

**AUDITED FINANCIAL STATEMENTS**  
**SAINT CHARLES MESA SANITATION DISTRICT**  
December 31, 2016 and 2015



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## CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b>	1 - 2
<b>Management's Discussion and Analysis</b>	i - iv
<b>Basic Financial Statements</b>	
Statements of Net Position	3
Statements of Revenues, Expenses and Changes in Net Position	4
Statements of Cash Flows	5 - 6
Notes to Financial Statements	7 - 13
<b>Other Supplementary Information</b>	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (Budgetary Basis)	14
Budget Reconciliation	15
Schedules of Sewage Operating Expenses	16
Schedules of General and Administrative Expenses	17

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September 21, 2017

Board of Directors  
Saint Charles Mesa Sanitation District  
Pueblo, Colorado

## **Independent Auditor's Report**

We have audited the accompanying financial statements of the business-type activities of Saint Charles Mesa Sanitation District as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

## **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Saint Charles Mesa Sanitation District as of December 31, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Saint Charles Mesa Sanitation District's basic financial statements. The schedules of budgetary comparisons, sewage operating expenses, and general and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of budgetary comparisons, sewage operating expense, and general and administrative expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Barren, Ross & DeMarco, Inc.

## **Management's Discussion and Analysis**

**St. Charles Mesa Sanitation District  
Management's Discussion and Analysis  
For the years ended December 31, 2016, 2015 and 2014**

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St. Charles Mesa Sanitation District is presenting the following discussion and analysis in order to provide an overall review of the utility's financial activities for the fiscal years ending December 31, 2015, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with the utility's financial statements and notes to the basic financial statements in order to enhance their understanding of the utility's financial performance.

**General Information about St. Charles Mesa Sanitation District**

The Pueblo County Commissioners serving in 1971 approached several individuals living in the St. Charles Mesa area to establish a sanitation district because untreated sewage was being allowed to flow into the Arkansas River via a pipe line from a local farm. In order to correct this situation, the St. Charles Mesa Sanitation District (SCMSD) was formed on March 1, 1971.

The SCMSD has a five-member board of directors elected by the residents of the District to serve for a term of four years. The SCMSD operates as a Special District of the State of Colorado operating as an Enterprise Fund with the responsibility of providing a sanitary sewer system to protect the health and welfare of the residents of the District. The SCMSD currently serves 82 active users through an agreement with Blende Sanitation District to transport and treat sanitary waste for the District. Currently, Blende Sanitation District bills each SCMSD customer a monthly fee of \$39.50 per user and returns \$6.60 of that fee to SCMSD.

The District began plans for its own sewage treatment plant in the early 1970's. In April 1976 a special bond election to approve financing of a plant failed to pass. In spite of the defeat of the bond issue, the District continued with plans to build the new plant until 2003 when a group of concerned residents asked the Board to cease all construction and engineering work. All but one member of the current Board was recalled and the newly elected Board changed the direction of the SCMSD. Expenses for the proposed sewer treatment plant were stopped and the goal became to preserve and build the District's Net Position for the benefit of property owners in the District.

**Overview of Financial Statements**

The District's basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

The statement of net position presents the financial position of the District. It presents information on the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues and expenses and changes in net position presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

**St. Charles Mesa Sanitation District  
Management's Discussion and Analysis  
For the years ended December 31, 2016, 2015 and 2014**

**Overview of Financial Statements (Continued)**

The statement of cash flows presents information on the effects changes in net assets and liabilities have on cash during the course of the year.

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 7-13.

**2016 Financial Highlights**

- The utility's operating expenses decreased by \$27,752 from the prior year. The expense related to the decrease of operating expenses was repairs and maintenance which decreased \$31,246. The majority of the expenses were comparable to the prior year with no unusual expenses.
- The utility's non-operating revenues increased from 2015 to 2016 by \$14,151. The most significant difference relates to the increase in interest and investment income of \$10,659 and collection of property taxes of \$3,055.
- The utility's total assets increased \$113,293 and total liabilities increased \$4,884, with the total net position increasing \$100,409 from the prior year.

The Board of Directors has brought structure to the District and a more proactive and clear cut plan on how to handle new development in conjunction with preserving the integrity of the agricultural community. The Board is also fostering cooperation with the Blende and Salt Creek Sanitation District board members to begin a dialogue regarding emergency management issues and long range plans. At this time, the District has no plans to build a sewer treatment plant due to the high cost of the project, both to the District and to individual homeowners. The District continues to collect the mill levy in order to have the financial resources to accomplish its mission of bringing new areas within the District on line as it become necessary.

**Utility Financial Analysis**

A condensed summary of the District's statement of net position for the years ended December 31 is presented below:

**Table 1 Condensed Statement of Net Position**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 2,894,606	\$2,773,159	\$2,758,164
Capital Assets	509,388	517,542	469,845
Total Assets	<u>3,403,994</u>	<u>3,290,701</u>	<u>3,228,009</u>
Accounts and accrued liabilities	<u>11,524</u>	<u>6,640</u>	<u>6,158</u>
Deferred Inflows of Resources	<u>134,000</u>	<u>126,000</u>	<u>123,000</u>
Invested in capital assets, net of related debt	509,388	517,542	469,845
Restricted for emergency	5,000	4,500	4,500
Unrestricted	2,744,082	2,636,019	2,624,506
Total Net Position	<u>\$3,258,470</u>	<u>\$ 3,158,061</u>	<u>\$ 3,098,851</u>

**St. Charles Mesa Sanitation District  
Management's Discussion and Analysis  
For the years ended December 31, 2016, 2015 and 2014**

**Utility Financial Analysis (Continued)**

Net Position increased \$100,409 from 2015 to 2016. Capitalized costs for the infrastructure assets related to the new treatment plant are not being depreciated because the plant was never completed and therefore not placed in service. As discussed in a previous paragraph, the carrying value of the new treatment plant was reduced significantly. No expenditures are anticipated for new capital improvements or system development. The District has no long-term debt.

A condensed summary of the District's statements of revenues, expenses and changes in net position for the years ended December 31 is presented below:

**Table 2  
Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues	\$8,269	\$8,223	\$8,190
Non-Operating Revenues	153,106	138,915	136,571
<b>Total Revenues</b>	<u>161,375</u>	<u>147,138</u>	<u>144,761</u>
Operating Expenses	58,961	86,713	57,015
Non-Operating Expenses	2,005	1,965	1,937
<b>Total Expense</b>	<u>60,966</u>	<u>88,678</u>	<u>58,952</u>
Income Before Capital Contributions	100,409	58,460	85,809
Capital Contributions	-	750	-
Changes in Net Position	100,409	59,210	85,809
Beginning Net Position	<u>3,158,061</u>	<u>3,098,851</u>	<u>3,013,042</u>
<b>Ending Net Position</b>	<u>\$3,258,470</u>	<u>\$3,158,061</u>	<u>\$3,098,851</u>

The utility's operating revenues increased in 2016. Other revenue, specifically investment income and property tax revenue increased this year due to higher interest rates and increased assessed valuations. Also, specific ownership taxes had a slight increase over 2015. The mill levy imposed on all residents in the district was 4.019 mils in 2016 and 4.25 mils for 2015 and 4.25 mils for 2014.

**St. Charles Mesa Sanitation District  
Management's Discussion and Analysis  
For the years ended December 31, 2016, 2015 and 2014**

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**Utility Financial Analysis (Continued)**

Operating Expenses totaled \$58,961 in 2016 compared to \$86,713 in 2015. The decrease is \$27,752. The expense that decreased between the years was repairs and maintenance. The remaining expenses were very comparable to 2015.

**Budgetary Highlights**

There were no amendments to the original budgets during 2016.

During the fiscal year, the District made no revisions to the original budget. Generally, budget amendments fall into one of two categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) increases in appropriations that become necessary to maintain services.

Total expenses were \$27,518 (31%) less than the budget projected.

**Request for Information**

This financial report is designed to provide our customers with a general overview of the utility's finances and to demonstrate the utility's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact St. Charles Mesa Sanitation District, P.O. Box 8311, Pueblo, CO 81008 or by phone at 719-543-1112.

## Basic Financial Statements

**STATEMENTS OF NET POSITION**  
**SAINT CHARLES MESA SANITATION DISTRICT**  
December 31, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash and equivalents	\$ 229,346	\$ 132,159
Receivables:		
Accounts receivable	7,197	7,297
Interest	331	329
Property taxes	134,793	126,743
Prepaid expenses	2,607	2,581
Investments	<u>2,258,275</u>	<u>2,243,694</u>
<b>Total Current Assets</b>	<u>2,632,549</u>	<u>2,512,803</u>
<b>Noncurrent Assets</b>		
Cash and equivalents	262,057	260,356
Capital assets:		
Sewer system construction	480,136	480,136
Construction in progress	440,346	440,346
Less accumulated depreciation	<u>(411,094)</u>	<u>(402,940)</u>
<b>Total Noncurrent Assets</b>	<u>771,445</u>	<u>777,898</u>
<b>Total Assets</b>	<u>\$ 3,403,994</u>	<u>\$ 3,290,701</u>
 <b><u>Liabilities and Net Position</u></b>  		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,756	\$ 2,872
Accrued expenses	918	918
Customer deposits	<u>2,850</u>	<u>2,850</u>
<b>Total Current Liabilities</b>	<u>11,524</u>	<u>6,640</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - property tax	<u>134,000</u>	<u>126,000</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	509,388	517,542
Restricted for emergency	5,000	4,500
Unrestricted	<u>2,744,082</u>	<u>2,636,019</u>
<b>Total Net Position</b>	<u>\$ 3,258,470</u>	<u>\$ 3,158,061</u>

The accompanying notes to financial statements are an integral part of this statement.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

SAINT CHARLES MESA SANITATION DISTRICT  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues</b>		
Sanitation fees and hookups	\$ 8,269	\$ 8,223
<b>Operating Expenses</b>		
Sewage operating expenses	16,095	46,651
Administrative and general	42,866	40,062
<b>Total Operating Expenses</b>	<u>58,961</u>	<u>86,713</u>
<b>Net Operating Income</b>	<u>(50,692)</u>	<u>(78,490)</u>
<b>Nonoperating Revenue (Expenses)</b>		
General property tax	126,010	122,955
Penalty and interest	308	304
Specific ownership tax	10,483	10,010
Interest and investment income	16,305	5,646
Treasurer's fees	(2,005)	(1,965)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>151,101</u>	<u>136,950</u>
<b>Income (Loss) Before Capital Contributions</b>	100,409	58,460
<b>Capital Contributions</b>		
System development fees	<u>-</u>	<u>750</u>
<b>Net Income (Loss)</b>	100,409	59,210
<b>Total Net Position - Beginning</b>	<u>3,158,061</u>	<u>3,098,851</u>
<b>Total Net Position - Ending</b>	<u>\$ 3,258,470</u>	<u>\$ 3,158,061</u>

The accompanying notes to financial statements are an integral part of this statement.

**STATEMENTS OF CASH FLOWS**  
**SAINT CHARLES MESA SANITATION DISTRICT**  
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 8,369	\$ 7,977
Cash payments to suppliers for goods and services	<u>(45,949)</u>	<u>(77,561)</u>
<b>Net Cash Used by Operating Activities</b>	<u>(37,580)</u>	<u>(69,584)</u>
<b>Cash Flows From Noncapital and Related Financing Activities</b>		
Cash received from property taxes	136,751	133,107
Cash paid for treasurer fees	<u>(2,005)</u>	<u>(1,965)</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>134,746</u>	<u>131,142</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	-	(55,754)
System development fees collected - net of rebates	<u>-</u>	<u>750</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>-</u>	<u>(55,004)</u>
<b>Cash Flows From Investing Activities</b>		
Interest income	16,303	5,669
Purchased certificate of deposit	(1,701)	(1,718)
Purchased ColoTrust funds	<u>(14,581)</u>	<u>(3,936)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>21</u>	<u>15</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	97,187	6,569
<b>Cash and Cash Equivalents - Beginning</b>	<u>132,159</u>	<u>125,590</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 229,346</u>	<u>\$ 132,159</u>

The accompanying notes to financial statements are an integral part of this statement.

**STATEMENTS OF CASH FLOWS (Continued)**  
**SAINT CHARLES MESA SANITATION DISTRICT**  
For the years ended December 31, 2016 and 2015

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ (50,692)	\$ (78,490)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,154	8,057
<b>(Increase) decrease in:</b>		
Accounts receivable	100	(246)
Prepaid expenses	(26)	613
<b>Increase (decrease) in:</b>		
Accounts payable	<u>4,884</u>	<u>482</u>
<b>Net Cash Provided (Used) by Operations</b>	<b><u>\$ (37,580)</u></b>	<b><u>\$ (69,584)</u></b>

The accompanying notes to financial statements are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**  
**SAINT CHARLES MESA SANITATION DISTRICT**  
December 31, 2016 and 2015

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**Note A - Summary of Significant Accounting Policies**

**Reporting Entity**

The Saint Charles Mesa Sanitation District (District) is organized under the laws of the State of Colorado for the purpose of providing sanitation services to the District. The District operates under the jurisdiction of a local board of directors whose members are elected by voters of the District.

The District (the primary government) presents its financial statements in accordance with generally accepted accounting principles, as they apply to governmental units. The financial statements of the District consist only of its sole enterprise fund for sanitation services. The District has no other funds or account groups.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The District's financial statements are reported on 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 the related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met. Capital grant funding represents amounts received or paid on behalf of the District for capital asset acquisition or construction of additions to the sewer system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The primary source of revenue is user charges for sanitation services. Operating expenses are reported in functional categories for sewage operating expenses and administrative and general expenses and include depreciation on capital assets. Other revenues or expenses not meeting this definition are treated as nonoperating revenues or expenses. The principal nonoperating revenues are property and specific ownership taxes, penalty and investment income. The principal nonoperating expenses of the District include treasurer's fees.

All assets and liabilities, both current and noncurrent, are included in the statements of net position of proprietary funds.

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Cash and Equivalents**

The statement of cash flows focuses on the change in cash and cash equivalents during the period. Cash equivalents are short-term, highly liquid investments that are quickly converted to known cash amounts and that have maturities of three months or less so as to minimize the risk of value changes.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

SAINT CHARLES MESA SANITATION DISTRICT

December 31, 2016 and 2015

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**Note A - Summary of Significant Accounting Policies (Continued)**

**Investments**

The District's policy is to state investments in their financial statements at fair value. All investment income, including changes in the fair value of investments are reported as investment income on the District's financial statements.

**Capital Assets**

Land acquisition costs and construction in progress are stated at cost and are not depreciated. All other components of the sewer system construction are stated at cost and depreciated using straight-line depreciation over an estimated useful life ranging between 10 to 40 years.

**Accounts Payable**

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to December 31.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section of 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. The District does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and 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. The District has one item, property taxes. This item is deferred and recognized as an inflow of resources in the period that the amounts become available.

**Interest and Investment Income**

Interest and investment income are recognized in the period in which it is earned.

**System Development Fees**

The District charges fees to join the utility system. The basic connection charge (tap fee) for December 31, 2016 and 2015 is \$1,500. These fees are recorded in the statement of revenues, expenses and changes in net position.

**Property Taxes**

Pueblo County is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year and may be paid in two equal installments before the last day of February and the 15th day of June of in full before the last day of April.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Available means due or past due and receivable within the current period and collected no longer than 60 days after December 31.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
SAINT CHARLES MESA SANITATION DISTRICT  
December 31, 2016 and 2015

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**Note B - Stewardship, Compliance, and Accountability**

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for such risks. Settled claims resulting from these risks did not exceed commercial insurance coverage during 2016 and 2015.

**Budgetary Data**

Formal budgetary accounting is employed as a management control tool for the proprietary fund of the District. Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution. The Board of the District may amend the original adopted budget during the year by passing a new resolution to reflect current needs, changing conditions, or revised estimates. The budgetary amounts represented in the accompanying financial statements/schedules reflect original and most recent amended amounts which were adopted in accordance with the appropriate provisions of state law.

Encumbrance accounting is not employed as part of the budgetary process. Encumbrance accounting allows a governmental entity to account for open purchase orders (purchase orders for which the underlying goods or services have not been received before the end of an accounting period) as expenditures against the budget of that accounting period.

All unencumbered budget appropriations lapse at the end of each fiscal year.

**Tax, Revenue, Spending and Debt Limitation**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which imposes several limitations, including revenue raising, spending limitations, and other specific requirements on state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with any applicable requirement of the Amendment. However, the District has made certain interpretations of the Amendment's language in order to determine its compliance.

The Colorado legislature enacted legislation concerning water and sewer activities which allows governments to establish enterprise status, as defined in the Amendment, for water and sewer services. The District, by resolution of its Board of Directors, established such a sewer enterprise for the purpose of providing continuing service to its constituents and further resolved that the enterprise will not levy a tax nor accept any government grant which would jeopardize such status unless specifically authorized by its Board of Directors.

In addition to the tax raising, revenue, spending & debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies must establish an "emergency reserve". To be used for declared emergencies only, each entity shall reserve 3% or more of its fiscal year spending excluding bonded debt service. For the years ended December 31, 2016 and 2015, the District has reserved \$5,000 and \$4,500 respectively, which represents 3% of fiscal year spending.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**SAINT CHARLES MESA SANITATION DISTRICT**

December 31, 2016 and 2015

**Note C - Cash Deposits And Investments**

**Deposits**

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 equal to 102% of the aggregate uninsured deposits.

As of December 31, 2016, all the District deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposit may not be returned to it. The District's policy for custodial credit risk parallels Colorado statutes.

A summary of cash and deposits held at year end follows:

	<b><u>Carrying Amount</u></b>	<b><u>Less Than One Year</u></b>	<b><u>Less Than Five Years</u></b>
<b>Deposits:</b>			
Checking account	\$ 220,086	\$ 220,086	\$ -
Savings account	9,260	9,260	-
Certificate of deposit	<u>262,057</u>	<u>-</u>	<u>262,057</u>
<b>Total Cash</b>	491,403	229,346	262,057
<b>Investments:</b>			
State investment pool (ColoTrust)	<u>2,258,275</u>	<u>2,258,275</u>	-
<b>Total Cash and Investments</b>	<u><u>2,749,678</u></u>	<u><u>\$ 2,487,621</u></u>	<u><u>\$ 262,057</u></u>

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government agency securities, certain bonds of political subdivisions, banker's acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

The District has invested \$2,258,275.45 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal functions 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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SAINT CHARLES MESA SANITATION DISTRICT**  
December 31, 2016 and 2015

**Note C - Cash Deposits and Investments (Continued)**

**Investments (Continued)**

Interest rate risk - The District's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from date of purchase unless a governing body authorizes a longer period.

Credit risk - The District does not have an investment policy that would further limit its investment choices beyond the requirements of Colorado statutes. As of December 31, 2016 and 2015, the only investments purchased by the District was ColoTrust. As of December 31, 2016 the District's investment in Colo Trust rates AAAM by Standard and Poor's and Aaa by Moody's.

**Note D - Changes in Capital Assets**

The following is a summary of the changes in capital assets:

	<b>Balance 12-31-2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-2016</b>
Sewer system construction	\$ 480,136	-	\$ -	\$ 480,136
Construction in progress	440,346	-	-	440,346
<b>Totals</b>	<b>\$ 920,482</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 920,482</b>
Less accumulated depreciation	402,940			411,094
<b>Net Capital Assets</b>	<b>\$ 517,542</b>			<b>\$ 509,388</b>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$8,154 and \$8,057 respectively.

**Note E - Property Tax Accrual**

Property tax which has been levied in 2016 which will not be collected until 2017 have been recorded as a receivable at December 31, 2016. An offsetting entry has been recorded as a deferred inflow of resources on the statements of net position.

**Note F - Customer Deposits**

System development (tap) fees and other services must be paid in full by the customer prior to the extension of service to the customer. Amounts received by customers in partial payment of such fees are recorded as customer deposits and remain in current liabilities until applied against unpaid billings or refunded. Customer deposits for the years ended December 31, 2016 and 2015 were \$2,850.

**Note G - Service Contract**

Currently Saint Charles Mesa Sanitation District is under a contract with Blende Sanitation District requiring Blende Sanitation District to take sanitary waste water from the completed portions of the overall system.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**SAINT CHARLES MESA SANITATION DISTRICT**

December 31, 2016 and 2015

**Note H - Net Position**

The basic financial statements utilize a net position presentation. Net position are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in capital assets (net of related debt) is intended to reflect the portion of the net position that is associated with non-liquid, capital assets, less outstanding capital asset related debt.

Restricted net position have a third-party (statutory, bond covenant or water user) limitation on their use. The District is required by Amendment 1 (TABOR) to reserve 3% of fiscal year spending for declared emergencies. For the years ended December 31, 2016 and 2015, the District has reserved \$5,000 and \$4,500, respectively.

Unrestricted net position is an amount that does not meet the definition of "invested in capital assets" or "restricted net position" and are available for the District's operations.

**Note I - Insurance Pool**

Colorado Specialty Districts Property and Liability Pool (the Pool) is a separate and independent governmental and legal entity pursuant to the provisions of the Colorado Constitution and Colorado Revised Statutes. On January 1, 2007, the Board of the District approved participation in the Pool. The District has participated each year since then.

The purposes of the Pool are to provide defined property and liability coverage and claims and risk management services related thereto for Member Special Districts through a self insurance pool.

It is the intent of the members of the Pool to operate an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability or loss to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members.

The District's share of the Pool cannot be determined. Condensed financial information of the Pool for the years ended December 31, is as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets	\$ 52,645,796	\$ 44,054,744	\$ 38,975,326
Liabilities	\$ 28,757,242	\$ 24,739,781	\$ 21,867,904
Equity	23,888,554	19,314,963	17,107,422
	<u>\$ 52,645,796</u>	<u>\$ 44,054,744</u>	<u>\$ 38,975,326</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**SAINT CHARLES MESA SANITATION DISTRICT**

December 31, 2016 and 2015

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**Note I - Insurance Pool (Continued)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues	\$ 18,932,979	\$ 16,356,266	\$ 15,309,288
Expenses	<u>14,100,230</u>	<u>14,839,993</u>	<u>16,177,384</u>
Excess of revenues over (under)	<u>\$ 4,832,749</u>	<u>\$ 1,516,273</u>	<u>\$ (868,096)</u>

That report may be obtained by writing Colorado District Association of Colorado, 225 East 16<sup>th</sup> Avenue, Suite 1000, Denver, Colorado 80203 or calling 1-(303)-863-1733 or 1-(800)-886-1733.

**Other Supplementary Information**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**BUDGETARY BASIS - BUDGET AND ACTUAL**

**SAINT CHARLES MESA SANITATION DISTRICT**

For the year ended December 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>2016 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>Operating Revenue</b>				
Sanitation fees and hookups	\$ 8,200	\$ 8,200	\$ 8,269	\$ 69
<b>Nonoperating Revenues</b>				
General property tax	126,000	126,000	126,010	10
Penalty and interest	300	300	308	8
Specific ownership tax	9,300	9,300	10,483	1,183
Interest and investment income	5,000	5,000	16,305	11,305
System development fees	-	-	-	-
<b>Total Nonoperating Revenues</b>	<u>140,600</u>	<u>140,600</u>	<u>153,106</u>	<u>12,506</u>
<b>Total Revenues</b>	<u>148,800</u>	<u>148,800</u>	<u>161,375</u>	<u>12,575</u>
<b>Operating Expenses</b>				
<b>Sewage Operating Expense</b>				
Depreciation	9,000	9,000	8,154	846
Engineering fees	5,000	5,000	2,550	2,450
Utilities	2,200	2,200	2,074	126
Repairs and maintenance	10,000	10,000	3,317	6,683
<b>Total Sewage Operating Expenses</b>	<u>26,200</u>	<u>26,200</u>	<u>16,095</u>	<u>10,105</u>
<b>Administrative and General Expenses</b>				
Accounting	7,240	7,240	6,884	356
Administrative	18,000	18,000	18,000	-
Advertising	200	200	81	119
Clerical	2,000	2,000	1,803	197
Contingencies	8,044	8,044	-	8,044
Directors' fees	6,000	6,000	6,000	-
Dues and subscriptions	500	500	366	134
Education and training	5,000	5,000	-	5,000
Election	500	500	-	500
Insurance	3,000	3,000	2,581	419
Legal	1,000	1,000	260	740
Miscellaneous	200	200	-	200
Office expense	500	500	508	(8)
Payroll taxes	500	500	459	41
Professional fees - ORC	5,000	5,000	4,671	329
Public relations	2,000	2,000	665	1,335
Rent	600	600	588	12
<b>Total Administrative and General Expenses</b>	<u>60,284</u>	<u>60,284</u>	<u>42,866</u>	<u>17,418</u>
<b>Total Operating Expenses</b>	<u>86,484</u>	<u>86,484</u>	<u>58,961</u>	<u>27,523</u>
<b>Nonoperating Expenditures</b>				
Treasurer's fees	2,000	2,000	2,005	(5)
<b>Total Expenditures</b>	<u>88,484</u>	<u>88,484</u>	<u>60,966</u>	<u>27,518</u>
<b>Excess of Revenues Over (Under) Expenditures (Budgetary Basis)</b>	60,316	60,316	100,409	40,093
<b>Funds Available - Beginning of Year</b>	<u>3,098,851</u>	<u>3,098,851</u>	<u>3,158,061</u>	<u>59,210</u>
<b>Funds Available - End of Year</b>	<u>\$ 3,159,167</u>	<u>\$ 3,159,167</u>	<u>\$ 3,258,470</u>	<u>\$ 99,303</u>

The accompanying notes to financial statements are an integral part of this schedule.

**BUDGET RECONCILIATION**  
SAINT CHARLES MESA SANITATION DISTRICT  
December 31, 2016

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**Reconciliation From Budgetary Basis to GAAP Basis of Accounting**

<b>Revenue (Budgetary Basis)</b>	\$ 161,375
Less:	
System development fees	<u>                  -</u>
	<b>Revenue (GAAP Basis)</b> <u>161,375</u>
<b>Expenditures (Budgetary Basis)</b>	<u>60,966</u>
No variance	
	<b>Expenditures (GAAP Basis)</b> <u>60,966</u>
	<b>Income (Loss) Before Capital Contribution</b> <u>\$ 100,409</u>

The accompanying notes to financial statements are an integral part of this schedule.

**SCHEDULES OF SEWAGE OPERATING EXPENSES**

SAINT CHARLES MESA SANITATION DISTRICT

For the years ended December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
Depreciation	\$ 8,154	\$ 8,057
Engineering fees	2,550	1,975
Utilities	2,074	2,056
Repairs and maintenance	<u>3,317</u>	<u>34,563</u>
<b>Total Sewage Operating Expenses</b>	<b><u>\$ 16,095</u></b>	<b><u>\$ 46,651</u></b>

The accompanying notes to financial statements are an integral part of this schedule.

**SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES**

SAINT CHARLES MESA SANITATION DISTRICT

For the years ended December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
Accounting	\$ 6,884	\$ 6,732
Administrative	18,000	18,000
Advertising	81	30
Clerical	1,803	1,729
Directors' fees	6,000	6,000
Dues and subscriptions	366	364
Insurance	2,581	2,606
Legal Fees	260	-
Office expense	508	477
Payroll taxes	459	459
Professional fees - ORC	4,671	2,310
Public relations	665	767
Rent	<u>588</u>	<u>588</u>
<b>Total Administrative and General Expenses</b>	<b><u>\$ 42,866</u></b>	<b><u>\$ 40,062</u></b>

The accompanying notes to financial statements are an integral part of this schedule.