

**AUDITED FINANCIAL STATEMENTS**  
**SAINT CHARLES MESA WATER DISTRICT**  
**PUEBLO, COLORADO**  
December 31, 2018 and 2017

## CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b>	1 - 2
<b>Management's Discussion and Analysis</b>	i - v
<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 - 17
<b>Other Supplementary Information</b>	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (Budgetary Basis)	18 - 19
Budget Reconciliation	20
Schedules of Water Operating Expenses	21
Schedules of General and Administrative Expenses	22
Schedules of Debt Service Coverage Calculation	23

# *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 14, 2019

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, 2018 and 2017, 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 audit. We conducted our audit 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 opinions.

Board of Directors  
Saint Charles Mesa Water District

## Opinions

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, 2018 and 2017, 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 the 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.

Garrett Rott & DeNardo, Inc.

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

**Management's Discussion and Analysis**  
St. Charles Mesa Water District  
For the years ended December 31, 2018, 2017, and 2016

---

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, 2018. 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 4,273 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 statements 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 - 17 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, 2018, 2017, and 2016

**TABLE-1**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percentage</u>	<u>2016</u>	<u>Change</u>	<u>Percentage</u>
<b>Program Revenues</b>							
Water Sales	\$ 2,706,611	\$ 2,285,805	\$ 420,806	18.41%	\$ 2,356,768	\$ (70,963)	-3.01%
Other operating revenue	159,988	160,555	(567)	-0.35%	131,639	28,916	21.97%
<b>General and Other Revenues</b>							
Investment income	9,877	15,036	(5,159)	-34.31%	15,698	(662)	-4.22%
Gain on sale of assets	-	-	-	-	1,539	(1,539)	100.00%
<b>Total Revenues</b>	<u>2,876,476</u>	<u>2,461,396</u>	<u>415,080</u>	<u>16.86%</u>	<u>2,505,644</u>	<u>(44,248)</u>	<u>-1.77%</u>
<b>Program Expenses</b>							
Source of supply	414,394	447,617	(33,223)	-7.42%	419,870	27,747	6.61%
Water treatment	748,742	700,431	48,311	6.90%	652,322	48,109	7.38%
Transmission & distr.	569,361	599,507	(30,146)	-5.03%	538,784	60,723	11.27%
Administrative	717,776	596,767	121,009	20.28%	599,414	(2,647)	-0.44%
Interest expense	218,067	218,044	23	0.01%	221,293	(3,249)	-1.47%
Amortization of loss on debt extinguishment	7,991	7,991	-	0.00%	7,991	-	0.00%
Loss on bad debt	-	126,743	(126,743)	-100.00%	-	126,743	100.00%
<b>Total Expenses</b>	<u>2,676,331</u>	<u>2,697,100</u>	<u>(20,769)</u>	<u>-0.77%</u>	<u>2,439,674</u>	<u>257,426</u>	<u>10.55%</u>
Income (loss) before contributions	200,145	(235,704)	435,849	-184.91%	65,970	(301,674)	-457.29%
<b>Contributions</b>							
Capital Grants	625,802	26,000	599,802	2306.93%	9,499	16,501	173.71%
System development fees	<u>314,954</u>	<u>128,653</u>	<u>186,301</u>	<u>144.81%</u>	<u>147,465</u>	<u>(18,812)</u>	<u>-12.76%</u>
<b>Change in Net Position</b>	<u>\$ 1,140,901</u>	<u>\$ (81,051)</u>	<u>\$ 1,221,952</u>	<u>-1507.63%</u>	<u>\$ 222,934</u>	<u>\$ (303,985)</u>	<u>-136.36%</u>

**Total Revenues**

The combined revenue for the 2018 fiscal year totaled \$2,876,476 compared to the prior year of \$2,461,396. This is an increase of \$415,080 or 16.86%. The District experienced a (1.77%) decrease from 2016 to 2017. Combined revenues are comprised of water sales and land and water leases. The District received \$567,302 of capital grant money in 2018 to help with the Zinno subdivision improvements.

**Water Sales**

Water sales increased in 2018 by \$420,806 or 18.41% over the previous year of \$2,285,805. The District experienced a (3.01%) decrease in water sales from 2016 to 2017.

**Interest Earnings**

This past year has seen a decrease in the District's earnings from investments in 2018 compared to 2017. In 2017 the District earned \$15,036 compared to 2018 earnings of \$9,877. The decrease is due to the District's bond proceeds and capital improvement account funds being spent down. 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, 2018, 2017, and 2016

**Total Expenses**

Combined expenses for the 2018 fiscal year totaled \$2,676,331 compared to the prior year of \$2,697,100. This is a decrease of \$20,769 or (.77%). The District had a 10.55% increase in expenses from 2016 to 2017. 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 \$114,493 in 2018, \$132,784 in 2017 and \$158,599 in 2016.

**Capital Grants**

The housing market has improved in Pueblo County and in the St. Charles Mesa Water District. The subdivisions that the District approved for water service have sold a majority of their lots. We expect to see an increase in capital grants in 2019.

A condensed summary of the District's net position at December 31, 2018, 2017, and 2016 is presented below.

**TABLE-2**

<u>Statement of Net Position</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percentage</u>	<u>2016</u>	<u>Change</u>	<u>Percentage</u>
<b>Assets</b>							
Capital assets	\$ 16,023,603	\$ 14,987,423	\$ 1,036,180	6.91%	\$ 15,085,402	\$ (97,979)	-0.65%
Current and other assets	4,006,512	3,228,631	777,881	24.09%	3,598,843	(370,212)	-10.29%
<b>Total Assets</b>	<b>20,030,115</b>	<b>18,216,054</b>	<b>1,814,061</b>	<b>9.96%</b>	<b>18,684,245</b>	<b>(468,191)</b>	<b>-2.51%</b>
Deferred outflows	31,965	39,956	(7,991)	-20.00%	47,947	(7,991)	-16.67%
<b>Liabilities</b>							
Long term liabilities	6,949,522	6,395,800	553,722	8.66%	6,901,388	(505,588)	-7.33%
Other liabilities	690,007	578,560	111,447	19.26%	468,103	110,457	23.60%
<b>Total Liabilities</b>	<b>7,639,529</b>	<b>6,974,360</b>	<b>665,169</b>	<b>9.54%</b>	<b>7,369,491</b>	<b>(395,131)</b>	<b>-5.36%</b>
<b>Net Position</b>							
Invested in capital assets, net of related debt	9,257,956	8,423,183	834,773	9.91%	8,371,423	51,760	0.62%
Restricted for debt service	744,581	744,581	-	0.00%	744,581	-	0.00%
Unrestricted	2,420,014	2,113,886	306,128	14.48%	2,246,697	(132,811)	-5.91%
<b>Total Net Position</b>	<b>\$ 12,422,551</b>	<b>\$ 11,281,650</b>	<b>\$ 1,140,901</b>	<b>10.11%</b>	<b>\$ 11,362,701</b>	<b>\$ (81,051)</b>	<b>-0.71%</b>

**Net Position**

The District's net position increased in 2018. The District received bond proceeds in 2012 that are to be spent on capital assets. Activity has been ongoing through 2018, but some of the proceeds are unspent and are recognized as restricted cash in the Statement of Net Position. The 2017 total assets were \$18,216,054 and \$20,030,115 in 2018 an increase of \$1,814,061 or 9.96%. The District's total net position increased from 2017 to 2018 by \$1,140,901 or 10.11%.

**Management's Discussion and Analysis (Continued)**  
 St. Charles Mesa Water District  
 For the years ended December 31, 2018, 2017, and 2016

**Capital Expenditures**

During 2018 expenditures in capital projects totaled \$1,774,895.

**Water Purchases**

The District acquired 11.360 shares of Bessemer Irrigating Ditch Company stock in 2018, 6.00 shares in 2017 and 2.841 shares in 2016.

**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>12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18</u>
2012 Series A Water Revenue Bonds	\$ 4,885,000	\$ -	\$ -	\$ 4,885,000
2012 Series B Water Enterprise Bonds	795,000	-	320,000	475,000
Government Agency Bonds	<u>696,017</u>	<u>800,000</u>	<u>32,476</u>	<u>1,463,541</u>
<b>TOTAL</b>	<b><u>\$ 6,376,017</u></b>	<b><u>\$ 800,000</u></b>	<b><u>\$ 352,476</u></b>	<b><u>\$ 6,823,541</u></b>

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 helped stabilize the water rates over the last few years.

**Budget Highlights and Future Projects of the District**

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

- In 2018 the District completed the acquisition of the Zinno Subdivision and is referred to as Zone III. The subdivision will pay a higher minimum fee until the construction loan is paid.
- The District has changed 1997.50 shares of Bessemer Irrigation Ditch Company stock to municipal use in case's W-373 and 374, 04CW08 and 09CW91. The District will use 1,161.620 shares for municipal in 2019. The remaining 853.494 shares will be leased to farms until needed. The District owns a total of 2066.3020 shares.

**Management's Discussion and Analysis (Continued)**  
St. Charles Mesa Water District  
For the years ended December 31, 2018, 2017, and 2016

---

**Budget Highlights and Future Projects of the District (Continued)**

- The District installed 30 new water taps in 2018 providing revenue of \$314,954. The water tap sales in 2018 will carryforward into 2019 in a certificate of deposit, and future water tap sales will be added to the account to fund capital improvements and water rights purchases. The District has several improvement projects planned for 2019 that will be funded from this account.
- The District's Board and management took into account the last 5 years of water usage and increased the rate by 2.0% for 2019 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. The District installed 113 radio read meters in 2018 to complete the south side of the system. The District has budgeted for another 400 radio read meters in 2019. The District currently has 4,273 service connections and 3,004 have radio read meters installed. This has reduced the time spent reading meters and provides better water usage information for the District and our customers..
- The District secured a 2% loan from the Colorado Water Resources and Power Development Authority in the amount of \$752,297 in July 2017 for a small hydro power facility. The District completed construction March 10 and started power production April 1. The savings in power costs to the District should fund the project over the next 10 years.
- 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](http://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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 959,604	\$ 933,817
Certificates of deposit	1,126,751	1,122,969
Receivables	224,902	182,492
Inventories	176,534	162,457
Prepaid expenses	<u>65,410</u>	<u>64,924</u>
<b>Total Current Assets</b>	<u>2,553,201</u>	<u>2,466,659</u>
Noncurrent assets		
Restricted cash	252,800	17,391
Restricted certificates of deposit	744,581	744,581
Escrow - debt proceeds	455,930	-
Capital assets - net of depreciation	<u>16,023,603</u>	<u>14,987,423</u>
<b>Total Noncurrent Assets</b>	<u>17,476,914</u>	<u>15,749,395</u>
<b>Total Assets</b>	<u>20,030,115</u>	<u>18,216,054</u>
 <b>Deferred Outflows</b>	 <u>31,965</u>	 <u>39,956</u>
 <b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	112,326	147,383
Compensated absences	14,112	14,112
Capital leases	36,697	18,324
Long-term debt	419,180	352,477
Other current liabilities	<u>107,692</u>	<u>46,264</u>
<b>Total Current Liabilities</b>	<u>690,007</u>	<u>578,560</u>
Noncurrent liabilities		
Compensated absences	183,821	184,970
Capital leases	23,523	21,580
Long-term debt	<u>6,742,178</u>	<u>6,189,250</u>
<b>Total Noncurrent Liabilities</b>	<u>6,949,522</u>	<u>6,395,800</u>
<b>Total Liabilities</b>	<u>7,639,529</u>	<u>6,974,360</u>
 <b>Net Position</b>		
Invested in capital assets, net of related debt	9,257,956	8,423,183
Restricted	744,581	744,581
Unrestricted	<u>2,420,014</u>	<u>2,113,886</u>
<b>Total Net Position</b>	<u>\$ 12,422,551</u>	<u>\$ 11,281,650</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>		
Water sales	\$ 2,706,611	\$ 2,285,805
Other operating income	159,988	160,555
<b>Total Operating Revenues</b>	<u>2,866,599</u>	<u>2,446,360</u>
<b>Operating Expenses</b>		
Source of supply	414,394	447,617
Water treatment	748,742	700,431
Transmission and distribution	569,361	599,507
Administrative	717,776	596,767
<b>Total Operating Expenses</b>	<u>2,450,273</u>	<u>2,344,322</u>
<b>Net Operating Income (Loss)</b>	<u>416,326</u>	<u>102,038</u>
<b>Nonoperating Revenue (Expenses)</b>		
Interest and investment income	9,877	15,036
Interest expense	(218,067)	(218,044)
Amortization of loss on debt extinguishment	(7,991)	(7,991)
Loss on note receivable	-	(126,743)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(216,181)</u>	<u>(337,742)</u>
<b>Income (Loss) Before Capital Contributions</b>	<u>200,145</u>	<u>(235,704)</u>
<b>Capital Contributions</b>		
System development fees	314,954	128,653
Capital grants	625,802	26,000
<b>Total Capital Contributions</b>	<u>940,756</u>	<u>154,653</u>
<b>Change in Net Position</b>	1,140,901	(81,051)
<b>Total Net Position - Beginning</b>	<u>11,281,650</u>	<u>11,362,701</u>
<b>Total Net Position - Ending</b>	<u>\$ 12,422,551</u>	<u>\$ 11,281,650</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 2,668,069	\$ 2,260,372
Cash payments to suppliers for goods and services	(1,118,878)	(847,309)
Cash payments to employees for services	(657,809)	(690,317)
Other operating revenue	<u>159,988</u>	<u>160,555</u>
<b>Net Cash Provided by Operating Activities</b>	<u>1,051,370</u>	<u>883,301</u>
 <b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(1,468,447)	(529,728)
Proceeds from capital grants	567,302	-
Government agency bond advances	344,070	250,333
Principal paid on revenue bond maturities and capital lease obligations	(384,660)	(536,828)
Interest paid on revenue bonds and capital lease obligations	(227,048)	(230,824)
System development fees collected	<u>372,514</u>	<u>133,681</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(796,269)</u>	<u>(913,366)</u>
 <b>Cash Flows From Investing Activities</b>		
Interest income	9,877	11,924
Investments purchased	<u>(3,782)</u>	<u>(2,645)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>6,095</u>	<u>9,279</u>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	 261,196	 (20,786)
 <b>Cash and Cash Equivalents - Beginning</b>	 <u>951,208</u>	 <u>971,994</u>
 <b>Cash and Cash Equivalents - Ending</b>	 <u>\$ 1,212,404</u>	 <u>\$ 951,208</u>
 <b>Supplemental Disclosures of Non-Cash Financing and Investing Information</b>		
Financed assets acquired	<u>\$ 236,443</u>	<u>\$ 43,667</u>
 Capital Grants - in kind	 <u>\$ 58,500</u>	 <u>\$ 26,000</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating income	\$ 416,326	\$ 102,038
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	738,715	702,973
Capitalized labor	(11,505)	(5,599)
<b>(Increase) decrease in:</b>		
Accounts receivable	(42,410)	(25,165)
Inventory	(14,077)	1,969
Prepaid expense	(486)	1,303
<b>Increase (decrease) in:</b>		
Accounts payable and accrued expenses	(37,912)	92,626
Other current liabilities	3,868	(268)
Compensated absences	(1,149)	13,424
	<u>\$ 1,051,370</u>	<u>\$ 883,301</u>
<b>Net Cash Provided by Operations</b>		

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

**NOTES TO FINANCIAL STATEMENTS**  
**SAINT CHARLES MESA WATER DISTRICT**  
December 31, 2018 and 2017

---

**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 assets net of liabilities 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, 2018 and 2017

---

**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 position.

**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 for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has one item reported in 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, 2018 and 2017 was \$7,991 and \$7,991, respectively. The unamortized amount at December 31, 2018 and 2017 is \$31,965 and \$39,956, 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, 2018 and 2017

---

**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, 2018 and 2017 the amount of accrued sick leave and vacation pay was \$197,933 and \$199,082, respectively. A portion of compensated absences will be shown as a current liability for 2018, \$14,112 will be paid out in 2019 to an employee that is retiring from the District. The remaining portion of \$183,821 will be presented as long term debt.

**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 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 position.

**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 2018 or 2017.

**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 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, 2018 and 2017

---

**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, 2018 the District had deposits in excess of \$250,000 in the amount of \$2,333,536. 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, 2018 and 2017

**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>
<b><u>Deposits</u></b>			
Cash on hand	\$ 200	\$ 200	\$ -
Checking	709,817	709,817	-
Money Market	502,387	502,387	-
<b><u>Investments</u></b>			
Certificates of deposit	1,871,332	1,094,268	777,064
<b>Total Deposits</b>	<b><u>\$ 3,083,736</u></b>	<b><u>\$ 2,306,672</u></b>	<b><u>\$ 777,064</u></b>

**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, 2018 or 2017.

**Note D - Receivables**

Receivables consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Due from customers for water usage	\$ 137,267	\$ 142,138
Miscellaneous receivables	9,241	15,355
Grant receivable	74,755	21,360
Interest receivable	3,639	3,639
<b>Total Receivables</b>	<b><u>\$ 224,902</u></b>	<b><u>\$ 182,492</u></b>

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SAINT CHARLES MESA WATER DISTRICT**  
December 31, 2018 and 2017

**Note E - Note Receivable**

The District has a note receivable for Huerfano Cucharas Irrigation Company stock which originated in 2010. Despite several extensions the remaining balance of \$126,743 remains unpaid. The District fully reserved for this amount and the loss was recognized in 2017.

**Note F - Prepaid Expenses**

Prepaid expenses consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Prepaid insurance	\$ 39,466	\$ 40,882
Prepaid water storage	25,944	24,042
<b>Total Receivables</b>	<u>\$ 65,410</u>	<u>\$ 64,924</u>

**Note G - Changes in Capital Assets**

The following is a summary of the changes in capital assets for the year ended December 31, 2018.

	<u>Balance at</u> <u>12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/18</u>
Land and land rights	\$ 402,580	\$ -	\$ -	\$ 402,580
Water rights	561,412	-	-	561,412
Mutual irrigating company stock	3,253,199	72,760	-	3,325,959
Source of supply plant	6,433,100	11,800	-	6,444,900
Pumping plant	451,136	-	-	451,136
Water treatment plant	4,643,515	38,354	705	4,681,164
Transmission and distribution system	10,087,491	1,403,985	9,335	11,482,141
General plant	394,333	-	-	394,333
Equipment and vehicles	992,216	75,830	53,479	1,014,567
Non-utility property	497,834	-	-	497,834
Construction in progress	-	172,166	-	172,166
<b>Totals</b>	<u>\$ 27,716,816</u>	<u>\$ 1,774,895</u>	<u>\$ 63,519</u>	<u>\$ 29,428,192</u>
Less accumulated depreciation	(12,729,393)			(13,404,589)
<b>Net Capital Assets</b>	<u>\$ 14,987,423</u>			<u>\$ 16,023,603</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$738,715 and \$702,973 respectively.

**Note H - Accounts Payable and Accrued Liabilities**

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

	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 75,441	\$ 113,288
Accrued property taxes	22,860	22,943
Accrued payroll taxes	378	360
Accrued interest	13,647	10,792
<b>Total Accrued Liabilities</b>	<u>\$ 112,326</u>	<u>\$ 147,383</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SAINT CHARLES MESA WATER DISTRICT**  
 December 31, 2018 and 2017

---

**Note I - Property Taxes**

The District has not levied a property tax for 2018 or 2017.

**Note J - Other Current Liabilities**

Other current liabilities consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Customer deposits	\$ 77,028	\$ 19,468
Fire hydrant maintenance	10,447	10,447
Rents - non-utility property	20,217	16,349
	\$ 107,692	\$ 46,264

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 K - 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 a third party benefits provider.

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, 2018 and 2017, employee contributions totaled \$18,495 and \$21,382, and the District recognized pension expense of \$29,419 and \$31,274, 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, 2018 and 2017.

There was no outstanding liability for pension contributions as of December 31, 2018 and 2017.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SAINT CHARLES MESA WATER DISTRICT**  
December 31, 2018 and 2017

**Note L - Line of Credit**

The District has a line of credit with Sunflower Bank that is annually renewable and will mature September 3, 2019. The maximum loan amount is \$200,000, and interest is due on the outstanding principal at the rate of 4.25%. There was no borrowing on the credit line and no balance outstanding at December 31, 2018.

**Note M - Capital Leases**

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%

On November 15, 2016 the District entered into a lease with Forsythe Solutions Group with an equipment acceptance date of January 1, 2017. Payments are due in three annual installments of \$14,757 including interest at 9.494%.

On January 10, 2018 the District entered into a lease with John Deere in the amount of \$38,640. Payments are due in two annual installments of \$20,738 including interest of 4.75%.

	<u>December</u> <u>31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>December</u> <u>31, 2018</u>	<u>Current</u> <u>Portion</u>
Merchants Capital	\$ 23,006	\$ -	\$ 18,324	\$ 4,682	\$ 4,682
Forsythe Solutions	16,898	-	-	16,898	13,153
John Deere	-	38,640	-	38,640	18,862
	<u>\$ 39,904</u>	<u>\$ 38,640</u>	<u>\$ 18,324</u>	<u>\$ 60,220</u>	<u>\$ 36,697</u>

Future years repayment schedule:

	Principal	Interest	Total
2019	\$ 36,697	\$ 3,521	\$ 40,218
2020	<u>23,523</u>	<u>1,316</u>	<u>24,839</u>
	<u>\$ 60,220</u>	<u>\$ 4,837</u>	<u>\$ 65,057</u>

**Note N - Long-Term Debt**

The following is a summary of long term debt transactions of the District for the year ended December 31, 2018:

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SAINT CHARLES MESA WATER DISTRICT**  
December 31, 2018 and 2017

**Note N - Long-Term Debt (Continued)**

	<u>December 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2018</u>	<u>Current Portion</u>
Series 2012A water enterprise bonds	\$ 4,885,000	\$ -	\$ -	\$ 4,885,000	-
Series 2012B water enterprise bonds	795,000	-	320,000	475,000	330,000
Government Agency Bonds	696,017	-	32,476	663,541	33,129
Govt. Agency Bonds CWR and PDA	-	800,000	-	800,000	40,000
Joseph Co.	-	197,803	13,860	183,943	16,051
Unamortized premiums	165,710	-	11,836	153,874	-
<b>Total</b>	<u>\$ 6,541,727</u>	<u>\$ 997,803</u>	<u>\$ 378,172</u>	<u>\$ 7,161,358</u>	<u>\$ 419,180</u>

Long-term debt at December 31, 2018 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>
2019	\$ 330,000	\$ 193,623	\$ 523,623
2020	340,000	183,392	523,392
2021	355,000	172,613	527,613
2022	365,000	161,962	526,962
2023	380,000	147,363	527,363
2024 - 2028	2,125,000	503,262	2,628,262
2029 - 2031	<u>1,465,000</u>	<u>110,013</u>	<u>1,575,013</u>
	<u>\$ 5,360,000</u>	<u>\$ 1,472,228</u>	<u>\$ 6,832,228</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SAINT CHARLES MESA WATER DISTRICT**  
 December 31, 2018 and 2017

**Note N - Long-Term Debt (Continued)**

2. 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%.

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>
2019	\$ 33,129	\$ 13,106	\$ 46,235
2020	33,795	12,440	46,235
2021	34,475	11,761	46,236
2022	35,168	11,067	46,235
2023	35,875	10,361	46,236
2024 - 2028	190,483	40,695	231,178
2029 - 2033	210,412	20,766	231,178
2034 - 2035	90,204	2,266	92,470
	\$ 663,541	\$ 122,462	\$ 786,003

3. 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 to connect the Zinno Subdivision into the District's service area by installing a new distribution system, service lines and meters. The loan amount is \$800,000 and payments begin May 2019. Interest rate is 0%.

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 equal to at least 110% of annual debt service requirements.

Future years repayment schedule:

	<u>Principal</u>
2019	\$ 40,000
2020	40,000
2021	40,000
2022	40,000
2023	40,000
2024 - 2028	200,000
2029 - 2033	200,000
2034 - 2038	200,000
	\$ 800,000

**NOTES TO FINANCIAL STATEMENTS (Continued)**

SAINT CHARLES MESA WATER DISTRICT

December 31, 2018 and 2017

---

**Note N - Long-Term Debt (Continued)**

4. The District acquired the Zinno Water Users Group at a cost of \$2,000 a month for 125 months for a total of \$250,000 with no stated interest. For financial statements purposes the note balance has been discounted by \$52,197 to reflect an average interest rate of 4.5% over the life of the loan.

Future years repayment schedule:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 16,051	\$ 13,106	\$ 29,157
2020	16,788	12,440	29,228
2021	17,560	11,761	29,321
2022	18,366	11,067	29,433
2023	19,210	10,361	29,571
2024 - 2028	95,968	10,032	106,000
	<u>\$ 183,943</u>	<u>\$ 68,767</u>	<u>\$ 252,710</u>

**Note O - 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.

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, 2018

	<u>Original</u> <u>Budget</u>	<u>Amended</u> <u>Budget</u>	<u>2018</u> <u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Operating Revenues</b>				
Water revenues	\$ 2,328,000	\$ 2,328,000	\$ 2,706,611	\$ 378,611
Interest income	12,000	12,000	9,877	(2,123)
Other income	112,309	112,309	159,988	47,679
<b>Total Operating Revenues</b>	<u>2,452,309</u>	<u>2,452,309</u>	<u>2,876,476</u>	<u>424,167</u>
<b>Nonoperating Revenues</b>				
Capital contributions	112,233	112,233	940,756	828,523
Debt proceeds	513,000	588,000	577,796	(10,204)
<b>Total Nonoperating Revenues</b>	<u>625,233</u>	<u>700,233</u>	<u>1,518,552</u>	<u>818,319</u>
<b>Total Revenues</b>	<u>3,077,542</u>	<u>3,152,542</u>	<u>4,395,028</u>	<u>1,242,486</u>
<b>Operating Expenses</b>				
<b>Source of Supply</b>				
Salaries and employee benefits	41,102	41,102	30,592	10,510
Repairs and maintenance	127,000	127,000	76,648	50,352
Water assessments	204,400	204,400	177,107	27,293
Supplies and other expenses	6,500	6,500	2,395	4,105
<b>Total Source of Supply</b>	<u>379,002</u>	<u>379,002</u>	<u>286,742</u>	<u>92,260</u>
<b>Water Treatment Expense</b>				
Salaries and employee benefits	199,428	199,428	195,113	4,315
Repairs and maintenance	105,000	105,000	64,860	40,140
Chemicals	95,000	95,000	100,488	(5,488)
Power purchased for pumping	180,000	180,000	179,656	344
Supplies and other expenses	34,515	34,515	21,472	13,043
<b>Total Water Treatment Expense</b>	<u>613,943</u>	<u>613,943</u>	<u>561,589</u>	<u>52,354</u>
<b>Transmission and Distribution Expense</b>				
Salaries and employee benefits	239,757	239,757	182,579	57,178
Repairs and maintenance	60,191	60,191	73,819	(13,628)
Supplies and other expenses	13,500	13,500	15,306	(1,806)
<b>Total Transmission and Distribution Expense</b>	<u>313,448</u>	<u>313,448</u>	<u>271,704</u>	<u>41,744</u>
<b>Administrative and General Expenses</b>				
Salaries and employee benefits	241,635	241,635	248,376	(6,741)
Utilities and miscellaneous	20,300	20,300	20,641	(341)
Insurance	60,424	60,424	46,849	13,575
Office supplies and expenses	82,900	82,900	39,417	43,483
Professional services	205,200	205,200	224,431	(19,231)
Building repairs and maintenance	92,500	92,500	36,531	55,969
Directors, elections and other	26,200	26,200	20,541	5,659
Travel	17,000	17,000	7,280	9,720
Dues and subscriptions	13,500	13,500	24,772	(11,272)
Contingencies	75,000	75,000	-	75,000
<b>Total Administrative and General Expenses</b>	<u>834,659</u>	<u>834,659</u>	<u>668,838</u>	<u>165,821</u>
<b>Total Operating Expenses</b>	<u>2,141,052</u>	<u>2,141,052</u>	<u>1,788,873</u>	<u>352,179</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, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>2018 Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Nonoperating Expenditures</b>				
Interest expense	\$ 204,583	\$ 204,583	\$ 229,903	\$ (25,320)
Principal paid on debt	320,000	320,000	370,801	(50,801)
Capital outlay	<u>920,015</u>	<u>995,015</u>	<u>1,061,284</u>	<u>(66,269)</u>
<b>Total Nonoperating Expenditures</b>	<u>1,444,598</u>	<u>1,519,598</u>	<u>1,661,988</u>	<u>(142,390)</u>
<b>Total Expenditures</b>	<u>3,585,650</u>	<u>3,660,650</u>	<u>3,450,861</u>	<u>209,789</u>
<b>Excess of Revenues Over (Under) Expenditures (Budgetary Basis)</b>	(508,108)	(508,108)	944,167	1,452,275
<b>Funds Available - Beginning of Year</b>	<u>1,153,011</u>	<u>1,153,011</u>	<u>2,785,732</u>	<u>1,632,721</u>
<b>Funds Available - End of Year</b>	<u>\$ 644,903</u>	<u>\$ 644,903</u>	<u>\$ 3,729,899</u>	<u>\$ 3,084,996</u>

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

**BUDGET RECONCILIATION**  
SAINT CHARLES MESA WATER DISTRICT  
December 31, 2018

---

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

<b>Revenue (Budgetary Basis)</b>	\$ 4,395,028
Less:	
Debt proceeds	(577,796)
Capital grants	(625,802)
System development fees	(314,954)
Plus:	
Gain on sale of assets	<u>          -</u>
<b>Revenue (GAAP Basis)</b>	<u>2,876,476</u>
 <b>Expenses (Budgetary Basis)</b>	 3,450,861
Plus:	
Amortization	7,991
Depreciation	738,715
Loss on bad debt	-
Less:	
Capital outlay	(1,127,094)
Labor costs capitalized	(11,505)
Principal payments	<u>(382,637)</u>
<b>Expenses (GAAP Basis)</b>	<u>2,676,331</u>
<b>Income (Loss) Before Capital Contribution</b>	<u>\$ 200,145</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Source of Supply</b>		
Salaries and employee benefits	\$ 28,002	\$ 57,173
Repairs and maintenance	47,921	49,662
Water assessments	177,107	174,842
Supplies and other expenses	2,395	1,493
Depreciation	<u>158,969</u>	<u>164,447</u>
<b>Total Source of Supply</b>	<u>414,394</u>	<u>447,617</u>
 <b>Water Treatment Expense</b>		
Salaries and employee benefits	195,113	173,199
Repairs and maintenance	53,914	56,959
Chemicals	100,488	77,059
Power purchased for pumping	179,656	176,202
Supplies and other expenses	21,472	23,501
Depreciation	<u>198,099</u>	<u>193,511</u>
<b>Total Water Treatment Expense</b>	<u>748,742</u>	<u>700,431</u>
 <b>Transmission and Distribution Expense</b>		
Salaries and employee benefits	173,664	226,854
Repairs and maintenance	67,512	75,866
Supplies and other expenses	15,306	10,650
Depreciation	<u>312,879</u>	<u>286,137</u>
<b>Total Transmission and Distribution Expense</b>	<u>569,361</u>	<u>599,507</u>
<b>Total Water Operating Expenses</b>	<u>\$ 1,732,497</u>	<u>\$ 1,747,555</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, 2018 and 2017

---

	<u>2018</u>	<u>2017</u>
Depreciation	\$ 68,768	\$ 58,878
Directors' fees and meeting expenses	8,000	8,900
Dues and subscriptions	24,772	13,115
Election costs	12,541	-
Insurance	46,849	43,075
Office supplies and expenses	39,417	39,881
Professional fees	204,601	132,784
Repairs and maintenance	36,531	35,367
Salaries and employee benefits	248,376	240,916
Travel	7,280	5,728
Utilities	<u>20,641</u>	<u>18,123</u>
<b>Total Administrative and General Expenses</b>	<b><u>\$ 717,776</u></b>	<b><u>\$ 596,767</u></b>

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

**SCHEDULES OF DEBT SERVICE COVERAGE CALCULATION**

**SAINT CHARLES MESA WATER DISTRICT**

For the years ended December 31, 2018 and 2017

	<b><u>2018</u></b>	<b><u>2017</u></b>
Gross operating revenue	\$ 2,866,599	\$ 2,446,360
Investment income	9,877	15,036
System development fees	<u>314,954</u>	<u>128,653</u>
<b>Total Revenue (Excluding Capital Grants)</b>	<b><u>3,191,430</u></b>	<b><u>2,590,049</u></b>
Total operating expenses	2,450,273	2,344,322
Less depreciation expense	<u>(738,715)</u>	<u>(702,973)</u>
<b>Adjusted Operating Expenses</b>	<b><u>1,711,558</u></b>	<b><u>1,641,349</u></b>
<b>Net Revenue</b>	<b><u>\$ 1,479,872</u></b>	<b><u>\$ 948,700</u></b>
Debt service expenditures:		
Series 2012 A water enterprise bonds	\$ -	\$ -
Series 2012 B water enterprise bonds	320,000	315,000
Government agency bonds	32,476	177,362
Joseph Co.	<u>13,860</u>	<u>-</u>
<b>Total Debt Service Expenditures</b>	<b><u>366,336</u></b>	<b><u>492,362</u></b>
Required ratio	110%	110%
<b>Net Revenue Required</b>	<b><u>402,970</u></b>	<b><u>541,598</u></b>
<b>Excess (Deficit)</b>	<b><u>\$ 1,076,902</u></b>	<b><u>\$ 407,102</u></b>

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