

AUDITED FINANCIAL STATEMENTS
SAINT CHARLES MESA WATER DISTRICT
PUEBLO, COLORADO
December 31, 2016 and 2015



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Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. GARREN, CPA
MEL J. ROSS, CPA
SAM J. DeNARDO, CPA

SUITE 200
3673 PARKER BOULEVARD
PUEBLO, COLORADO 81008
719 / 544-9872
FAX 719 / 253-5417
www.grdcpa.com

Independent Auditor's Report

March 8, 2017

Board of Directors
Saint Charles Mesa Water District
Pueblo, Colorado

We have audited the accompanying financial statements of the business type activities of Saint Charles Mesa Water 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 opinions 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 respective financial position of the business-type activities of Saint Charles Mesa Water District, as of December 31, 2016 and 2015, and the respective 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 v 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 Saint Charles Mesa Water District's basic financial statements. The schedules of budgetary comparisons, water operating expenses, general and administrative expenses and debt service coverage calculation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of budgetary comparisons, operating and administrative expenses and the debt service coverage calculation 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.

Harvey, Ross & DeMarzo, L.L.C.

Management's Discussion and Analysis

Management's Discussion and Analysis

St. Charles Mesa Water District

For the years ended December 31, 2016, 2015, and 2014

The intent of the management discussion and analysis is to provide highlights of the St. Charles Mesa Water District's financial activities for the fiscal year ending December 31, 2016. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

District Operations

The District operates as a Special District and is a quasi-municipal corporation duly organized under the laws of the State of Colorado authorized by the provisions of the constitution and laws of the State of Colorado. The activities of the District include; acquisition of water rights, production of potable water, maintenance of its distribution system, raw water collection system and ground water wells. This includes water meters, potable water storage tanks, pumps, booster stations, chemical storage facilities, raw water diversion structures and storage reservoirs. The District also maintains service vehicles and heavy equipment for service and maintenance. The District also owns and leases several farms. The District provides potable water to 4,086 water taps which includes commercial accounts.

Overview of Financial Statements

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

The statement of net position (formerly the balance sheet) presents the financial position of the District. It presents information on the District's assets, deferred outflows, liabilities and deferred inflows with the net difference being reported as net position. Over time, increases and 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, 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 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.

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

The notes to the financial statements provide information that is essential to the full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 7 - 16 of this report

Financial Statements

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.

Management's Discussion and Analysis (Continued)
St. Charles Mesa Water District
For the years ended December 31, 2016, 2015, and 2014

TABLE-1

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>Percentage</u>	<u>2014</u>	<u>Change</u>	<u>Percentage</u>
Program Revenues							
Water Sales	\$ 2,356,768	\$ 2,223,802	\$ 132,966	5.98%	\$ 2,156,245	\$ 67,557	3.13%
Other operating revenue	131,639	127,312	4,327	3.40%	139,092	(11,780)	-8.47%
General and Other Revenues							
Investment income	15,698	17,561	(1,863)	-10.61%	20,953	(3,392)	-16.19%
Gain on sale of assets	1,539	54,477	(52,938)	-97.18%	4,120	50,357	100.00%
Total Revenues	<u>2,505,644</u>	<u>2,423,152</u>	<u>82,492</u>	<u>3.40%</u>	<u>2,320,410</u>	<u>102,742</u>	<u>4.43%</u>
Program Expenses							
Source of supply	419,870	596,670	(176,800)	-29.63%	599,270	(2,600)	-0.43%
Water treatment	652,322	485,819	166,503	34.27%	411,801	74,018	17.97%
Transmission & distr.	538,784	506,630	32,154	6.35%	546,919	(40,289)	-7.37%
Administrative	599,414	596,989	2,425	0.41%	614,295	(17,306)	-2.82%
Interest expense	221,293	215,740	5,553	2.57%	221,849	(6,109)	-2.75%
Amortization of loss on debt extinguishment	7,991	7,991	-	0.00%	7,991	-	0.00%
Total Expenses	<u>2,439,674</u>	<u>2,409,839</u>	<u>29,835</u>	<u>1.24%</u>	<u>2,402,125</u>	<u>7,714</u>	<u>0.32%</u>
Income (loss) before contributions	65,970	13,313	52,657	395.53%	(81,715)	95,028	-116.29%
Contributions							
Capital Grants	9,499	20,749	(11,250)	-54.22%	89,478	(68,729)	-76.81%
System development fees	147,465	165,803	(18,338)	-11.06%	152,115	13,688	9.00%
Change in Net Position	<u>\$ 222,934</u>	<u>\$ 199,865</u>	<u>\$ 23,069</u>	<u>11.54%</u>	<u>\$ 159,878</u>	<u>\$ 39,987</u>	<u>25.01%</u>

Total Revenues

The combined revenue for the 2016 fiscal year totaled \$2,505,644 compared to the prior year of \$2,423,152. This is an increase of \$82,492 or 3.40%. The District experienced a 4.43% increase from 2014 to 2015. Combined revenues are comprised of water sales and land and water leases.

Water Sales

Water sales increased in 2016 by \$132,966 or 5.98% over the previous year of \$2,223,802. The District experienced a 3.13% increase in water sales from 2014 to 2015.

Interest Earnings

This past year has seen an decrease in the District's earnings from investments in 2016 compared to 2015. In 2015 the District earned \$17,561 compared to 2016 earnings of \$15,698. The decrease is due to the District's bond proceeds and capital improvement account funds. Favorable rates of return are difficult to find that meet the criteria required for Special Districts.

Management's Discussion and Analysis (Continued)
St. Charles Mesa Water District
For the years ended December 31, 2016, 2015, and 2014

Total Expenses

Combined expenses for the 2016 fiscal year totaled \$2,439,674 compared to the prior year of \$2,409,839. This is an increase of \$29,835 or 1.24%. The District had a .32% increase in expenses from 2014 to 2015. Combined expenses are comprised of four major categories: Source of Supply, Water Treatment, Transmission & Distribution, and Administrative.

Administrative Expenses

The District's professional service fees vary from year to year based on the legal, engineering and other services required. The major portion is budgeted for evaluating various water right issues in the Arkansas River basin to protect its water rights. The District expended \$158,599 in 2016, \$171,908 in 2015 and \$176,333 in 2014.

Capital Grants

The housing market remains sluggish in Pueblo County. The District did approve service to the new library in Pueblo County. The water main installation was valued at \$83,708 and the fire hydrants were valued at \$5,770. The District did approve service to a 16 lot subdivision in 2013 that was valued at \$22,713.

A condensed summary of the District's net position at December 31, 2016, 2015, and 2014 is presented below.

TABLE-2

<u>Statement of Net Position</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>Percentage</u>	<u>2014</u>	<u>Change</u>	<u>Percentage</u>
Assets							
Capital assets	\$ 15,085,402	\$ 14,268,304	\$ 817,098	5.73%	\$ 14,069,626	\$ 198,678	1.41%
Current and other assets	3,598,843	3,659,506	(60,663)	-1.66%	4,056,935	(397,429)	-9.80%
Total Assets	18,684,245	17,927,810	756,435	4.22%	18,126,561	(198,751)	-1.10%
Deferred outflows	47,947	55,939	(7,992)	-14.29%	63,930	(7,991)	-12.50%
Liabilities							
Long term liabilities	6,901,388	6,405,377	496,011	7.74%	6,762,975	(357,598)	-5.29%
Other liabilities	468,103	438,605	29,498	6.73%	487,614	(49,009)	-10.05%
Total Liabilities	7,369,491	6,843,982	525,509	7.68%	7,250,589	(406,607)	-5.61%
Net Position							
Invested in capital assets, net of related debt	8,371,423	8,332,242	39,181	0.47%	8,452,359	(120,117)	-1.42%
Restricted for debt service	744,581	744,581	-	0.00%	744,581	-	0.00%
Unrestricted	2,246,697	2,062,944	183,753	8.91%	1,742,962	319,982	18.36%
Total Net Position	\$ 11,362,701	\$ 11,139,767	\$ 222,934	2.00%	\$ 10,939,902	\$ 199,865	1.83%

Net Position

The District's net position increased in 2016. The District received bond proceeds in 2012 that are to be spent on capital assets. Some additions had been started in 2014, 2015 and 2016, but some of the proceeds are unspent and are recognized as restricted cash in the Statement of Net Position. The 2015 total assets were \$17,927,810 and \$18,684,245 in 2016 an increase of \$756,435 or 4.22%. The District's total net position increased from 2014 to 2015 by \$199,865 or 1.83%.

Management's Discussion and Analysis (Continued)
 St. Charles Mesa Water District
 For the years ended December 31, 2016, 2015, and 2014

Capital Expenditures

During 2016 expenditures in capital projects totaled \$1,480,434.

Water Purchases

The District acquired 2.841 shares of Bessemer Irrigating Ditch Company stock in 2016, 4.000 shares in 2015 and 8.682 shares in 2014.

Long Term Debt

The Revenue Bonds are secured by a first lien on the net revenue of the system. The District is required to establish user fees and rates that will yield a net revenue at least 1.10 times the debt service that will become due in the following fiscal year. The District payments for the present revenue bonds are made in June and December of each year. The District has a restricted reserve in the amount of \$744,581 as required by bond covenants.

Table - 3

	<u>12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/16</u>
2012 Series A Water Revenue Bonds	\$ 4,885,000	\$ -	\$ -	\$ 4,885,000
2012 Series B Water Enterprise Bonds	1,420,000	-	310,000	1,110,000
Government Agency Bonds	-	895,249	21,870	873,379
TOTAL	\$ 6,305,000	\$ -	\$ 331,870	\$ 6,868,379

The District refinanced the 2002 and 2009 revenue bonds in 2012. The new issue was used to retire two previous bond issues that were at higher interest rates and so that the District could provide funding for water main replacement projects in conjunction with Pueblo County Public Works and upgrade the electrical control equipment and distribution pumps at the water treatment plant. Since the 2004 bonds were not callable, \$500,000 was placed in escrow and the earned interest will be used for the remaining interest payments. The bond fund will also help stabilize the water rates for several years due to the fact that capital improvement projects are being funded with 2012 bond issue proceeds. It will also provide time for the District to fund its reserves.

Budget Highlights and Future Projects of the District

The following are highlights of some of the major changes and future projects:

- The District has changed 2057.485 shares of Bessemer Irrigation Ditch Company stock to municipal use in case's W-373 and 374, 04CW08 and 09CW91. The District will use 1,153.78 shares for municipal in 2016. The remaining 853.494 shares will be leased to farms until needed.
- The District installed 17 new water taps in 2016 providing revenue of \$147,465. Water tap sales continue to be lower than the District's average. Based on this, the water tap sales in 2016 will carryforward into 2016 in a certificate of deposit, and future water tap sales will be added to the account to fund capital improvements and water rights purchases.

Management's Discussion and Analysis (Continued)
St. Charles Mesa Water District
For the years ended December 31, 2016, 2015, and 2014

Budget Highlights and Future Projects of the District (Continued)

- The District's Board and management took into account the last 5 years of water usage and increased the rate by 2.9% for 2017 to stay in alignment with the water rate study and the District's revenue requirements. Increasing demands due to State and Federal water quality regulations and infrastructure improvements will require the Board of Directors and management to closely monitor revenue demands for future needs.
- The District is continuing the process of updating the distribution system maps so they can be moved into Arc View GIS. When complete it will enable the District to use global positioning satellites to locate its facilities.
- The District's Board of Directors authorized the first purchase of radio read meters in 2008 and began installing them in 2009. The District has installed radio read meters the last five years. The District currently has 2,204 radio read meters. The District was not able to purchase any radio read meters in 2015 due to a wet spring and summer. In 2016 the District purchased 450 radio read meters and plan to install them in early 2017. We have also budgeted for another 400 radio read meters in 2017. This has reduced the time spent reading meters and provides better water usage information.
- The District secured a 2% loan from the Colorado Water Resources and Power Development Authority in the amount of \$895,249 in January 2016. The District completed the final design and started construction the first of March. The hydro electric plant was completed in late November. Start up is scheduled in March of 2017. The hydro electric generators will provide 35 to 45% of our power at the water treatment plant. The savings in power costs to the District should fund the project.
- The District maintains a website to educate the public about the District and to provide mandatory reports useful to our customers. The site has the District's Regulations and By-Laws, water rates, water tap fees, water quality report, and other information useful to our customers. The site is at : www.scmwd-pueblo.org

Request for Information

The financial report is designed to provide a general overview of the District's finances for those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

St. Charles Mesa Water District
Office of the District Manager
1397 Aspen Road
Pueblo, CO 81006

Basic Financial Statements

STATEMENTS OF NET POSITION
SAINT CHARLES MESA WATER DISTRICT
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 849,677	\$ 712,848
Certificates of deposit	1,120,324	1,065,396
Receivables	154,215	135,735
Inventories	164,426	161,951
Prepaid expenses	66,227	65,959
Note receivable	-	129,823
Total Current Assets	<u>2,354,869</u>	<u>2,271,712</u>
Noncurrent assets		
Restricted cash	122,317	643,213
Restricted certificates of deposit	744,581	744,581
Government Agency Bond deposit	250,333	-
Note receivable	126,743	-
Capital assets - net of depreciation	<u>15,085,402</u>	<u>14,268,304</u>
Total Noncurrent Assets	<u>16,329,376</u>	<u>15,656,098</u>
Total Assets	<u>18,684,245</u>	<u>17,927,810</u>
Deferred Outflows	<u>47,947</u>	<u>55,939</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	55,700	57,961
Capital leases	17,697	37,282
Government Agency Bond	38,202	-
Revenue bonds	315,000	310,000
Other current liabilities	41,504	33,362
Total Current Liabilities	<u>468,103</u>	<u>438,605</u>
Noncurrent liabilities		
Compensated absences	185,658	173,384
Capital leases	23,006	47,609
Government Agency Bond	835,177	-
Revenue bonds	<u>5,857,547</u>	<u>6,184,384</u>
Total Noncurrent Liabilities	<u>6,901,388</u>	<u>6,405,377</u>
Total Liabilities	<u>7,369,491</u>	<u>6,843,982</u>
Net Position		
Invested in capital assets, net of related debt	8,371,423	8,332,242
Restricted	744,581	744,581
Unrestricted	<u>2,246,697</u>	<u>2,062,944</u>
Total Net Position	<u>\$ 11,362,701</u>	<u>\$ 11,139,767</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 WATER DISTRICT

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Water sales	\$ 2,356,768	\$ 2,223,802
Other operating income	131,639	127,312
Total Operating Revenues	<u>2,488,407</u>	<u>2,351,114</u>
Operating Expenses		
Source of supply	419,870	424,977
Water treatment	652,322	657,512
Transmission and distribution	538,784	506,630
Administrative	599,414	596,989
Total Operating Expenses	<u>2,210,390</u>	<u>2,186,108</u>
Net Operating Income (Loss)	<u>278,017</u>	<u>165,006</u>
Nonoperating Revenue (Expenses)		
Interest and investment income	15,698	17,561
Gain on sale of assets	1,539	54,477
Interest expense	(221,293)	(215,740)
Amortization of loss on debt extinguishment	(7,991)	(7,991)
Total Nonoperating Revenues (Expenses)	<u>(212,047)</u>	<u>(151,693)</u>
Income (Loss) Before Capital Contributions	<u>65,970</u>	<u>13,313</u>
Capital Contributions		
System development fees	147,465	165,803
Capital grants	9,499	20,749
Total Capital Contributions	<u>156,964</u>	<u>186,552</u>
Change in Net Position	222,934	199,865
Total Net Position - Beginning	<u>11,139,767</u>	<u>10,939,902</u>
Total Net Position - Ending	<u>\$ 11,362,701</u>	<u>\$ 11,139,767</u>

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

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

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,341,510	\$ 2,220,690
Cash payments to suppliers for goods and services	(935,953)	(1,019,215)
Cash payments to employees for services	(636,487)	(636,299)
Other operating revenue	<u>131,639</u>	<u>127,312</u>
Net Cash Provided by Operating Activities	<u>900,709</u>	<u>692,488</u>
 Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,440,876)	(791,714)
Proceeds from asset sale	1,539	54,477
Government agency bond advances	644,916	-
Principal paid on revenue bond maturities and capital lease obligations	(376,058)	(342,237)
Interest paid on revenue bonds and capital lease obligations	(230,533)	(228,068)
System development fees collected	<u>152,494</u>	<u>165,822</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,248,518)</u>	<u>(1,141,720)</u>
 Cash Flows From Investing Activities		
Interest income	15,590	17,546
Collections on note receivable	3,080	4,045
Investments purchased	<u>(54,928)</u>	<u>(135,509)</u>
Net Cash Provided by Investing Activities	<u>(36,258)</u>	<u>(113,918)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (384,067)	 (563,150)
 Cash and Cash Equivalents - Beginning	 <u>1,356,061</u>	 <u>1,919,211</u>
 Cash and Cash Equivalents - Ending	 <u>\$ 971,994</u>	 <u>\$ 1,356,061</u>
 Supplemental Disclosures of Non-Cash Financing and Investing Information		
Exchange tap fees/services for water stock	<u>\$ -</u>	<u>\$ 19,500</u>
Capital Grants	<u>\$ 9,499</u>	<u>\$ 20,749</u>

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

STATEMENTS OF CASH FLOWS (Continued)

SAINT CHARLES MESA WATER DISTRICT

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 278,017	\$ 165,006
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	638,337	619,948
Capitalized labor	(5,060)	(6,163)
(Increase) decrease in:		
Accounts receivable	(18,371)	1,995
Inventory	(2,475)	(18,348)
Prepaid expense	(268)	(17,889)
Increase (decrease) in:		
Accounts payable and accrued expenses	(4,858)	(31,963)
Other current liabilities	3,113	(5,107)
Compensated absences	<u>12,274</u>	<u>(14,991)</u>
Net Cash Provided by Operations	<u>\$ 900,709</u>	<u>\$ 692,488</u>

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

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

Note A - Summary of Significant Accounting Policies

Reporting Entity

The Saint Charles Mesa Water District (District) is organized under the laws of the State of Colorado. It operates under the jurisdiction of a local board of directors whose members are elected by the voters of the District. The formation of the District was approved by the voters in May of 1988 and it subsequently began operations in October of 1988. Prior to the formation of the District the water needs of the District's patrons were served by the Saint Charles Mesa Water Association, a nonprofit corporation. The Association transferred all its assets to the District effective September 30, 1988 and was subsequently liquidated. The total net assets transferred at that time were \$3,261,995.

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 water 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 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 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 utility plant in service.

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 water services. Operating expenses are reported in functional categories for source of supply, water treatment, transmission and distribution, and administrative 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 investment income and grants. The principal nonoperating expenses of the District include interest expense.

All assets and liabilities, both current and noncurrent, are included in the statement 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 Cash Equivalents

The statement focuses on the change in cash and cash equivalents during the period. Cash equivalents are short-term, 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.

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

Note A - Summary of Significant Accounting Policies (Continued)

Investments

The District's policy is to state investments in their financial statements at fair value. Unrealized gain or loss resulting from the change in fair market value of investments is recognized in the statement of revenues, expenses and changes in net assets.

Inventory

Inventories are stated at the lower of cost or market value using the first-in, first-out method of determining inventories on hand. Inventories were adjusted to reflect the amounts determined by physical count at year end.

Deferred Outflows - Deferred Inflows

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 (expenses/expenditures) until then. The District has one item reported under this category. The District incurred a loss on the current refunding of debt. The loss of \$85,905 will be amortized over the life of the issue. Amortization expense for the years ending December 31, 2016 and 2015 was \$7,991 and \$7,991, respectively. The unamortized amount at December 31, 2016 and 2015 is \$47,947 and \$55,939, respectively.

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. The District does not have an item that qualifies for reporting in this category.

Capital Assets

Land, wells, reservoirs, water rights, and mutual irrigating ditch company stock are stated at cost and are not depreciated. All other components of the utility plant in service are stated at cost and depreciated using straight-line depreciation based upon the following useful lives:

Source of supply plant	15 - 25 years
Water treatment plants	25 years
Transmission and distribution system	15 - 40 years
Operating equipment	5 - 10 years
Office, shop and other buildings	10 - 30 years
Office and shop equipment	5 - 10 years
Improvements of land	20 years

Compensated Absences

Accumulated, unpaid sick leave and vacation pay are accrued and recorded as an expense in the period earned.

Vacation leave is earned on a monthly basis; the amount of which varies between six and twenty-four days per year depending upon the number of years of continuous service provided by the employee. Vacation rights are vested after six months of continuous service. Accumulations are limited to thirty days or 240 hours.

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

Note A - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

Sick leave is earned at the rate of ten working days per year which is credited beginning with the first day after seven months of continuous service. Sick leave benefits are accumulating rights which may be carried forward to subsequent years. The number of unused days of sick leave an employee can accumulate is limited to one hundred twenty days or 960 hours. Accumulated, unpaid sick leave is paid to an employee, or designated beneficiaries, in the event of death or retirement based upon an employee's average base salary over the preceding five years. Retirement requires completion of twenty years of continuous service. Amounts may be paid in a lump-sum or in three equal annual installments at the discretion of the Board.

At December 31, 2016 and 2015 the amount of accrued sick leave and vacation pay was \$185,658 and \$173,384, respectively.

System Development Fees

The District charges fees to join the utility system. The fees vary depending upon the size and setting of the meter installation required. The basic connection charge (tap fee) is currently \$11,738. The District's policy is to review these fees on an ongoing basis and adjust them for cost increases. These fees are recorded in the statement of revenues, expenses and changes in net assets.

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; injuries to employees; and natural disaster. The District carries commercial insurance for such risks, including workers' compensation and accident insurance. Settled claims resulting from these risks did not exceed commercial insurance coverage during 2016 or 2015.

Current Refunding

A bond refunding in 2012 resulted in a difference between the reacquisition price and the net carrying amount of \$85,905. This was included in deferred outflows and is being amortized over the life of the bond issue as described earlier in Note A. The District completed the refunding to reduce its total debt service payments by \$174,890 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$53,007.

Note B - Stewardship, Compliance and Accountability

Budgets and 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 budgetary amounts presented 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. Differences between the budgetary reporting basis and the generally accepted accounting principles (GAAP) basis used to reflect actual revenues and expenses are described as follows:

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

Note B - Stewardship, Compliance and Accountability (Continued)

Budgets and Budgetary Data (Continued)

1. Depreciation, amortization, and unrealized gains or losses on investments are not recognized on the budgetary basis and are treated as expenses on the GAAP basis.
2. Debt proceeds are treated as revenue and debt repayments and capital expenditures are treated as expenditures on the budgetary basis. Debt proceeds are not treated as revenue and debt repayments and capital expenditures are not treated as expenses on the GAAP basis.
3. Labor costs for District employees on construction projects are capitalized on the GAAP basis and are treated as expenses on the budgetary basis.

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

Tax, Spending, and Debt Limitations

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 activities which allows governments to establish enterprise status, as defined in the Amendment, for water services. The District, by resolution of its Board of Directors, established such a water 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.

Note C - Cash Deposits and Investments

Deposits

Colorado State statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain insurance (FDIC or FSLIC) on deposits held.

Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to the total uninsured deposits held by that institution. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pool. At December 31, 2016 the District had deposits in excess of \$250,000 in the amount of \$2,086,698. These deposits are required to be collateralized under State Statutes.

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

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

Note C - Cash Deposits and Investments (Continued)

Deposits (Continued)

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

<u>Cash and Deposits</u>	<u>Carrying Amount</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<u>Deposits</u>			
Cash on hand	\$ 200	\$ 200	\$ -
Checking	326,748	326,748	-
Money Market	645,047	645,047	-
<u>Investments</u>			
Certificates of deposit	1,864,904	1,090,991	773,913
Total Deposits	<u>\$ 2,836,899</u>	<u>\$ 2,062,986</u>	<u>\$ 773,913</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 and agency securities, certain bonds of political subdivisions, bankers' 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.

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 the date of purchase unless the governing body authorizes a longer period. Credit risk - The District does not have a policy that would further limit its choices beyond the requirements of Colorado statutes.

The District had no such investments during the years ending December 31, 2016 or 2015.

Note D - Receivables

Receivables consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Due from customers for water usage	\$ 143,465	\$ 127,029
Miscellaneous receivables	10,223	8,288
Interest receivable	527	418
Total Receivables	<u>\$ 154,215</u>	<u>\$ 135,735</u>

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

Note E - Note Receivable

Effective February 5, 2010, the District sold its Huerfano Cucharas Irrigation Company stock for a total price of \$1,900 per share, for a total of \$128,250. A deposit of \$6,750 was received in 2009 which was applied to the purchase price leaving a balance due of \$121,500 for the year ended December 31, 2010. The note requires interest payments each month at 6% per annum. The promissory note required a balloon payment of the entire \$121,500 on March 31, 2013. The District granted a six month extension on the balloon payment. The due date was September 30, 2013.

During 2013 the District agreed to an additional extension and a modification to this note. A payment of \$6,600 was required by June 2013 and the principal of the note was adjusted to \$139,200, which is to be amortized over 20 years with required monthly payments of \$997.27. A final balloon payment is due on June 30, 2016.

During 2016 the District agreed to a third amendment to this note. The note will be extended three years. The principle balance at June 30, 2016 of \$127,349 will be amortized over a twelve year period. At February 15, 2017, or before, a payment of \$6,367 will be due and the new balance will be amortized for eleven years and five months. A final balloon payment is due on July 1, 2019.

Note F - Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2016.

	Balance at				Balance at
	<u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>		<u>12/31/16</u>
Land and land rights	\$ 402,580	\$ -	\$ -	\$ -	\$ 402,580
Water rights	561,412	-	-	-	561,412
Mutual irrigating company stock	3,195,732	18,467	-	-	3,214,199
Source of supply plant	6,415,059	12,004	-	-	6,427,063
Pumping plant	403,366	15,129	-	-	418,495
Water treatment plant	3,822,887	720,999	-	-	4,543,886
Transmission and distribution system	9,037,379	581,305	-	-	9,618,684
General plant	377,780	13,373	-	-	391,153
Equipment and vehicles	949,429	1,160	4,085	-	946,504
Non-utility property	497,834	-	-	-	497,834
Construction in progress	25,000	117,997	25,000	-	117,997
Totals	\$ 25,688,458	\$ 1,480,434	\$ 29,085	\$ -	\$ 27,139,807
Less accumulated depreciation	<u>(11,420,154)</u>				<u>(12,054,405)</u>
Net Capital Assets	<u>\$ 14,268,304</u>				<u>\$ 15,085,402</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$638,337 and \$619,948 respectively.

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

Note G - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 24,522	\$ 29,465
Accrued property taxes	19,083	18,998
Accrued payroll taxes	360	360
Accrued interest	11,735	9,138
Total Accrued Liabilities	<u>\$ 55,700</u>	<u>\$ 57,961</u>

Note H - Property Taxes

The District has not levied a property tax for 2016 or 2015.

Note I - Other Current Liabilities

Other current liabilities consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Customer deposits	\$ 14,440	\$ 9,411
Fire hydrant maintenance	10,447	10,447
Rents - non-utility property	16,617	13,504
	<u>\$ 41,504</u>	<u>\$ 33,362</u>

Customer deposits consist of payments received for system development (tap) fees and other services. These services must be paid in full prior to the extension of service to the customer. Amounts recorded as customer deposits will remain in current liabilities until applied against unpaid billings or refunded.

The fire hydrant maintenance liability consists of funds received from the District and Pueblo Rural Fire Protection District for maintenance on fire hydrants within the District.

Rents on non-utility property consist of the unexpired portion of rental fees that have been paid in full at the beginning of the rental term.

Note J - Defined Contribution Pension Plan

The District contributes to a retirement plan for all of its full-time employees, through a defined contribution money purchase pension plan. The plan is administered by New England Financial.

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

Note J - Defined Contribution Pension Plan (Continued)

Benefit terms, including contribution requirements, are established and may be amended by the Board of Directors of the District. For each employee the District contributes 7% of each eligible employee's earnings. Employees are permitted to make voluntary contributions to the pension plan, up to applicable Internal Revenue Code limits. For the years ended December 31, 2016 and 2015, employee contributions totaled \$19,741 and \$22,018, and the District recognized pension expense of \$29,126 and \$30,579, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in District contributions and earnings on District contributions after five years of continuous service. Nonvested District contributions are forfeited upon termination of employment. Such forfeitures are used first to cover the pension plan's administrative expenses and if there are any forfeitures remaining they may be used towards employer contributions to the plan. There were no forfeitures for the years ended December 31, 2016 and 2015.

There was no outstanding liability for pension contributions as of December 31, 2016 and 2015.

Note K - Line of Credit

The District has a line of credit with Sunflower Bank that is annually renewable and will mature July 12, 2017. The maximum loan amount is \$200,000, and interest is due on the outstanding principal at the rate of 3.5%. There was no borrowing on the credit line and no balance outstanding at December 31, 2016.

Note L - Capital Leases

On April 14, 2014, the District entered into a lease with Ford Motor Credit, in the amount of \$78,270. Payments are due in twelve quarterly installments of \$6,995.77, including interest at 5.2%.

On March 17, 2014 the District entered into a lease with Merchants Capital in the amount of \$86,306. Payments are due in twenty quarterly installments of \$4,722.72 including interest at 3.49%

	<u>December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2016</u>	<u>Current Portion</u>
Ford Motor Credit	\$ 27,097	\$ -	\$ 27,097	\$ -	\$ -
Merchants Capital	57,794	-	17,091	40,703	17,697
	<u>\$ 84,891</u>	<u>\$ -</u>	<u>\$ 44,188</u>	<u>\$ 40,703</u>	<u>\$ 17,697</u>

Future years repayment schedule:

	Principal	Interest	Total
2017	\$ 17,697	\$ 1,194	\$ 18,891
2018	18,324	566	18,890
2019	4,682	41	4,723
	<u>\$ 40,703</u>	<u>\$ 1,801</u>	<u>\$ 42,504</u>

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

Note M - Long-Term Debt

The following is a summary of revenue bond transactions of the District for the year ended December 31, 2016:

	<u>December</u> <u>31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December</u> <u>31, 2016</u>	<u>Current</u> <u>Portion</u>
Series 2012A water enterprise bonds	\$ 4,885,000	\$ -	\$ -	\$ 4,885,000	-
Series 2012B water enterprise bonds	1,420,000	-	310,000	1,110,000	315,000
Government Agency Bonds	-	895,249	21,870	873,379	38,202
Unamortized premiums	189,384	-	11,837	177,547	-
Total	<u>\$ 6,494,384</u>	<u>\$ 895,249</u>	<u>\$ 343,707</u>	<u>\$ 7,045,926</u>	<u>\$ 353,202</u>

Long-term debt at December 31, 2015 follows:

- The District issued series 2012 A and 2012 B water revenue bonds. The proceeds were used in part to effect a current refunding of both the 2002 and 2009 water revenue bonds. The remaining amount, after the costs of issuance, was used to increase the required bond reserve fund to \$744,580 and to provide funds in the approximate amount of \$3,910,103 for various constructions projects.

The bonds are secured by a first lien on the net revenue of the system. Net revenues are defined in the bond agreements. The District is required to maintain a bond reserve fund as well as establishing user rates and fees that will yield net revenues of at least 1.10 times the debt service that will come due in the succeeding year.

Future years repayment schedule:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 315,000	\$ 210,457	\$ 525,457
2018	320,000	202,583	522,583
2019	330,000	193,622	523,622
2020	340,000	183,393	523,393
2021	355,000	172,612	527,612
2022 - 2026	1,975,000	657,813	2,632,813
2027 - 2031	<u>2,360,000</u>	<u>264,787</u>	<u>2,624,787</u>
	<u>\$ 5,995,000</u>	<u>\$ 1,885,267</u>	<u>\$ 7,880,267</u>

- The District issued a governmental agency bond pursuant to a loan agreement with Colorado Water Resources and Power Development Authority. Proceeds are to be used for specified capital improvements. The loan amount is \$895,249 and payments began in May of 2016 including interest at 2%.

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

Note M - Long-Term Debt (Continued)

The bonds are secured by a lien on the net revenue of the system. Net revenues are defined in the loan documents. The District is required to establish user rates and fees equal to at least 110% of the annual debt service requirements. The District is also required to maintain a reserve in the form of unobligated fund balances of at least 25% of its expected operating and maintenance expenses. The District believes it is in compliance with all loan requirements.

Future years repayment schedule:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 38,202	\$ 17,278	\$ 55,480
2018	38,970	16,510	55,480
2019	39,753	15,726	55,479
2020	40,552	14,927	55,479
2021	41,368	14,112	55,480
2022 - 2026	219,649	57,750	277,399
2027 - 2031	242,629	34,769	277,398
2032 - 2035	212,256	9,662	221,918
	<u>\$ 873,379</u>	<u>\$ 180,734</u>	<u>\$ 1,054,113</u>

Note N - Net Position

The basic financial statements utilize a net position presentation. Net position is 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 net position that is associated with non-liquid, capital assets, less outstanding capital asset related debt.

Restricted net position has a third-party (statutory, bond covenant or water user) limitation on their use. The District has bond covenants which require it to establish and maintain a reserve fund in the amount of \$744,581 to be used solely to prevent a default in payment of the debt service on the bonds. Further, the District is required to make monthly deposits into a bond fund account to provide for the annual debt service payments. At the end of December 31, 2016 the District had unspent bond money of \$122,317 that must be used for capital expenditures.

Unrestricted net position are amounts that do not meet the definition of “invested in capital assets” or “restricted assets” and are available for the District’s operations.

Other Supplementary Information

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGETARY BASIS - BUDGET AND ACTUAL
SAINT CHARLES MESA WATER DISTRICT
For the year ended December 31, 2016

	Original Budget	Amended Budget	2016 Actual	Variance Favorable (Unfavorable)
Operating Revenues				
Water revenues	\$ 2,253,000	\$ 2,253,000	\$ 2,356,768	\$ 103,768
Interest income	12,000	12,000	15,698	3,698
Other income	110,430	110,430	131,639	21,209
Total Operating Revenues	<u>2,375,430</u>	<u>2,375,430</u>	<u>2,504,105</u>	<u>128,675</u>
Nonoperating Revenues				
Capital contributions	146,303	146,303	156,964	10,661
Debt proceeds	-	895,294	895,249	(45)
Total Nonoperating Revenues	<u>146,303</u>	<u>1,041,597</u>	<u>1,052,213</u>	<u>10,616</u>
Total Revenues	<u>2,521,733</u>	<u>3,417,027</u>	<u>3,556,318</u>	<u>139,291</u>
Operating Expenses				
Source of Supply				
Salaries and employee benefits	42,489	42,489	27,350	15,139
Repairs and maintenance	77,000	77,000	70,114	6,886
Water assessments	115,000	115,000	180,286	(65,286)
Supplies and other expenses	81,900	81,900	640	81,260
Total Source of Supply	<u>316,389</u>	<u>316,389</u>	<u>278,390</u>	<u>37,999</u>
Water Treatment Expense				
Salaries and employee benefits	146,971	146,971	154,507	(7,536)
Repairs and maintenance	38,500	38,500	58,819	(20,319)
Chemicals	75,000	75,000	85,170	(10,170)
Power purchased for pumping	235,600	235,600	185,065	
Supplies and other expenses	79,500	79,500	14,817	64,683
Total Water Treatment Expense	<u>575,571</u>	<u>575,571</u>	<u>498,378</u>	<u>26,658</u>
Transmission and Distribution Expense				
Salaries and employee benefits	281,552	254,145	233,894	20,251
Repairs and maintenance	76,000	76,000	33,945	42,055
Supplies and other expenses	22,500	22,500	9,617	12,883
Total Transmission and Distribution Expense	<u>380,052</u>	<u>352,645</u>	<u>277,456</u>	<u>75,189</u>
Administrative and General Expenses				
Salaries and employee benefits	222,764	228,694	233,010	(4,316)
Utilities and miscellaneous	31,180	31,180	8,880	22,300
Insurance	57,924	57,924	45,234	12,690
Office supplies and expenses	61,300	61,300	53,180	8,120
Professional services	181,200	181,200	158,599	22,601
Building repairs and maintenance	85,500	85,500	42,090	43,410
Directors, elections and other	36,200	36,200	8,100	28,100
Travel	7,000	7,000	4,261	2,739
Dues and subscriptions	-	-	10,169	(10,169)
Contingencies	-	-	-	-
Total Administrative and General Expenses	<u>683,068</u>	<u>688,998</u>	<u>563,523</u>	<u>125,475</u>
Total Operating Expenses	<u>1,955,080</u>	<u>1,933,603</u>	<u>1,617,747</u>	<u>265,321</u>

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

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGETARY BASIS - BUDGET AND ACTUAL (Continued)
 SAINT CHARLES MESA WATER 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>
Nonoperating Expenditures				
Interest expense	\$ 217,433	\$ 217,433	\$ 233,130	\$ (15,697)
Principal paid on bonds	310,000	310,000	310,000	-
Capital outlay	<u>1,179,000</u>	<u>1,799,294</u>	<u>1,381,775</u>	<u>417,519</u>
Total Nonoperating Expenditures	<u>1,706,433</u>	<u>2,326,727</u>	<u>1,924,905</u>	<u>401,822</u>
Total Expenditures	<u>3,661,513</u>	<u>4,260,330</u>	<u>3,542,652</u>	<u>667,143</u>
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	(1,139,780)	(843,303)	13,666	856,969
Funds Available - Beginning of Year	<u>1,709,679</u>	<u>1,434,679</u>	<u>4,863,856</u>	<u>3,429,177</u>
Funds Available - End of Year	<u>\$ 569,899</u>	<u>\$ 591,376</u>	<u>\$ 4,877,522</u>	<u>\$ 4,286,146</u>

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

BUDGET RECONCILIATION
SAINT CHARLES MESA WATER DISTRICT
December 31, 2016

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (Budgetary Basis)	\$	3,556,318
Less:		
Debt proceeds		(895,249)
Capital grants		(9,499)
System development fees		(147,465)
Plus:		
Gain on sale of assets		<u>1,539</u>
Revenue (GAAP Basis)		<u>2,505,644</u>
Expenses (Budgetary Basis)		3,542,652
Plus:		
Amortization		7,991
Depreciation		638,337
Less:		
Capital outlay		(1,422,409)
Labor costs capitalized		(5,060)
Principal payments		<u>(321,837)</u>
Expenses (GAAP Basis)		<u>2,439,674</u>
Income (Loss) Before Capital Contribution	\$	<u>65,970</u>

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

SCHEDULES OF WATER OPERATING EXPENSES

SAINT CHARLES MESA WATER DISTRICT

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Source of Supply		
Salaries and employee benefits	\$ 26,478	\$ 43,655
Repairs and maintenance	48,355	63,345
Water assessments	180,286	154,627
Supplies and other expenses	640	753
Depreciation	<u>164,111</u>	<u>162,597</u>
Total Source of Supply	<u>419,870</u>	<u>424,977</u>
 Water Treatment Expense		
Salaries and employee benefits	154,507	147,257
Repairs and maintenance	53,444	59,784
Chemicals	85,170	102,761
Power purchased for pumping	185,065	171,693
Supplies and other expenses	14,817	21,186
Depreciation	<u>159,319</u>	<u>154,831</u>
Total Water Treatment Expense	<u>652,322</u>	<u>657,512</u>
 Transmission and Distribution Expense		
Salaries and employee benefits	229,706	208,404
Repairs and maintenance	33,945	44,053
Supplies and other expenses	9,617	10,756
Depreciation	<u>265,516</u>	<u>243,417</u>
Total Transmission and Distribution Expense	<u>538,784</u>	<u>506,630</u>
 Total Water Operating Expenses	 <u>\$ 1,610,976</u>	 <u>\$ 1,589,119</u>

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

SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES

SAINT CHARLES MESA WATER DISTRICT

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Depreciation	\$ 49,391	\$ 59,103
Directors' fees and meeting expenses	8,100	8,400
Dues and subscriptions	10,169	7,522
Insurance	45,234	43,651
Office supplies and expenses	39,680	43,448
Professional fees	158,599	171,908
Repairs and maintenance	42,090	28,195
Salaries and employee benefits	233,010	215,829
Travel	4,261	8,071
Utilities	<u>8,880</u>	<u>10,862</u>
Total Administrative and General Expenses	<u>\$ 599,414</u>	<u>\$ 596,989</u>

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

SCHEDULE OF DEBT SERVICE COVERAGE CALCULATION

SAINT CHARLES MESA WATER DISTRICT

For the year ended December 31, 2016

	<u>2016</u>
Gross operating revenue	\$ 2,488,407
Investment income	15,698
Gain on sale of assets	1,539
System development fees	<u>147,465</u>
Total Revenue (Excluding Capital Grants)	<u>2,653,109</u>
Total operating expenses	2,210,390
Less depreciation expense	<u>(638,337)</u>
Adjusted Operating Expenses	<u>1,572,053</u>
Net Revenue	<u>\$ 1,081,056</u>
Debt service expenditures:	
Series 2012 A water enterprise bonds	\$ 178,463
Series 2012 B water enterprise bonds	348,970
Government agency bonds	<u>32,284</u>
Total Debt Service Expenditures	<u>559,717</u>
Required ratio	110%
Net Revenue Required	<u>615,688</u>
Excess (Deficit)	<u>\$ 465,368</u>

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