95,328
CHANGE IN NET POSITION	<u><u>\$ 177,117</u></u>

Ending fund balance is calculated as follows:

Current assets	3,088,535
Current liabilities	(1,367,682)
Loan payable, current portion	95,805
	<u><u>\$ 1,816,658</u></u>

See the accompanying independent auditors' report.